

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

In the Matter of

**CERTAIN AUTOMATED TELLER
MACHINES, ATM MODULES,
COMPONENTS THEREOF, AND
PRODUCTS CONTAINING THE SAME**

Inv. No. 337-TA-972

COMMISSION OPINION

I. INTRODUCTION

The Commission instituted this investigation on November 20, 2015, based on a complaint filed by Diebold Incorporated and Diebold Self-Service Systems (collectively, “Diebold”). 80 *Fed. Reg.* 72735-36 (Nov. 20, 2015). The complaint alleged violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain automated teller machines, ATM modules, components thereof, and products containing the same by reason of infringement of certain claims of six United States Patents: 7,121,461 (“the ’461 patent”); 7,249,761 (“the ’761 patent”); 7,314,163 (“the ’163 patent”); 6,082,616 (“the ’616 patent”); 7,229,010 (“the ’010 patent”); and 7,832,631 (“the ’631 patent”). *Id.* The notice of investigation named as respondents Nautilus Hyosung Inc. of Seoul, Republic of Korea; Nautilus Hyosung America Inc. of Irving, Texas; and HS Global, Inc. of Brea, California (collectively, “Nautilus”). *Id.* at 72736. The Office of Unfair Import Investigations was not named as a party. *Id.*

The ’461 patent, the ’761 patent, and the ’163 patent were previously terminated from the investigation. *See* Order No. 12 (Apr. 28, 2016), *not reviewed*, Notice (May 11, 2016); Order

No. 21 (June 28, 2016), *not reviewed*, Notice (July 28, 2016). The presiding administrative law judge (“ALJ”) conducted an evidentiary hearing from August 29, 2016, through September 1, 2016. On November 30, 2016, the ALJ issued the final Initial Determination (“final ID”). The final ID found a violation of section 337 with respect to the ’616 and ’631 patents, and no violation with respect to the ’010 patent. Final ID at 207-09. The ALJ recommended that a limited exclusion order and cease and desist orders issue against Nautilus.

Diebold and Nautilus filed petitions for review concerning certain findings with respect to the ’616 and ’631 patents.¹ The findings of no violation with respect to the ’010 patent were neither petitioned nor reviewed. On January 30, 2017, the Commission determined to review and modify two claim constructions for the ’616 patent. Notice at 2-3 (Jan. 30, 2017) (“Notice of Review”). The Commission’s reasoning in support of its claim construction determinations for the ’616 patent was set forth more fully in the Commission Claim Construction Opinion (“Comm’n Claim Construction Opinion”), which also issued on January 30, 2017. As a result of the Commission’s claim construction determination, the Commission determined to review certain issues with respect to infringement, domestic industry, and invalidity. Notice of Review at 3. The Commission determined not to review the final ID’s finding of violation as to the ’631 patent. *Id.* at 2. The Commission solicited further briefing from the parties on the issues under review, and briefing from the parties and the public on remedy, the public interest, and bonding. *Id.* at 4.

On February 10, 2017, Diebold and Nautilus filed their opening submissions on the

¹ Compl’ts Pet. for Rev. and Contingent Pet. for Rev. of the Final Initial Determination (Dec. 12, 2016) (“Diebold Pet.”); Resp’ts Pet. for Rev. of Initial Determination on Violation of Section 337 (Dec. 13, 2016) (“Nautilus Pet.”). In addition, the Commission received submissions from United States Representative James B. Renacci, United States Senator Sherrod Brown, and certain Nautilus customers in response to the Commission’s notice requesting comments on the public interest. *See* 81 *Fed. Reg.* 91197-98 (Dec. 16, 2016).

issues under review and on remedy, the public interest, and bonding.² On February 17, 2017, Diebold and Nautilus filed responses to each other's opening submission.³ Nautilus also submitted additional letters from its customers concerning the public interest.

On May 19, 2017, the Commission issued a notice finding a violation of section 337 as to the '616 patent. (A violation had already been found as to the '631 patent as a result of the Commission's earlier decision not to review the final ID's finding of a violation of section 337 as to the '631 patent.) Also on May 19, 2017, the Commission issued a limited exclusion order and cease and desist orders, prohibiting, *inter alia*, the importation of articles that infringe claims 1, 6, 10, 16, 26, and 27 of the '616 patent and claims 1-7 and 18-20 of the '631 patents. This Opinion sets forth the Commission's reasoning in support of its determinations for the issues under review, which concern violation of section 337 as to the '616 patent. Because the Commission has found a violation of section 337 as to the '616 and '631 patents, this Opinion also sets forth the Commission's reasoning in support of its determinations on remedy, the public interest, and bonding.

II. BACKGROUND

Diebold asserted independent claims 1, 26, and 27 of the '616 patent, as well as claims 5-8, 10, and 16, which are dependent upon claim 1. The issues before the Commission concern the "service opening" on an automated teller machine ("ATM"). Independent claim 1 is representative of the asserted claims. It reads in its entirety as follows, with disputed claim terms at issue italicized:

² Compl'ts Submission Addressing the Commission's January 30, 2017 Notice (Feb. 10, 2017) ("Diebold Br."); Resp'ts Resp. to Req. for Written Submissions Regarding Issues Under Review (Feb. 10, 2017) ("Nautilus Br.").

³ Compl'ts Reply to Resp'ts Resp. to Req. for Written Submissions Regarding Issues Under Review (Feb. 17, 2017) ("Diebold Reply Br."); Resp'ts Reply to Compl'ts Submission Addressing the Commission's January 30, 2017 Notice (Feb. 17, 2017) ("Nautilus Reply Br.").

1. An automated banking machine apparatus comprising:

a housing bounding an interior area, the housing having a first opening to the interior area;

a rollout tray movably supported on the housing, the rollout tray including a wall portion, *a service opening* extending through the wall portion, wherein the rollout tray is movable between a first position wherein the tray extends outward from the first opening and *the service opening* is accessible from outside the housing, and *a second position wherein* the tray is within the interior area and *the service opening is not accessible from outside the housing*;

a first serviceable component mounted in supporting connection with the tray and overlying *the service opening*, the serviceable component having a service point, and wherein the service point is accessible from outside the housing by extending a tool upwardly through *the service opening* when the tray is in the first position.

'616 patent col. 8, lines 8-25.⁴ The ALJ's claim constructions were originally set forth in the *Markman* Order, Order No. 17 (June 13, 2016).⁵ That order construed two limitations of the '616 patent (and no limitations of the other asserted patents). In pertinent part, the ALJ construed the term "service opening" to mean "an opening through which serviceable components are accessible for servicing." Order No. 17 at 23. This was Diebold's proposed construction. *Id.* at 14. Nautilus had argued for broader construction: "an opening through which serviceable components are more readily accessed for servicing." *Id.* The ALJ rejected that proposed construction as ambiguous. *Id.* at 15. In Order No. 24, the ALJ modified the construction of "service opening" and construed the "second position" limitation in view of the construction of "service opening." Order No. 24 at 7-11 (Aug. 23, 2016). The ALJ also

⁴ Independent claims 26 and 27 do not contain the limitations that the "first service component" is "overlying the service opening" and that the "service point is accessible" by "extending a tool upwardly through the service opening."

⁵ It is undisputed that the level of ordinary skill in the art for the '616 patent is "a combination of experience and education in mechanical engineering, typically consisting of a minimum of a bachelor's degree in mechanical engineering or a related field and 3-5 years of relevant work experience." Final ID at 16.

modified the claim constructions in the final ID. Final ID at 20-23. *See generally* Comm'n Claim Construction Op. 3-6 (discussing the proceedings before the ALJ).

As noted above, on January 30, 2017, the Commission determined to review the final ID in part. The Commission determined to review the claim constructions of “service opening” and “a second position wherein . . . the service opening is not accessible from outside the housing.” Notice of Review at 2-3. The Commission found that both terms are to be afforded their plain and ordinary meaning. *Id.* at 3. The Commission construed “service opening” to mean “an opening through which a component may be serviced.” The Commission found that “a second position wherein . . . the service opening is not accessible from outside the housing” did not warrant a construction but the Commission clarified that the plain language of the claim term “expressly states that ‘the service opening is not accessible’; it does not state the service point is not accessible from outside the housing in the second position.” *Id.* In light of its determination to review and modify the construction of these two claim limitations, the Commission also determined to review for the asserted claims of the '616 patent: (1) infringement; (2) obviousness in view of the Diebold's 1064i automatic teller machine (“ATM”); and (3) the technical prong of the domestic industry requirement. Notice of Review at 3. Also on January 30, 2017, the Commission issued the Claim Construction Opinion, which provides further background and sets forth the Commission's reasoning in support of its claim constructions.

