

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

**In the Matter of**

**CERTAIN TOBACCO HEATING ARTICLES  
AND COMPONENTS THEREOF**

**INV. NO. 337-TA-1199**

**ORDER NO. 19: DENYING RESPONDENTS' MOTION FOR LEAVE TO AMEND  
THEIR RESPONSE TO THE COMPLAINT**

(October 22, 2020)

On August 14, 2020, respondents Altria Client Services LLC, Altria Group, Inc., Philip Morris USA, Inc., Philip Morris International Inc., and Philip Morris Products S.A. (collectively, "Respondents") filed a motion ("Mot.") and supporting memorandum ("Memo") seeking leave to amend their response to the amended complaint in this investigation to add an affirmative defense of inequitable conduct with respect to U.S. Patent No. 9,901,123 (the "123 patent") asserted by complainants RAI Strategic Holdings, Inc., R.J. Reynolds Vapor Company, and R.J. Reynolds Tobacco Company (collectively, "Reynolds"). Motion Docket No. 1199-008. Respondents' proposed inequitable conduct defense ("Proposed Defense") is attached as Appendix A to the pending motion. Reynolds filed an opposition ("Opp'n") to the motion on August 26, 2020, and the Commission Investigative Staff filed a response opposing the requested relief on August 26, 2020.<sup>1</sup>

<sup>1</sup> Respondents subsequently filed a motion seeking leave to reply to Reynolds's opposition and the Staff's response. Motion Docket No. 1199-009. Respondents attached a proposed reply brief as Exhibit A to the motion for leave. Motion No. 1199-009 for leave is denied.

Respondents have failed to show good cause to amend their response because, *inter alia*, they delayed seeking leave to amend their response to the complaint while they were in possession of the information that supposedly forms the basis of alleged inequitable conduct defense. The proposed amendment asserts that the inventors listed on the patents at issue deliberately withheld from the Patent Office certain information about e-cigarettes and e-cigars sold in China under the Ruyan brand name (“Ruyan Information”). *See* Proposed Defense ¶ 6. Respondents’ Proposed Defense focuses on an internal Reynolds report about the Ruyan product (the “Ruyan Report”) that was produced in discovery on June 1, 2020.<sup>2</sup> *See* Mot. at 2. Within days of receiving the Ruyan Report, Respondents were aware of its alleged significance. *See* Memo at 7–8. Respondents nevertheless waited until August 14, 2020, to file their motion for leave to amend their response.

Respondents argue their motion is timely because it is based on “newly-obtained facts” gathered in discovery, but this argument is not persuasive. *See* Memo at 1. Although Respondents conducted third-party discovery after receiving the Ruyan Report, Respondents have made no showing that the later third-party discovery formed the basis for any allegation in the Proposed Defense. Indeed, the Proposed Defense is based nearly entirely on the Ruyan Report produced in discovery on June 1.

With only a handful of months available for discovery in this investigation, Respondents should have moved promptly for any amendment to the pleadings. The fact discovery period in this investigation has now ended and the period for expert discovery is drawing to a close. *See* Order No. 5 (June 11, 2020). Re-opening discovery to explore the Proposed Defense would unduly delay the completion of this investigation to no good end (as discussed further below). For at least

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<sup>2</sup> Reynolds produced another version of the Ruyan Report on June 12, 2020. *See* Opp’n at 16.

these reasons, there is no good cause to amend Respondents' response to add the proposed inequitable conduct defense.

Even if Respondents' motion to amend were timely, it would fail because it is futile. An amendment to add an inequitable conduct defense is futile unless the respondent proffers "sufficient facts supporting the amended pleading that the claim could survive a dispositive pretrial motion." See *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A. de C.V.*, 464 F.3d 1339, 1355 (Fed. Cir. 2006); see also *Certain Wearable Monitoring Devices, Sys., & Components Thereof* ("Wearable Devices"), Inv. No. 337-TA-1190, Order No. 11, at 6–7 (May 6, 2020) ("Permitting Respondents' amended affirmative defense of inequitable conduct would be futile because the amended pleading falls short of the required standards."); *Certain Wireless Commc'ns Base Stations & Components Thereof*, Inv. No. 337TA-871, Order No. 11, at 5 (July 5, 2013) (denying motion to amend a response to a complaint because the motion did not demonstrate any legal support for the proposed defense); *Certain Liquid Crystal Display Devices & Prod. Containing the Same*, Inv. No. 337-TA-782, Order No. 8, at 7 (Oct. 4, 2011) (inequitable conduct allegations lacked necessary detail to demonstrate nondisclosed information was material).

