

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

**CERTAIN REDUCED IGNITION
PROCLIVITY CIGARETTE PAPER
WRAPPERS AND PRODUCTS
CONTAINING SAME**

Investigation No. 337-TA-756

**NOTICE OF COMMISSION DETERMINATION TO PARTIALLY REVIEW THE
FINAL INITIAL DETERMINATION OF THE ADMINISTRATIVE LAW JUDGE**

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to partially review the final initial determination (“ID”) of the presiding administrative law judge (“ALJ”) in the above-captioned investigation under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 (“section 337”). The ALJ found no violation of section 337.

FOR FURTHER INFORMATION CONTACT: James A. Worth, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-3065. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission’s TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation on January 27, 2011, based on a complaint filed by Schweitzer-Mauduit International, Inc. (“Schweitzer”) of Alpharetta, Georgia. 76 *Fed. Reg.* 4935 (January 27, 2011). The complaint alleges violations of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the sale for importation, importation, or sale after importation of certain reduced ignition proclivity cigarette paper wrappers and products containing same by reason of infringement of certain claims of U.S. Patent Nos. 5,878,753 (“the ‘753 patent”) and 6,725,867 (“the ‘867 patent”). The Commission’s notice of investigation named Astra Tobacco Corporation of Chapel Hill, North

Carolina; delfortgroup AG of Traun, Austria; LIPtec GmbH of Neidenfels, Germany; and Julius Glatz GmbH of Neidenfels, Germany as respondents.

On April 15, 2011, the Commission issued notice of its determination not to review an ID (Order No. 5) granting Schweitzer's motion to amend the complaint and notice of investigation to add seven more respondents: Dr. Franz Feurstein GmbH of Traun, Austria; Papierfabrik Wattens GmbH & Co. KG of Wattens, Austria; Dosal Tobacco Corp. of Miami, Florida; Farmer's Tobacco Co. of Cynthia, Kentucky; KneX Worldwide, LLC of Charlotte, North Carolina; S&M Brands, Inc. of Keysville, Virginia; Tantus Tobacco LLC of Russell Springs, Kentucky.

On December 1, 2011, the Commission determined not to review an ID (Order No. 30) of the administrative law judge terminating Respondents delfortgroup AG, Dr. Franz Feurstein GmbH, Papierfabrik Wattens GmbH & Co. KG, Astra Tobacco Corp., Dosal Tobacco Corp., Farmer's Tobacco Co., S&M Brands, Inc., and Tantus Tobacco LLC (collectively, the "Delfort Respondents") from the investigation. Respondents Julius Glatz GmbH, LIPtec GmbH, and KneX Worldwide LLC (collectively, "Glatz") remain in the investigation.

An evidentiary hearing was held from October 31, 2011, to November 8, 2011. On February 1, 2012, the presiding administrative law judge issued a final initial determination finding no violation of section 337 in the above-identified investigation. Specifically, the ALJ found that there was no violation with respect to either the '753 patent or the '867 patent by Glatz. The ALJ also issued a recommended determination on remedy, the public interest, and bonding.

Schweitzer filed a petition for review of the final ID. Glatz filed a contingent petition for review. Each of the parties filed a response to the petitions for review.

Having examined the final ID, the petitions for review, the responses thereto, and the relevant portions of the record in this investigation, the Commission has determined to review the final ID as follows. With respect to the '753 patent, the Commission has determined to review the construction of the term "gradually" in the asserted claims and the issues of direct and indirect infringement, obviousness, definiteness, utility, and the technical prong of the domestic industry requirement in the ID. With respect to the '867 patent, the Commission has determined to review the construction of the term "film forming composition" in the asserted claims and the issues of direct and indirect infringement, priority date, statutory bar under 35 U.S.C. § 102(b), anticipation, obviousness, written description, enablement, and the technical prong of the domestic industry requirement in the ID.

The parties are requested to brief their positions on only the following questions, with reference to the applicable law and the evidentiary record:

- (1) In the asserted claims of the '753 patent, the ALJ defined the term "gradually" to mean "incrementally."