III. ANALYSIS

A. Infringement

As set forth in the final ID, for the '616 patent, the accused products are fifteen Nautilus ATMs, which are grouped into six different series. Final ID at 11, 25. The Halo series includes the Halo, Halo S, NH2600, and MX2600. *Id.* at 25. The Halo II series includes the Halo II and

MX2600SE. *Id.* The MX5000 series includes MX5000CE and MX5000SE. *Id.* The MX5200 series includes the MX5200XP, MX5200W7, and MX5200SE. *Id.* The MX5300 series includes the MX5300, MX5300CE, and MX5300XP. *Id.* The MX5600 is the M5600 model. *Id.* The Halo, Halo II, MX5200, and MX5600 series ATMs are accused of infringing claims 1, 6-8, 10, 16, 26 and 27 of the '616 patent. *Id.* The Halo, MX5200 and MX5600 series are also accused of infringing claim 5. *Id.* The MX5000 and MX5300 series are accused of infringing only claim 27. *Id.* There is no dispute as to the appropriateness of these groupings. *Id.*

1. The “Service Opening” Limitations

Each asserted patent claim calls for a “service opening.” *E.g.*, '616 patent col. 8, line 11 (claim 1); *id.* at col. 11, lines 8-9 (claim 26); *id.* at col. 11, lines 30-31 (claim 27). Diebold contends that the Halo, Halo II, MX5200, and MX5600 each infringe the “service opening” limitation literally and under the doctrine of equivalents, and that the MX5000 and MX5300 infringe only under the doctrine of equivalents. In our Claim Construction Opinion, we construed “service opening” to mean “an opening through which a component may be serviced.”

a) Literal Infringement: the Halo, Halo II, MX5200, and MX5600 Series

For literal infringement, Diebold contends that the accused ATMs have service openings through which components may be serviced. Diebold Br. 4-7. In response, Nautilus relies upon its argument that “service opening” contains a requirement for “real, meaningful service.” Nautilus Reply Br. 11. In support, Nautilus argues that Diebold’s expert, Dr. Kurfess, agrees with Nautilus on this point, citing to his cross examination at Hr’g Tr. 281:19-25. However, the cross-examination demonstrates at most Dr. Kurfess’s position that *under the ALJ’s construction*, there may have been a requirement for “real, meaningful service,” Hr’g Tr. 279:7-16, but the Commission has not adopted that claim construction. Moreover, read in context, Dr. Kurfess’s

testimony is far more equivocal. *Id.* at 279:7-280:22. In short, while Nautilus's position is that the service opening needs to be for service that a real technician *would* do, Dr. Kurfess admitted—consistent with the Commission's claim construction—only that it should be for service that a real technician *could* do. *Id.* at 280:13-22. Nonetheless Dr. Kurfess acknowledged that service is not equated merely with the manipulation of a service point. *Id.* at 281:19-20. More fully, Dr. Kurfess explained:

[S]o it's not about reaching out and touching a screw. It's not about turning a screw if that doesn't, you know, equate to meaningful service. To say, you know, I can touch this screw or reach out to the screw and turn it, if it doesn't equate to meaningful service, then sure, then it's not an — it's not service.

Id. at 281:19-25. Nautilus's arguments about what a technician "would" do are inconsistent with our claim construction, and are inconsistent with the language of the asserted claims (all covering apparatuses as opposed to methods). *See, e.g., Fantasy Sports Properties, Inc. v. Sportsline.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002); *Silicon Graphics, Inc. v. ATI Techs., Inc.*, 607 F.3d 784, 794-95 (Fed. Cir. 2010). Our findings of fact under the Commission's claim construction follow.

(i) The Halo II Series

For the Halo II series ATM, Diebold has relied, *inter alia*, upon Dr. Kurfess's testimony, certain photographs introduced into evidence, and videos of Dr. Kurfess purporting to service the Halo II (CPX-24C, -25C, and -26C) with tools. *See* Diebold Br. 3 (citing CX-1877C and CX-0277C); Diebold Post-Hearing Br. 23-26; CPX-42C; Final ID at 29-30. In addition, the evidence of record includes a Halo II ATM itself (RPX-56C). The ALJ described Dr. Kurfess's videos

with regard to service of the Halo II keypad. Final ID at 30. In particular, Dr. Kurfess attempted to demonstrate service of the Halo II speaker (CPX-26C) and the Halo II keypad (CPX-25C).⁶

We find that Diebold showed that the Halo II practices the “service opening” limitation with respect to the speaker. *See* Final ID at 31-32; CX-1877C at Q/A772-73, 864-65; CPX-26. In CPX-26C, Dr. Kurfess removes, through the accused service opening, a screw connecting the speaker to the fascia, *id.* at 0:05-0:16, and proceeds to remove the speaker, *id.* a 0:29-0:31.

While Diebold bears the burden of demonstrating infringement, Nautilus—unlike for the accused keypad, *infra*—did not rebut Diebold’s showing with respect to the speaker. Dr. Kurfess, for example, was not cross-examined as to his service of the speaker, and Nautilus’s witness statements are conclusory on this issue. Nautilus’s brief to the Commission cites certain portions of Dr. Reinholtz’s testimony, Nautilus Reply Br. 12, but the passages cited (RX-1513C at Q/A 66, 77, 90) fail to address the speaker at all. Indeed, Dr. Reinholtz’s rebuttal testimony (RX-1513C) does not address the speaker. Mr. Henson’s testimony, meanwhile, merely notes that *he would not* service the speaker through the opening, which is not the pertinent inquiry for infringement. RX-1512C, at Q/A 38-40. Although the ALJ did not find infringement with respect to the speaker, this conclusion was based upon the accessibility of service points for the speaker from above the accused service opening. Final ID at 31-32. However, our claim construction does not impose a requirement that service through the opening be the only way or the most preferable way to service a component. Similarly, we find Nautilus’s arguments to the Commission with respect to the speaker, Nautilus Reply Br. 12, Nautilus Br. 16-17, to be conclusory and unsupported by the evidence of record.

⁶ The accused keypads are also known as electronic pin pads, or EPPs. *See, e.g.*, Final ID at 29.

Diebold also alleged infringement of the “service opening” limitation by virtue of servicing the Halo II keypad. CPX-25C is a video that shows Dr. Kurfess’s attempted service of a Halo II ATM that he has already manipulated. CPX-25C at 0:03. A metal ribbon has been disconnected, *id.* at 0:11. Dr. Kurfess removes an electrical connector. *Id.* at 0:10. We find that Diebold failed to demonstrate that the service point for the first electrical connector is “through” the service opening. In particular, Diebold failed to show that the point where Dr. Kurfess grips the electrical connection is through the service opening. *See generally, e.g.*, ’616 patent col. 5, line 49 (stating that the “service point” is fastener 98 and not the hole into which the fastener is inserted). In addition, Diebold failed to demonstrate that the hole into which the electrical connector is plugged is “through” the service opening; the angles and perspectives of Diebold’s evidence make such an assessment impossible.

We agree with the ALJ that the demonstrated manipulation of the Halo II in connection with the keypad is not through the service opening. Final ID at 30. After the removal of the first connector, CPX-25C at 0:10, Dr. Kurfess props the keypad up with a finger to push the keypad into the service opening. *Id.* at 0:10-0:14. After lowering the keypad so that the service points are no longer even arguably through the opening, Dr. Kurfess removes [REDACTED] screws that attach the keypad to a [REDACTED]. CPX-25C at 0:26-0:57. Dr. Kurfess then removes [REDACTED] screws that secure the [REDACTED] to the rollout tray, and which are outside the service opening. *Id.* at 0:58-1:26; Hr’g Tr. 337:15-21. In certain photographs, Dr. Kurfess purports to demonstrate his removal of a screw securing the keypad to the [REDACTED], CX-246C, and removing the electrical connector, CX-675C, while the Halo II fascia is rotated forward.