Inequitable conduct generally requires a showing of (1) specific intent to deceive the Patent Office and (2) "but-for materiality," meaning that the patent would not have issued but for the misrepresentation or omission. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011) (*en banc*). As explained below, the facts pleaded here, even if assumed to be true, fail to support Respondents' proposed defense.

While Respondents allege the inventors "intentionally withheld the Ruyan Report and their knowledge of the Ruyan device from the Patent Office" (Memo at 17), no reasonable factfinder could reach that conclusion based on the alleged facts. Significantly, the Proposed Defense *admits*

that the inventors disclosed the Ruyan devices to the Patent Office. Proposed Defense at ¶ 9; *see also* Memo at 15.

Additionally, the proposed pleading alleges no facts that contradict the prosecution history included with the complaint. That record shows that the inventors specifically disclosed the Ruyan devices during examination of the relevant applications. For example, the inventors identified the Ruyan devices by name in the written description portion of the applications. *See, e.g.*, '123 patent at 14:15–24, 19:31–36. The inventors also pointed out the housing, end cover, power source, electronic control, sensing mechanism, and resistance heating element of the Ruyan devices in the specification. *Id.* at 19:56–59, 20:8–11, 20:26–32, 20:43–47, 20:52–55, 21:45–48.

The inventors further identified multiple patent applications related to the Ruyan devices. The '123 patent application was accompanied by an Information Disclosure Statement (“IDS”) listing at least twelve Ruyan patents directed to electronic smoking articles. Compl. App. C ('123 file history) at 20–33 (EDIS Doc. ID 707376). The IDS included WO 2004/095955, which is the Ruyan patent cited in the Ruyan Report that forms the basis of the Proposed Defense. *Id.* The Proposed Defense acknowledges, rather than disputes, the filing of this IDS. *See* Proposed Defense ¶ 13.

Because Respondents’ theory rests on a report that is cumulative to information amply presented to the examiner, the proposed amendment would not survive a dispositive motion and is therefore futile. *See Astrazeneca Pharm. LP v. Teva Pharm. USA, Inc.*, 583 F.3d 766, 776 (Fed. Cir. 2009) (affirming summary judgment of no inequitable conduct where there was no showing that the allegedly withheld information was material).

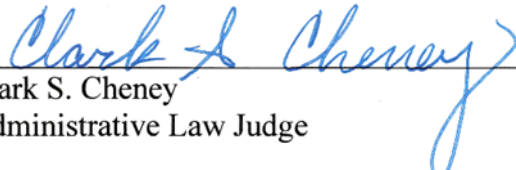
Respondents’ amendment is also futile for the additional independent reason that it does not plead specific facts that would support an inference that a particular person acted with intent

to deceive the Patent Office. *See Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328-29 (Fed. Cir. 2009) (inequitable conduct pleadings “must include sufficient allegations of underlying *facts* from which a court may reasonably infer that *a specific individual* (1) *knew* of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information *with a specific intent to deceive the PTO*” (emphasis added)). The pleading makes several suppositions about the inner thoughts of the inventors collectively, *see, e.g.*, Proposed Defense ¶¶ 23-24, but it contains no *factual* allegations that would support an inference that a specific individual took action with intent to deceive the Patent Office. Respondents have therefore failed to meet their burden at the pleading stage for this additional reason. *See Exergen*, 575 F.3d at 1328–29.

For each of the independent reasons set forth above, Motion No. 1199-008 is denied.

Within two days of the date of this document, the parties shall jointly submit a single proposed public version with any proposed redactions indicated in red. If the parties submit excessive redactions, they may be required to provide declarations from individuals with personal knowledge, justifying each proposed redaction and specifically explaining why the information sought to be redacted meets the definition for confidential business information set forth in 19 C.F.R. § 201.6(a). To the extent possible, the proposed redactions should be made electronically, in a single PDF file using the “Redact Tool” within Adobe Acrobat. The proposed redactions should be submitted as “marked” but not yet “applied.” The proposed redactions should be submitted via email to [Cheney337@usitc.gov](mailto:Cheney337@usitc.gov) and not filed on EDIS.

**SO ORDERED.**

  
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Clark S. Cheney  
Administrative Law Judge

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