- (a) Does the term “incrementally” carry a connotation of a change that occurs in discrete increments, such as in a staircase, that is unnecessarily limiting? In your answer, please address the reference to a “ramp-like profile” in dependent claim 3 and assume that the Commission concurs with the ALJ’s determination that “ramp-like profile” refers to the physical shape of the claimed bands.
 - (b) Assuming that the term “incrementally” is unnecessarily limiting, would the term “gradually” be construed to mean an increase or decrease in permeability that occurs in small steps or degrees and that is not abrupt or sudden?
 - (c) How would a person of ordinary skill in the art distinguish between an increase or decrease that is in small steps or degrees from one that is abrupt or sudden? If such a person would be unable to make such a distinction, are the asserted claims indefinite as insufficient “to permit a potential competitor to determine whether or not he is infringing”? *Exxon Research and Eng’g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001). What slopes would be considered gradual? For example, is a slope of 89 degrees considered gradual rather than abrupt? Please respond with citations to the record.
 - (d) Address how, if at all, adoption of the claim construction indicated in (b) above would affect the ALJ’s analysis of infringement, validity, and the domestic industry.
- (2) As to the ‘753 patent, what is the significance of points that fall entirely within the treated area?
 - (3) Is the iodine test an independent basis for establishing infringement of the asserted claims of the ‘753 patent and for satisfying the technical prong of the domestic industry requirement with respect to the ‘753 patent?
 - (4) The Commission has determined not to review the ALJ’s construction of the term “film forming composition” as it appears in the asserted claims of the ‘753 patent. Is the Commission bound by the parties’ stipulation that the term should be construed in the same way in the ‘867 patent? *See Exxon Chemical Patents v. Lubrizol Corp.*, 64 F.3d 1553, 1555 (Fed. Cir. 1995) (“In the exercise of that duty, the trial judge has an independent obligation to determine the meaning of the claims, notwithstanding the views asserted by the adversary parties.”).
 - (5) Assume for purposes of argument that the Commission is not bound by the stipulation, and note that the specification of the ‘753 patent but not the ‘867 patent contains the sentence “Fibrous slurries applied from an aqueous solution

are also effective.” ‘753 patent at col. 4, ll.59-60. Does that distinction warrant a different outcome in construing “film forming composition” in the ‘867 patent?

- (6) If “applying” in claim 36 of the ‘867 patent is construed to refer to both single applications and multiple applications, is claim 36 invalid for failure to satisfy the written description or enablement requirements of 35 U.S.C. § 112?
- (7) Did Schweitzer request samples of all accused products? On provision of the samples, were representations made by Glatz as to the representativeness of the samples provided? Did Schweitzer make further attempts to obtain samples of the other accused products? Please respond with a discussion of any relevant interrogatories, requests for production, motions practice (including motions to compel), and any pretrial conferences (excluding any settlement or mediation conferences).

In connection with the final disposition of this investigation, the Commission may issue (1) an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) cease and desist orders that could result in respondents being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or are likely to do so. For background information, see the Commission Opinion, *In the Matter of Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360.

If the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order and/or cease and desist orders would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission’s action. See Presidential Memorandum of July 21, 2005, 70 *Fed. Reg.* 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

WRITTEN SUBMISSIONS: The parties to the investigation are requested to file written submissions on the issues under review. The submissions should be concise and thoroughly

referenced to the record in this investigation, including references to exhibits and testimony. Additionally, the parties to the investigation, interested government agencies, and any other interested persons are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the ALJ's recommended determination on remedy and bonding. Complainant and the Commission investigative attorney are also requested to submit proposed remedial orders for the Commission's consideration. Complainant is requested to supply the expiration dates of the patents at issue and the HTSUS numbers under which the accused products are imported. The written submissions and proposed remedial orders must be filed no later than the close of business on April 16, 2012. Written submissions should be no longer than 60 pages. Reply submissions must be filed no later than the close of business on April 23, 2012, and should be no longer than 30 pages. No further submissions will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must do so in accordance with Commission rule 210.4(f), 19 C.F.R. § 210.4(f), which requires electronic filing. The original document and eight true copies thereof must also be filed on or before the deadlines stated above with the Office of the Secretary. Any person desiring to submit a document (or portion thereof) to the Commission in confidence must request confidential treatment unless the information has already been granted such treatment during the proceedings. All such requests should be directed to the Secretary of the Commission and must include a full statement of the reasons why the Commission should grant such treatment. See 19 C.F.R. § 201.6. Documents for which confidential treatment is granted by the Commission will be treated accordingly. All nonconfidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

This action is taken under the authority of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and under sections 210.42 - 210.46, 210.50(a) of the Commission's Rules of Practice and Procedure (19 C.F.R. §§ 210.42 - 210.46, 210.50(a)).

By order of the Commission.

James R. Holbein
Secretary to the Commission

Issued: April 2, 2012