Even if the removal of the first electrical connection were through the service opening, that manipulation was based on Dr. Kurfess’s previous and unfiled removal of [REDACTED] screws

securing the keypad to the [REDACTED]. Hr'g Tr. 323 6-9. As a result, Dr. Kurfess propped the keypad with his finger into a position in which Diebold contends that the first electrical connector is inside the service opening. Such physical manipulation of the Halo II in connection with the keypad, with the effect of causing a service point to be in the service opening (as opposed to below), cannot constitute adequate proof of infringement. While Dr. Kurfess's photographs (CX-246C and CX-675C) purport to demonstrate service through the opening, these are predicated on Dr. Kurfess's manipulation of the fascia back and forth between its operative and inoperative positions. Hrg. Tr. 334:14-22. As the Federal Circuit has explained, in connection with removal of screws in the accused device in another case: "'The fact that it is possible' to alter the Pinnacle so that the cover can be pivoted through a ninety degree arc 'is not enough, by itself, to justify a finding that the manufacture and sale' of the Pinnacle device infringe Accent's patent rights." *Accent Packaging, Inc. v. Leggett & Platt, Inc.*, 707 F.3d 1318, 1327 (quoting *High Tech Med. Instrumentation v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995)); see also *Ball Aerosol & Specialty Container, Inc. v. Limited Brands, Inc.*, 555 F.3d 984, 995 (Fed. Cir. 2009) ("That the Travel Candle was reasonably capable of being put into the claimed configuration is insufficient for a finding of infringement."). So, too, here. Diebold has failed to demonstrate infringement by a preponderance of the evidence as to the removal of the keypad for the Halo II.

(ii) The Halo Series

For the Halo series ATM, Diebold has relied, *inter alia*, upon Dr. Kurfess's testimony, a photograph introduced into evidence, and a video of Dr. Kurfess purporting to service the Halo.I (CPX-23). See Diebold Br. 3 (citing CX-1877C and CX-183C); Diebold Post-Hearing Br. 23-26; Final ID at 32-34. In CPX-23C, Dr. Kurfess rotates the fascia forward to the inoperative

position. CPX-23C at 0:05. He demonstrates that he has already removed a circuit board prior to filming the video, and then lays the circuit board down in a different location on the rollout tray. CPX-23C at 0:09-0:18. Dr. Kurfess then rotates the fascia back into or toward the operative position. *Id.* at 0:24. Going beneath the service tray, Dr. Kurfess disconnects [REDACTED] electrical connectors. One of the [REDACTED] connectors is beneath the service opening and not through it. It is unclear whether the other electrical connector is through the service opening. *Id.* at 0:39. It appears, as for the Halo II, that [REDACTED] have previously been removed, and it is unclear from the video whether the [REDACTED] is resting upon cords protruding from the opening (potentially resulting in raising the keypad into the opening). *See id.* at 1:03-1:06. Dr. Kurfess then removes [REDACTED] screws that secure the [REDACTED] to the keypad. *Cf.* Hr'g Tr. 316:11-23 (Dr. Kurfess's acknowledgement that the removal of the [REDACTED] screws through the service opening is unnecessary). [REDACTED] of the screws are not through the opening, and it is unclear whether the other [REDACTED] screws are through it. CPX-23C at 1:03-1:54. Dr. Kurfess also removes the [REDACTED] screws that secure the [REDACTED] to the fascia, but these screws are not through the opening. *Id.* at 1:54-2:27. Dr. Kurfess then attempts to remove the keypad from the opening, but has to reach through the top in order to do so. *Id.* at 2:27-2:41. Dr. Kurfess is unable to remove the [REDACTED] despite having earlier removed the screws securing the [REDACTED] to the rollout tray and securing the circuit board. *Id.* at 2:41-2:54.

We find that Diebold has failed to show infringement by a preponderance of the evidence. The location of the service points is unclear in the video, and the photograph upon which Diebold has also relied for infringement. CX-183C. Even if the service points were located within the service opening, we find, as we found for Diebold's substantially similar showing for the Halo II keypad, that due to Diebold's modification of the accused Halo ATM,

the evidence is insufficient to demonstrate infringement. *See Accent Packaging*, 707 F.3d at 1327. Moreover, Nautilus cross-examined Dr. Kurfess extensively as to the keypad of the Halo II, H'rg Tr. 321:4-334:22, which is substantially similar to the Halo keypad.

(iii) The MX5200 Series

For the MX5200 series ATM, Diebold relied upon Dr. Kurfess's testimony, as well as photographs and a video of Dr. Kurfess (CPX-34C). *See* Diebold Br. 3-5 (citing CX-1877C, CX-469C, CX-474C); Diebold Post-Hearing Br. 23-26; Final ID at 35-38. In CPX-34C, Dr. Kurfess removes a card reader and then a keypad through the service opening.

For the card reader, the final ID states the following about Deibold's infringement showing: "In a video, Dr. Kurfess demonstrates the [REDACTED] [REDACTED] The card reader is far above the opening, *id.* at 0:05-0:30" Final ID at 36. We agree with the final ID's factual finding as to the card reader. The final ID then explains, however, that there is no infringement because, when the fascia is tilted forward, the screws holding the card reader are also accessible from above. *Id.* at 37. As discussed earlier, however, this consideration does not preclude infringement under the Commission's claim construction. While recognizing that Diebold bears the burden of demonstrating infringement, we have reviewed the evidence upon which Nautilus has relied to rebut Diebold's showing, RX1513C at Q/A 69-70, 77, 90; RX1512C at Q/A 66-78, Nautilus Post-Hearing Reply Br. 5, 9, and find it conclusory. Weighing the evidence of record, we find that Diebold has demonstrated infringement by the MX5200 by virtue of the card reader.

Diebold also relied upon the MX5200 keypad to demonstrate infringement. In CPX-34C, Dr. Kurfess purports to service the keypad. This portion of the video begins with a disconnected metal ribbon laying on the rollout tray. CPX-034C at 0:39. Dr. Kurfess then removes [REDACTED]

screws from the [REDACTED] securing the keypad to the fascia. 0:51-1:10. Because of the angle of the video, it is unclear whether the screws are in the service opening. Dr. Kurfess removes the other two screws securing the keypad to the [REDACTED], 1:10-1:36, but these screws also appear to be beneath (and not through) the service opening. Likewise, Dr. Kurfess removes electrical connectors, 1:45-1:47, which because of the angle of the video are not demonstrated to be within the accused service opening. Dr. Kurfess apparently removed other screws securing the [REDACTED] to the rollout tray or fascia (*see* 0:06), because the entire [REDACTED] is loose, requiring Dr. Kurfess to press up on the [REDACTED] with his hand. *Id.* at 1:55. Dr. Kurfess then removes two screws securing the keypad [REDACTED] to the fascia, resulting in the detachment of the keypad reader. *Id.* at 2:00-2:18.

We find, as we did for the keypads for the Halo II and Halo, that due to Diebold's modification of the accused MX5200 series ATM, including at least removing screws and a metal ribbon, and doing so by apparently rotating the fascia back and forth, the evidence with respect to the keypad is insufficient to demonstrate infringement. *See Accent Packaging*, 707 F.3d at 1327. Moreover, Nautilus cross-examined Dr. Kurfess extensively as to the keypad of the Halo II, H'rg Tr. 321:4-334:22, which is substantially similar to the MX5200 keypad. In addition, and independently, we find that Diebold has failed to demonstrate that the accused service points for the keypad are through the opening as required by our claim construction and by other claim limitations. *See* '616 patent col. 8, lines 22-25 (claim 1); *id.* col 11 lines 18-19 (claim 26); *id.* col. 11, lines 39-40 (claim 27). In particular, we find that the video and the photographs (CX-469C, CX-474C) are taken from vantage points and angles that fail to demonstrate by a preponderance of the evidence that the accused service points for the keypad

are above the plane of the service opening. (Nonetheless, the MX5200 infringes by virtue of the card reader, *supra*.)

