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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of
CERTAIN TOBACCO HEATING
ARTICLES AND COMPONENTS
THEREOF

Investigation No. 337-TA-1199

COMMISSION OPINION

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On July 27, 2021, the Commission determined to review in part the final initial determination (“FID”) issued by the presiding administrative law judge (“ALJ”) on May 14, 2021. 86 Fed. Reg. 41509-11 (Aug. 2, 2021). On review, the Commission has determined that there has been a violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, with respect to claims 27-30 of U.S. Patent No. 9,901,123 (“the ’123 patent”) and claims 1-3 and 5 of U.S. Patent No. 9,930,915 (“the ’915 patent”). This opinion sets forth the Commission’s reasoning in support of that determination.

I. BACKGROUND

A. Procedural History

On May 15, 2020, the Commission instituted this investigation based on a complaint filed by RAI Strategic Holdings, Inc., R.J. Reynolds Vapor Company, and R.J. Reynolds Tobacco Company, all of Winston-Salem, North Carolina (collectively, “Reynolds” or “Complainants”). 85 Fed. Reg. 29482-83 (May 15, 2020). The complaint, as supplemented, alleges a violation of section 337 based upon the importation of certain tobacco heating articles and components thereof by reason of infringement of certain claims of the ’238 patent, the ’915 patent, and the ’123 patent (collectively, “the Asserted Patents”). *Id.* The complaint also alleges the existence of a domestic industry. The notice of investigation names the following respondents: Altria Client Services LLC (“ACS”), Altria Group, Inc. (“AGI”), and Philip Morris USA, Inc. (“Philip Morris USA”), all of Richmond, Virginia; Philip Morris International Inc. (“PMI”) of New York, New York; and Philip Morris Products S.A. (“PMP”) of Neuchatel, Switzerland (collectively, “Philip Morris” or “Respondents”). *See id.* The Office of Unfair Import Investigations (“OUII”) is also a party to the investigation. *See id.*

The notice of investigation instructed the presiding ALJ to make findings regarding the public interest. 85 Fed. Reg. at 29482-83.

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Reynolds subsequently amended the complaint and notice of investigation to add allegations of infringement of claim 3 of the '915 patent. Order No. 9 (July 29, 2020), *unreviewed by* Notice (Aug. 18, 2020); *see also* 85 Fed. Reg. 52152 (Aug. 4, 2020).

The Commission later terminated respondents AGI and PMI from the investigation based on Complainants' partial withdrawal of the complaint. *See* Order No. 24 (Dec. 14, 2020), *unreviewed by* Notice (Jan. 5, 2021).

The ALJ held a claim construction hearing on September 17, 2020. FID at 3. On January 6, 2021, the ALJ issued a *Markman* order (Order No. 28) construing certain disputed terms. Order No. 28 (Jan. 6, 2021).

On January 19, 2021, the ALJ granted in part Reynolds's motion for summary determination that it has satisfied the economic prong of the domestic industry requirement under section 337(a)(3)(A) and (B) with respect to the '238 and '915 patents. Order No. 35 at 5-6 (Jan. 19, 2021), *affirmed in part by* Notice (Feb. 18, 2021). On review, the Commission affirmed the grant of summary determination with respect to section 337(a)(3)(A) and provided supplemental analysis. Notice (Feb. 18, 2021). The Commission reviewed but took no position as to the finding that the economic prong was satisfied under section 337(a)(3)(B). *Id.*

Prior to the evidentiary hearing, Reynolds and Philip Morris entered into two stipulations regarding undisputed facts. JX-0011C (Stipulation Among the Private Parties to Narrow the Issues for the Evidentiary Hearing) ("Stip."); JX-0121C (Joint Stipulation Regarding Economic Domestic Industry) ("DI Stip.").

The ALJ held a prehearing conference on January 22, 2021. Hrg. Tr. 1-1603. The ALJ held an evidentiary hearing from January 25 to February 1, 2021. *Id.*

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On May 14, 2021, the presiding ALJ issued the FID, finding that a violation of section 337 has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation, of certain tobacco heating articles and components thereof based on infringement of claims 27-30 of the '123 patent and claims 1-3 and 5 of the '915 patent. FID at 99-100. The relevant findings are summarized as follows:

- The importation requirement is satisfied. *Id.* at 15.
- The Commission has subject matter, personal, and *in rem* jurisdiction in this investigation. *Id.* at 14-16; Stip. ¶¶ 132-134.
- Reynolds has standing in this investigation due to its ownership by assignment of the Asserted Patents. *Id.* at 16.
- Philip Morris's accused products infringe claims 27-30 of the '123 patent. *Id.* at 25-36. Claims 27-30 have not been shown to be invalid. *Id.* at 37-41.
- Philip Morris's accused products infringe claims 1-3 and 5 of the '915 patent. *Id.* at 41-54. Claims 1-3 and 5 have not been shown to be invalid. *Id.* at 57-64.
- Philip Morris's accused products do not infringe claim 19 of the '238 patent. *Id.* at 64-79. Claim 19 is invalid as anticipated under 35 U.S.C. § 102¹ by two prior art references. *Id.* at 84-92.
- The technical prong of the domestic industry requirement has been satisfied with respect to the '123, '915, and '238 patents. *Id.* at 36-37, 55-57, 79-84.
- The economic prong of the domestic industry requirement has been satisfied with respect to the '123, '915, and '238 patents. *Id.* at 92-99.

The FID includes the ALJ's recommended determination ("RD") on remedy, the public interest, and bonding should the Commission find a violation of section 337. *Id.* at 123-131.

Specifically, the RD recommends the issuance of a limited exclusion order ("LEO") barring entry of products that infringe asserted claims of the Asserted Patents. FID at 124-126. The RD

¹ The issue of whether the '238 patent has been shown to be invalid is considered under 35 U.S.C. § 102, as amended by the America Invents Act ("AIA") 35 U.S.C. § 102. However, the '915 and '123 patents predate enactment of the AIA on March 16, 2013, and thus must be considered under the pre-AIA statutes.

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