(iv) The MX5600 Series

Much as for other accused ATMs, for the MX5600 series ATM, Diebold has relied upon Dr. Kurfess's testimony, a photograph introduced into evidence, and videos of Dr. Kurfess purporting to service the MX5600 (CPX-22C and CPX-42C). Diebold Br. 3, 6 (citing CX-1877C and CX-0442C); Diebold Post-Hearing Br. 23-26; Final ID at 39-42. In addition, and unlike for the other accused products, Diebold also relied upon the maintenance manual for the MX5600 ATM (CX-1206C). *See, e.g.*, Diebold Post-Hearing Br. 31.

CX-0442C is a photograph that shows the underside of the rollout tray of the MX5600. As seen in CX-442C, there are ■ thumbscrews through the service opening (on each side of the bundle of wires). CX-0442C; *see* CX-1877C (Kurfess) Q/A 768; Final ID at 39-40. The final ID found as follows:

As with Dr. Kurfess's other demonstrations, the majority of the service he performs is below and outside the opening. The only service that he performs through the opening is ■. CPX-0042C at 0:48-1:15. Dr. Kurfess ■, *id.*, which is consistent with the instructions in the manual. CX-1206C at 3-17 (NH_972-00043932). Both parties refer to these top screws as "thumbscrews." CIB at 26; RRB at 8-9. Notably, these thumbscrews appear to be above the opening both when the fascia is rotated back (as depicted in Dr. Kurfess's video) and when the fascia is rotated forward (as depicted in the manual).

Nautilus argues that the service that Dr. Kurfess demonstrates is "contrived" and is inconsistent with the way that technicians service the MX5600 ATMs. RRB at 7-8. Nautilus highlights the fact that Dr. Kurfess was unable to remove the keypad in his initial attempt, RRB at 8 n.3, and argues that the use of pliers to loosen the thumbscrews is not "genuine service." *Id.* at 9. Mr. Henson testifies that the MX5600 is serviced from above, but he does not address the instruction manual or the thumbserews depicted therein. RX-1512C (Henson RWS) at Q&A.91 101. Mr. Henson's testimony regarding the MX5600 appears

to conflict directly with the documentary evidence in the service manual.

The evidence that Diebold has presented for the MX5600 supports a finding that this ATM has an infringing service opening. The service manual explicitly depicts ■ thumbscrews that are accessed through the service opening from below. Dr. Kurfess accessed these thumbscrews through the service opening using both pliers and his fingers, demonstrating infringement of the “service opening is accessible from outside the housing through the service opening” limitations of claims 26 and 27, and the “service opening is accessible from outside the housing by extending a tool upwardly through the service opening” of claim 1. . . . As evidenced by the service manual, the thumbscrews are designed to be accessed from below, and removing these thumbscrews is a meaningful step in servicing the keypad. Accordingly, the MX5600 infringes the “service opening” limitations of claims 1, 26, and 27.

Final ID at 41. The ALJ’s factfinding, which we adopt, supported not only the finding of infringement under the ALJ’s construction of “service opening,” but also supports a finding of infringement under the Commission’s construction of “service opening.”

In its submissions to the Commission, Nautilus points principally to the rebuttal testimony of its expert Dr. Reinholtz. Nautilus Reply Br. 12 (citing RX-1513C at Q/A 73-77). We have reviewed the evidence of record, including the evidence of record cited on page 12 of Nautilus’s reply brief, as well as Nautilus’s corresponding arguments to the ALJ, Nautilus Post-Hearing Reply Br. 8-9, but find that the final ID appropriately weighs the evidence and we agree with its determination.

- b) Doctrine of Equivalents: The Four Accused Products Above and the MX5000 and MX5300

To the extent that there is no literal infringement of the service opening limitation by any of the aforementioned accused products (Halo, Halo II, MX5200, MX5600), we find that there is no infringement under the doctrine of equivalents. As construed, “service opening” means “an opening through which a component may be serviced.” Much of the service performed by Dr.

Kurfess was not through the opening, but beneath it. Diebold bore the burden to demonstrate infringement under the doctrine of equivalents, but its arguments to the ALJ and to the Commission have been merely conclusory, and insufficient to bear Diebold's burden. Diebold Br. 10; CX-1877C at Q/A 775. In addition, we find that if the service points for the components protrude through the opening then the opening itself is serving a different purpose in a different way.⁷ Nautilus Br. 17; Nautilus Reply Br. 12-13. While a service opening need not serve only one purpose, if service is not occurring through an opening, that opening does not qualify as a "service opening." See, e.g., Nautilus Reply Br. 13 (noting that an additional use for the accused service openings is "to avoid interference between the keypad and the tray").

Diebold also alleged infringement by the MX5000 and MX5300 of claims 26 and 27 under the doctrine of equivalents. For the MX5000, Diebold relied upon Dr. Kurfess's testimony and certain photographs. See Diebold Br. 7-10 (citing CX-1877C; CX-709C, CX-716C, CX-717C, CX-720C, CX724C); Diebold Post-Hearing Br. 23-26. Diebold did likewise for the MX5300. See Diebold Br. 7-10 (CX-403C, CX-556C, CX-557C, CX-559C, CX-562C, CX-563C, CX-559C); Diebold Post-Hearing Br. 23-26. Unlike for the other accused products, Diebold provided no videos for the MX5000 and MX5300. While video demonstrations are, of course, not required to prove infringement, in this case, absent such videos, Diebold's infringement arguments, and Dr. Kurfess's testimony, are both conclusory and confusing. For the MX5000 and MX5300, we affirm the ALJ's finding that Diebold failed to carry its burden to demonstrate infringement "under any claim construction," Final ID at 35, 39, and we affirm the ALJ's fact-finding concerning Diebold's failure of proof, *id.* at 34-35, 38-39. Neither Diebold's

⁷ There are further problems with Diebold's argument for claim 1, which, unlike claims 26 and 27, contains a limitation that "the service point is accessible from outside the housing by extending a tool upwardly through the service opening when the tray is in the first position." '616 patent col. 8, lines 22-25.

petition for review (Diebold Pet. 20-21) nor Diebold's brief in response to the notice of review (Diebold Br. 7-10) explain why the ALJ's decision is erroneous; instead, Diebold merely asserts a conclusory statement regarding the doctrine of equivalents because it would weigh the evidence differently. Diebold Br. 7-10; Diebold Pet. 20-21; Diebold Post-Hearing Br. 23-24; CX-1877C at Q/A 1110. Accordingly, we affirm the ALJ's findings of noninfringement by the MX5000 and MX5300.

2. The "Overlying" Limitation of Claim 1

Claim 1 (unlike claims 26 and 27) has a requirement that the serviceable component is "overlying the service opening." '616 patent col. 8, line 20. Diebold alleged literal infringement and infringement under the doctrine of equivalents as to accused components that are mounted above the service opening, but which partially protrude through the opening. The ALJ found that only the Halo II and MX5200 products had components that overlie the service opening, because those were the only accused products with accused components that did not protrude in part through the opening. Final ID at 45-48. With respect to the keypads in the accused devices, the ALJ rejected Diebold's showing as to literal infringement and the doctrine of equivalents because service was not through the opening in the manner required by the final ID's "service opening" claim construction. *Id.* at 47. As such, the ALJ's findings as to the "service opening" limitation and the "overlying" limitation are intertwined. These findings are part of the Commission review because they concern the Commission's modification of the final ID's service opening construction and the final ID's application of its construction in connection with the infringement analysis of "overlying." Accordingly, we disagree with Nautilus (Nautilus Br. 17-18) that the Commission must leave the ALJ's finding as to the MX5600 and the "overlying" requirement undisturbed.

On review, we reverse the final ID's findings as to "overlying." We agree with Diebold that Nautilus has relied upon an overly narrow interpretation of overlying. Diebold Post-Hearing Br. 22, 40. We disagree with Nautilus that the accused products fail to meet the claim language because portions of the components may protrude beneath the plane of the opening, Nautilus Post-Hearing Br. 13-14. Certainly, the patent does not warrant such a strict construction of overlying. The patent, for example, shows that the display and its service points are through and *beside* the opening. *See, e.g.*, Fig. 8. While the preferred embodiments do not contemplate components that protrude in part from the opening, the plain language of the claims does not preclude such claim reach.

Even under Nautilus's literal infringement argument, which presumes that no portion of a component may protrude through the opening, we find that there is infringement under the doctrine of equivalents. To the extent that an accused component in part protrudes through the opening, so long as the service points are through the opening, both the component and the service opening perform substantially the same function in substantially the same way to achieve the same result as where a component does not protrude in part through the opening. *See, e.g.*, CX-1877C Q/A 834. The same servicing through the opening occurs regardless of any protrusions.

3. The "Second Position" Limitations

The Commission's construction provides that in the second position, when the "service opening is not accessible from outside the housing," it means that "the service opening" is not accessible, not that the service points are not accessible. Notice of Review at 3. The parties' dispute as to this limitation is the same for all series of accused ATMs.

Nautilus contends that each accused product contains a door to the safe, which is located in the cabinet below the tray. Nautilus Br. 8-14; Nautilus Reply Br. 1-10. [REDACTED], it allows access to the service opening, including when the pullout tray is in the second position (*i.e.*, pushed in). *Id.* Nautilus contends that because there is a way to access the service opening in the second position (through the [REDACTED]), the accused products do not practice the “second position” limitation.

In Order No. 24, the ALJ rejected Nautilus’s argument, and we agree with that analysis. In particular, the ALJ found that “there is no requirement” that the service opening “be ‘never accessible’ in the second position.” Order No. 24 at 11.⁸ We agree with the ALJ that the accused products practice this limitation because when the accused Nautilus ATM is in its ordinary operation (with the [REDACTED]), the service opening is inaccessible. Nautilus’s argument merely reads a limitation from the preferred embodiment into independent claims 1, 26, and 27, without an adequate basis for doing so from the patent specification or from the file history. *See Thorner v. Sony Computer Entm’t Am. LLC*, 669 F.3d 1362, 1365-67 (Fed. Cir. 2012).

Nautilus incorrectly argues that the Commission Claim Construction Opinion endorsed Nautilus’s view. Nautilus Reply Br. 9; Nautilus Br. 8-9. In Order No. 24, the ALJ interpreted Figure 10 of the ’616 patent as showing the possibility of accessing the service opening but not the service point. Order No. 24 at 10. In our Opinion, we explained that this figure does not support any particular interpretation of the patent claims; reliance upon Figure 10 to construe the claim limitation was inappropriately speculative. Comm’n Claim Construction Op. 10-11.

⁸ While we agree with that determination, we disagree with the first half of the sentence in Order No. 24 stating that the “service opening ‘is not accessible’ when it is not accessible for servicing.” *Id.* That statement is premised on the ALJ’s claim construction rather than the Commission’s.

Nautilus overreaches in attempting to extend the Commission's comment on Order No. 24 and Figure 10 of the '616 patent to mean that the Commission has already decided that access through the safe door would defeat infringement of the claims. Nautilus Reply Br. 9.

4. Nautilus's Argument Regarding the "Upper Wall" Limitation of Claim 6

While the Commission determined to review infringement, that review was expressly "[i]n view of the Commission's determination to review and modify" the service opening and second position "claim limitations." Notice at 3. Nautilus's brief makes an additional argument concerning the "upper wall" limitation of claim 6. Nautilus Br. 18-19. Nautilus acknowledges that its upper wall argument is "not impacted by the Commission's claim construction opinion." *Id.* at 18. This argument, however, has been waived. It was not raised in Nautilus's petition for review, is not related to the Commission review, and is deemed abandoned. 19 C.F.R. § 210.43(b)(2).

5. The Infringed Patent Claims

Based on the foregoing infringement analysis as well as the ALJ's discussion of undisputed claim limitations, Final ID at 27-28, the Commission finds the Halo II, MX5200, and MX5600 series ATMs infringe independent claims 1, 26, and 27. The Commission finds that the Halo II, MX5200, and MX5600 series ATMs infringe dependent claims 6, 10, and 16, the additional limitations for which are either undisputed (the "fascia" of claims 10 and 16), Final ID at 49, 51, or are not encompassed within the Commission's review (the "upper wall" of claim 6), *see supra*. The Commission finds that these accused products do not infringe dependent claims 5, 7, and 8, which call for the "first serviceable component" of claim 1 to be a "keypad," in view of the Commission's findings for each series as to Diebold's showing as to the keypad and the service opening.

B. The Technical Prong of the Domestic Industry Requirement

A complainant must establish that an industry “relating to the articles protected by the patent . . . exists or is in the process of being established” in the United States. 19 U.S.C. § 1337(a)(2). Under Commission precedent, the domestic industry requirement of section 337 consists of an “economic prong” and a “technical prong.”⁹ *See, e.g., Alloc, Inc. v. ITC*, 342 F.3d 1361, 1375 (Fed. Cir. 2003).

To meet the technical prong, the complainant must establish that it practices at least one claim of the asserted patent. *See Certain Microsphere Adhesives, Process for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm’n Op., 1996 WL 1056095, at *7-8 (Jan. 16, 1996). “The test for satisfying the ‘technical prong’ of the industry requirement is essentially the same as that for infringement, *i.e.*, a comparison of domestic products to the asserted claims.” *Alloc*, 342 F.3d at 1375.

Notwithstanding the final ID’s findings against Diebold concerning many of its infringement allegations, the final ID found Diebold’s evidence of service through the service opening in the domestic industry products adequate to demonstrate that its products practice the “service opening” limitation. Final ID at 56-57. On review, Nautilus takes issue with the manner in which the final ID weighed some of the facts. Nautilus Br. 24-25. We find that there is no conflict between the final ID’s infringement analysis and the Commission’s construction of “service opening.” We have therefore determined to affirm the Final ID’s findings.

As to the “second position” limitation, Nautilus’s arguments are the same as for the accused products. Final ID at 57-58. In particular, the Diebold domestic industry articles, like the accused products, have a safe door, which, when opened, permits access to the service

⁹ The Commission did not review the ALJ’s determination that the economic prong had been met. *See* Notice of Review at 3; Final ID at 190, 198.

opening. Final ID at 57. The ALJ rejected Nautilus's arguments in Order No. 24. Order No. 24 at 8-11. As set forth above in connection with infringement, we agree with the ALJ that "there is no requirement" that the service opening "be 'never accessible' in the second position." *Id.* at 11. Accordingly, we find that the technical prong has been met as to the "second position" limitation.

As a result of these determinations, we affirm the final ID's findings that Diebold's domestic industry products practice claims 1, 5-8, 10, 16, 26, and 27 of the '616 patent. Final ID at 52-60.

C. Obviousness in View of Diebold's 1064i ATM

In proceedings before the ALJ, Nautilus relied upon Diebold's 1064i ATM in its arguments concerning anticipation and obviousness. When Nautilus relied upon the 1064i alone, it was in connection with anticipation. *Id.* at 52 (anticipation). Nautilus's arguments below concerning obviousness were directed to the combination of the 1064i with other references, not with the 1064i alone. Resp'ts Initial Post-Hearing Br. 52-71; *see, e.g., id.* at 59-60 (combination with Gussack if the intended use of the service opening is material to infringement). Before the Commission, Nautilus has instead argued a theory of obviousness based only upon the 1064i ATM. Nautilus Pet. 30-33. By failing to present and preserve the issue to the ALJ, we find Nautilus's theory of obviousness is waived. Order No. 2 at ¶ 11.1 (Ground Rules) ("The post-trial brief shall discuss the issues and evidence All other issues shall be deemed waived.").

Nautilus's argument also fails on the merits. The parties debate whether Nautilus demonstrated that the ATM it sought to put into evidence is prior art. *See, e.g.,* Diebold Br. 24-26; Nautilus Br. 21-22. A Diebold 1064i that was in public use or on sale more than one year prior to the provisional patent application (Nov. 28, 1997) upon which the '616 patent claims

priority could be prior art under pre-America Invents Act 35 U.S.C. § 102(b). There was only one 1064i ATM in Diebold's possession, which Diebold produced in discovery in this investigation. Neither Diebold nor Nautilus could date it. The model had a long service life, extending into the 2000s, *see, e.g.*, Diebold Br. 24, and in the course of that life went through structural changes that cast doubt on whether the structure of the 1064i ATM produced in discovery would reflect that of a 1996 or earlier vintage 1064i ATM, *id.* at 25-26.

The ALJ made an evidentiary ruling that refused to allow Nautilus to enter the ATM into evidence.¹⁰ *See* Hr'g Tr. 874; *see also id.* at 866-67. Instead, Nautilus was entitled to rely on photographs of the ATM taken during Nautilus's expert's inspection of the ATM. RX-730C. The ALJ also allowed Nautilus to rely on a 1064i manual from 1993 to help corroborate what the structure of 1064i ATMs looked like in the relevant timeframe. RX-98C. The ALJ explained:

There is no dispute that there were 1064i ATMs on sale and in public use before the priority date for the '616 patent, and both the manual and the inspection of a physical ATM by Dr. Reinholtz are evidence of the structure of the 1064i ATMs at that time. Where the manual and Dr. Reinholtz's inspection show the same structure, that is strong evidence of what existed in the prior art. Where there are discrepancies between the manual and Dr. Reinholtz's inspection, the evidence is less compelling.

Final ID at 63-64. The ALJ found that the manual was at odds with the ATM photographed by Dr. Reinholtz: "The tray depicted in the manual does not have any identified opening, and figures in the manual appear to show components, *e.g.*, a printer and a retained card bin, on that side of the tray." *Id.* at 65. This is to say that the manual did not appear to have the claimed service opening. The ALJ continued:

¹⁰ Nautilus did not petition the Commission for review of that evidentiary determination.

Diebold argues that Nautilus has identified no evidence that the identified opening existed in the 1064i ATM prior to the filing of the '616 patent, and there is no disclosure of such an opening in the 1064i manual. . . . *The tray depicted in the manual does not have any identified opening, and the figures in the manual appear to show components, e.g., a printer and a retained card bin, on that side of the tray.*

. . . All of these components [shown in the manual, reprinted on page 66 of the final ID] appear to be easily serviced from above, and Nautilus does not point to anything in the manual describing service of a component through any opening from below the tray. *It is thus unclear whether 1064i ATMs at the time of the manual included the opening that Dr. Reinholtz identifies*, and unlikely that any such openings were used for service. *The discrepancy between the manual and Dr. Reinholtz's inspection makes Nautilus's evidence regarding this limitation unclear and unconvincing.*

Final ID at 65-66 (emphasis added). While some portions of this passage may pertain to limitations under the ALJ's construction, the highlighted portions apply equally under our modified construction of service opening. We adopt the ALJ's findings that Nautilus failed to adduce reliable evidence about the structure of 1064i ATMs prior to the priority date, and affirm the determination that Nautilus failed to show obviousness clearly and convincingly. However, we vacate the paragraph of the final ID on page 66 that states that "[e]ven if the inspected ATM was reliable evidence of the structure of 1064i ATMs," there would not have been infringement under the ALJ's construction. Because the evidence of the structure of pre-priority date 1064i ATMs is unclear, the Commission does not speculate on whether such structure practices the claim limitations of the asserted claims.¹¹

¹¹ Nautilus argues that Diebold waived its argument that the 1064i ATM at trial was not prior art. Nautilus Br. 21-22. We disagree. Diebold's arguments were preserved. See Diebold Reply Br. 14-16. Nautilus's arguments ignore the conflict the ALJ identified between the

[Footnote continued on next page]

IV. REMEDY, THE PUBLIC INTEREST, AND BONDING

We have found a violation of section 337 based upon the infringement of the '616 and '631 patents. Diebold sought a limited exclusion order as to the subject products and a cease and desist order as to each respondent. In the Recommended Determination ("RD"),¹² the ALJ recommended the issuance of a limited exclusion order and cease and desist orders. The RD finds that Nautilus maintained commercially significant inventory in the United States as to the '616 patent and as to the '631 patent. RD at 202-04. The RD also finds that the appropriate bond is 100 percent of entered value during the period of Presidential review. *Id.* at 205-07.

A. Remedy and the Public Interest

1. Limited Exclusion Order

Upon finding a violation of section 337, the statute provides that the Commission "shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry." 19 U.S.C. § 1337(d)(1); *see Spansion, Inc. v. ITC*, 629 F.3d 1331, 1359-60 (Fed. Cir. 2010). Moreover, the Commission has "broad discretion in selecting the form, scope, and extent of the remedy." *Viscofan, S.A. v. U.S. Int'l Trade Comm'n*, 787 F.2d 544, 548 (Fed. Cir. 1986).

Diebold has sought, and the ALJ has recommended, RD at 201, a limited exclusion order covering the accused products found in violation of section 337. Nautilus does not argue that the

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photographs and the manual, and misrepresent the proceedings at trial. Nautilus Br. 19-22; Nautilus Reply Br. 14-16; Nautilus Pet. 32 n.7.

¹² The RD appears at pages 199-207 of the final ID.

public interest weighs against a limited exclusion order. Rather, it contends that the order should provide an exemption for “any ATMs and components necessary for repair and replacement of the accused Nautilus Hyosung ATMs and modules for existing customers.”¹³ Nautilus Br. 25. Nautilus explains that numerous Nautilus customers submitted letters in support of such an exemption as to replacement parts, citing the harm that would be caused to them if they could not obtain parts to service ATMs. *See id.* at 28-29. As those letters explain, and as Nautilus discusses, Nautilus’s customers have made significant investments in their ATMs, and certain customers cannot afford to replace the ATMs rather than have them repaired. *Id.* Nautilus, however, seeks a broader exemption that would allow Nautilus to import replacement ATMs. *Id.* at 26, 31.

We have determined, based on the record¹⁴ and consistent with past practice,¹⁵ to issue a limited exclusion order that bars importation of the subject articles, and contains an exemption to

¹³ Nautilus’s request for a hearing on the appropriateness of a repair and replacement exemption, Nautilus Br. 36 n.13, is denied.

¹⁴ The Commission has also considered the submissions of Representative Renacci and Senator Brown concerning remedy and the public interest.

¹⁵ *See, e.g., Certain Network Devices, Related Software and Components Thereof (I)*, Inv. No. 337-TA-944, Comm’n Op. 53-54 (July 26, 2016) (public version); *Certain Multiple Mode Outdoor Grills and Parts Thereof*, Inv. No. 337-TA-895, Comm’n Op. 3 (Feb. 20, 2015) (public version); *Certain Sleep-Disordered Breathing Treatment Systems and Components Thereof*, Inv. No. 337-TA-890, Comm’n Op. 51 (Jan. 16, 2015) (public version); *Certain Digital Models, Digital Data, and Treatment Plans for Use in Making Incremental Dental Positioning Adjustment Appliances, the Appliances Made Therefrom, and Methods of Making the Same*, Inv. No. 337-TA-833, Comm’n Op. 151-52 (Apr. 10, 2014) (public version); *Certain Electronic Digital Media Devices and Components Thereof*, Inv. No. 337-TA-796, Comm’n Op. 121-22 (Sept. 6, 2013) (public version) (“*Electronic Digital Media Devices*”); *Certain Mobile Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, Comm’n Op. 114-15 (July 5, 2013); *Certain Personal Data and Mobile Communications Devices and Related Software*, Inv. No. 337-TA-710, Comm’n Op. 72-73 (Dec. 29, 2011) (public version) (“*Personal Data Devices*”); *Certain Liquid Crystal Display Modules, Products Containing the Same, and Methods Using the Same*, Inv. No. 337-TA-634, Comm’n Op. 8 (Nov. 24, 2009) (public

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allow importation of replacement parts for service and repair of ATMs imported prior to the date of the exclusion order and cease and desist orders in view of the interests of U.S. consumers.¹⁶

See 19 U.S.C. § 1337(d)(1) & (f)(1). The record, however, is insufficient to support an exemption broad enough to permit the importation of replacement automated teller machines.¹⁷

There is no other evidence in the record that the remedial orders will impact any of the statutory public interest factors.

We also find that the exclusion order should contain a certification provision standard in form. The standard certification language “does not apply to redesigns that have not been adjudicated as non-infringing.”¹⁸ *Certain Marine Sonar Imaging Devices, Including Downscan and Sidescan Devices, Products Containing the Same, and Components Thereof*, Inv. No. 337-TA-921, Comm’n Op. 80 (Jan. 7, 2016).

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version); *Certain Systems for Detecting and Removing Viruses and Worms, Components Thereof, and Products Containing the Same*, Comm’n Op. 6-7 (Aug. 23, 2005) (public version).

¹⁶ Commissioner Kieff joins the Commission’s determination to issue a limited exclusion order that bars importation of the subject articles in this case, but respectfully does not agree with the Commission Majority that the limited exclusion order should include an exception allowing continued importation of replacement parts for service and repair of already imported infringing products. See Views of Commissioner F. Scott Kieff Dissenting from the Determination to Include a Public Interest Carve-Out for Replacement Parts for Service or Repair.

¹⁷ Nautilus’s brief points to past Commission cases involving replacement articles, Nautilus Reply Br. 26, but such cases are distinguishable. For example, in *Personal Data Devices*, *supra* note 15, we noted that instead of repairing smartphones, the record demonstrated that “defective devices are exported from the United States to be repaired overseas, and returned to a different customer in the United States.” Comm’n Op. 72-73; see also, e.g., *Electronic Digital Media Devices*, *supra* note 15, Comm’n Op. 122-23. Nautilus, of course, cannot import components to be combined or assembled to create a new automated teller machine; the exemption in the limited exclusion order and cease and desist orders is limited to parts used for repair or service of previously imported ATMs.

¹⁸ The standard provision does not allow an importer to simply certify that it is not violating the exclusion order. Customs and Border Protection (“CBP”) only accepts a certification that the goods have previously been determined by CBP or the Commission not to violate the exclusion order. See, e.g., *Certain Network Devices, Related Software and Components Thereof (I)*, Inv. No. 337-TA-944, Comm’n Op. 53 n.19 (July 26, 2016).

2. Cease and Desist Orders

Under section 337(f)(1), the Commission has the discretion to issue a cease and desist order in “addition to, or in lieu of” an exclusion order. 19 U.S.C. § 1337(f)(1). Cease and desist orders are generally issued when, with respect to the imported infringing products, respondents maintain commercially significant inventories in the United States or have significant domestic operations that could undercut the remedy provided by an exclusion order. *See, e.g., Certain Table Saws Incorporating Active Injury Mitigation Technology and Components Thereof*, Inv. No. 337-TA-965, Comm’n Op. at 4-6 (Feb. 1, 2017) (public version) (“*Table Saws*”); *Certain Protective Cases and Components Thereof*, Inv. No. 337-TA-780, Comm’n Op. at 28 (Nov. 19, 2012) (citing *Certain Laser Bar Code Scanners and Scan Engines, Components Thereof and Products Containing Same*, Inv. No. 337-TA-551, Comm’n Op. at 22 (June 14, 2007)).¹⁹

Diebold argued, and Nautilus did not contest, that all three Nautilus respondents maintain commercially significant levels of inventory in the United States. Diebold Post-Hearing Br. 229-230. The ALJ recommended the issuance of cease and desist orders. RD at 202-05. Nautilus does not contest that cease and desist orders are appropriate in this investigation. Before the Commission, Nautilus merely seeks to ensure that each cease and desist order contain a repair and replacement exemption commensurate with that in the exclusion order. Nautilus Reply Br.

¹⁹ The Commissioners have adopted different approaches to analyzing when it is appropriate to issue cease and desist orders. In particular, Chairman Schmittlein and Commissioner Kieff have explained that they do not believe that a commercially significant inventory is a prerequisite for obtaining a cease and desist order, as explained, for example, in the Commission Opinion in *Table Saws* at 6-7 nn. 2-3, and their separate opinions in *Table Saws*. There is no disagreement in the present investigation, however, as to the appropriateness of the issuance of cease and desist orders as to the Nautilus respondents.

26-27. We agree with Nautilus that the scope of the orders should be consistent, and we have tailored the cease and desist orders accordingly.²⁰ See 19 U.S.C. § 1337(f)(1).

B. Bonding

During the Presidential review period, imported articles otherwise subject to a remedial order are entitled to conditional entry under bond, pursuant to section 337(j)(3). 19 U.S.C. § 1337(j)(3). The amount of bond is specified by the Commission and must be an amount sufficient to protect the complainant from any injury. *Id.* Diebold sought and the ALJ recommended that bond be set at 100 percent of the entered value of the infringing articles during the Presidential review period. RD at 205-07.

Nautilus contests the ALJ's recommendation of 100 percent bond. For the '631 patent, Nautilus contends that the bond be set at zero because [REDACTED]. [REDACTED]. Nautilus Br. 31. In the alternative, Nautilus seeks a bond of no more than [REDACTED]. [REDACTED]. *Id.* at 38-39. The ALJ, however, found Nautilus's evidence too speculative. RD at 206. As to the '616 patent, Nautilus requests no bond. Nautilus Br. 39-40.

The Commission has determined to set the bond in the amount of 100 percent of the entered value of the infringing articles during the Presidential review period. 19 U.S.C. § 1337(j)(3). As we have explained in the past: "The Commission typically sets the bond based on the price differential between the imported infringing product and the domestic industry

²⁰ Commissioner Kieff joins the Commission's determination to issue cease and desist orders directed to all three Nautilus respondents in this case, but as discussed *supra* note 16, with respect to the limited exclusion order, he similarly does not agree with the Commission Majority that the cease and desist orders should include an exception permitting the continued importation, distribution, and end-use of replacement parts for service and repair of already imported infringing products. See Views of Commissioner F. Scott Kieff Dissenting from the Determination to Include a Public Interest Carve-Out for Replacement Parts for Service or Repair.

article or based on a reasonable royalty. However, where the available pricing or royalty information is inadequate, the bond may be set at one hundred (100) percent of the entered value of the infringing product.” *Certain Loom Kits for Creating Linked Articles*, Inv. No. 337-TA-923, Comm’n Op., 2015 WL 5000874, *11 (citations omitted). Here Diebold demonstrated that the [REDACTED]

[REDACTED]. RD at 206. Accordingly, we adopt the ALJ’s recommendation that bond be set in the amount of 100 percent of the entered value of the imported articles during the period of Presidential review.

V. CONCLUSION

For the reasons set forth herein, we find a violation of section 337 based on importation of articles that infringe claims 1, 6, 10, 16, 26, and 27 of the ’616 patent and claims 1-7 and 18-20 of the ’631 patent. We have determined that the appropriate remedy is a limited exclusion order and cease and desist orders. We have determined that the bond amount during the period of Presidential review should be 100 percent of the entered value of the imported articles.

By order of the Commission.



Lisa R. Barton
Secretary to the Commission

Issued: June 12, 2017

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

In the Matter of

**CERTAIN AUTOMATED TELLER
MACHINES, ATM MODULES,
COMPONENTS THEREOF, AND
PRODUCTS CONTAINING THE SAME**

Investigation No. 337-TA-972

**VIEWS OF COMMISSIONER F. SCOTT KIEFF
DISSENTING FROM THE DETERMINATION TO INCLUDE
A PUBLIC INTEREST CARVE-OUT FOR REPLACEMENT PARTS FOR
SERVICE OR REPAIR**

I agree with my colleagues that the patent infringement found in this investigation calls for the issuance of a limited exclusion order and cease and desist orders against Respondents Nautilus Hyosung Inc., Nautilus Hyosung America Inc., and HS Global, Inc. (collectively, "Nautilus") in this matter. I respectfully dissent, however, from the Commission Majority's determination, upon consideration of the public interest, to provide a carve-out from the ordinary remedies permitting the continued importation, distribution, and end-use of replacement parts for service or repair of infringing products imported prior to issuance of the exclusion order and cease and desist orders.

Although one of the statutory public interest considerations in 19 U.S.C. §§ 1337(d)(1)¹ and (f)(1)² is impact on United States consumers, in many typical patent

¹ 19 U.S.C. § 1337(d)(1) provides in relevant part: "If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. . . ."

infringement cases such as this one, practically all of those end users of the infringing products are simultaneously both infringers and consumers. Those end users are infringers because their devices meet all the elements of the patent claims in issue and because they purchased those devices from someone other than the patentee or its licensees. As purchasers of devices, those end users also are of course consumers, and it is understandable if a consumer is upset at having to risk paying more than the consumer initially expected to acquire replacement parts for service and repair of device(s) bought prior to the issuance of any remedial order. Indeed, sympathy for exactly that type of plight is so broad in our society that it motivated the codification of the implied warranty against infringement in the Uniform Commercial Code's Section 2-312, which is designed to give consumers of this type significant contract claims against their sellers for indemnification against any unexpected costs associated with infringement, such as having to now purchase a license from the patentee.

To be sure, legislative history concerning the Trade Reform Act of 1974 indicated that "the public interest must be paramount in the administration of this statute,"³ but Congress also highlighted the importance of dynamic economic incentives to sound

² Similarly, 19 U.S.C. § 1337(f)(1) provides in relevant part: "In addition to, or in lieu of, taking action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued."

³ S. Rep. 93-1298, Part V (General Description of the Bill), Title III (Relief From Unfair Trade Practices), Chapter 4 (Unfair Import Practices) Amendments to Section 337 of the Tariff Act of 1930 (Section 341), at 193 (Nov. 26, 1974) (to accompany H.R. 10710, and concerning the Trade Reform Act of 1974); *see also id.* at 198 ("Any cease and desist order issued by the Commission would, as with directions to exclude from entry, be effective upon issuance, but articles subject to the order are entitled to entry under bond determined by the Commission and prescribed by the Secretary of the Treasury in order to permit the President to exercise his authority under section 337(g). Also, as in sections 337(d) and (e), the Commission would have to consider the impact of any cease and desist order it would issue on the various interests described in such sections.").

growth and the long-term benefit of the American people.⁴ And, as the Federal Circuit explained at some length in *Spanston, Inc. v. ITC*, 629 F.3d 1331, 1359-60 (Fed. Cir. 2010), the 1988 amendments to our statute were designed to strengthen patent enforcement against the backdrop of having recognized what essentially are only narrow categories of public interest carve-outs (from things or behaviors that would be otherwise infringing) such as those represented by the “only three investigations” decided before the 1988 amendments, all of which focused on “inadequate supply within the United States – by both the patentee and domestic licensees [which] meant that an exclusion order would deprive the public of products necessary for some important ... need.” *Id.* at 1360. To determine in this investigation that the particular commercial purchasers of machines that we have adjudicated to infringe are entitled to this public interest exception because the product in question is of a type that may require repair in the future and at that time subject the purchasers to a risk of higher priced repairs or subject the public to deprivation from a few particular points of convenient access to cash withdrawal, seems to be to tack in essentially the opposite direction that Congress mandated in our statute and that the Federal Circuit reminded in *Spanston*.

It would make little sense for the Commission’s statute directed to remedies for patent infringement to on the one hand require imposition of a remedy for adjudicated acts of infringement involving a voluntary business transaction between two commercial entities, and on the other hand require a carve-out from that remedy for the exact same behavior in the name of the business interests of the one side who received the product in

⁴ *See id.*, Part II (General Statement) Why This Bill Is Necessary, at 19 (“The Committee recognizes the responsibilities of the United States, as the world’s strongest economy, to provide leadership in the international community. At the same time, however, the Committee recognizes the duty of the Federal Government to adopt policies for the sound growth of the economy and the long-term benefit of the American people.”).

exchange for money. In such a voluntary business exchange between commercial entities, both sides of the transaction are benefitting from the patent infringement; and the allocation of the risk for that infringement is best left to those commercial entities themselves. In any such exchange, the one entity paying the money can be fairly called a consumer, which means that a carve-out from any patent infringement risk simply due to the presence of a consumer in such a transaction will benefit both sides of the exchange in all such transactions. In other words, it would make little sense for the impact on United States consumers that is contemplated by the statutory public interest consideration in both section 337(d)(1) and (f)(1) to be the particular impact on the very same particular consumers who now plead for a carve out from the ordinary orders to protect patent rights adjudicated to have been infringed based solely on their own role as the customers of those infringing products.

The impact on United States consumers contemplated by the statutory recitations in 19 U.S.C. §§ 1337(d)(1) and (f)(1) must mean something different than a particular consumer's role as an adjudicated infringer to keep the exception from swallowing the rule – such as, perhaps, the consuming public as a whole. When it comes to the particular consumers of products adjudicated to be infringing, I see a close analogy between, on the one hand, the so-called structured remedies courts and the Commission have appropriately showed interest in using when supported by the record of a particular case, such as specific periods of stays before an injunction or exclusion order or cease and desist order comes into effect that are designed to allow competitors and customers some time to design around or re-align business relationships, and on the other hand, the time a

customer possessing an adjudicated infringing product has to enjoy that product before any repair to that product is needed.⁵

Neither the Commission Majority nor I have had the benefit of a comprehensive set of briefs from the public, bar, and business communities about the meaning of the statutory reference in section 337(d)(1) and (f)(1) to United States consumers as one potential basis for a carve out from the patent infringement remedies the Commission is otherwise statutorily authorized to provide. But as the Commission recently pointed out in its unanimous opinion after its recent – and rare – occasion for a public hearing on the public interest factors in a patent infringement case, when citing to the testimony from the U.S. Department of Energy, full enforcement of patent rights against practically all infringers, including even against those who make facially sympathetic claims to public interest carve-out, provides important incentives for patentees and their contracting parties to make the expensive investments in bringing patented technologies to market.⁶

In contrast, the record in this investigation on which the Commission Majority relies to support its determination on the public interest carve-out is little more than a

⁵ Put differently, the customers in this case are using products adjudicated to be infringing, and enjoy the benefit of a grace period to keep using those products until they need repair. That time until repair is needed might be spent seeking either a non-infringing alternative or a licensed alternative. I do not understand what prevents the Commission Majority's approach from turning such an appropriate grace period into a blanket carve-out once future parties know they can elect to infringe, wait for the chance of losing a full adjudication of infringement at the Commission, and then merely ask their customers to kindly sign letters begging for discounted repairs from the very same adjudicated infringers. I also worry about creating perverse incentives for infringers to deliberately structure their business strategies to take advantage of the Commission Majority's carve-out approach. For example, it is not clear how the Commission Majority would treat such letters sent by customers of some significant product (perhaps a \$30,000 automobile or piece of machinery) that is adjudicated to be infringing but was purchased with a financing arrangement that involved some low up-front cash payment followed by a long term stream of ongoing payments, perhaps including ongoing repair commitments.

⁶ See *Certain Lithium Metal Oxide Cathode Materials, Lithium-Ion Batteries for Power Tool Products Containing Same, and Power Tool Products with Lithium-Ion Batteries Containing Same*, Investigation No. 337-TA-951, Commission Op. at 52 (Jan. 26, 2017) (Pub. Vers.) (“If the patent rights asserted here ‘were not secure, the brute fact is that companies like BASF will be disinclined to make investments like those made here.’ . . . Further, they state that such a result would retard rather than promote competition. ‘Competition requires allowing those who license and who take new technologies to market to protect their investments.’”) (citations omitted).

large set of letters submitted by the adjudicated infringers in furtherance of their own business model that has benefited materially from their adjudicated infringement, from the customers who already paid significant money to the adjudicated infringers and their affiliates, and who in many cases are now the beneficiaries of ongoing contractual commitments from their sellers to provide replacement parts for service or repair. A determination to grant a carve-out on such a record incentivizes future infringers to increase their infringing sales volumes, prices, and post-sale service and repair commitments to the greatest extent possible before being brought before the Commission, which would be the opposite of the incentives Congress sought to foster when it gave the Commission a statutory mandate to enforce the patent laws Congress promulgated in furtherance of the grant of power in Article 1, Section 8, Clause 8 of our Constitution to promote innovation.

For all these reasons, I respectfully dissent.

**CERTAIN AUTOMATED TELLER MACHINES, ATM
MODULES, COMPONENTS THEREOF, AND PRODUCTS
CONTAINING THE SAME**

Inv. No. 337-TA-972

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **OPINION** has been served by hand upon the following parties as indicated, on June 12, 2017



Lisa R. Barton, Secretary
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