IP Alert: Federal Circuit Considers Whether ITC Can Properly Exclude Imported Products That Only Infringe After Importation

FEDERAL CIRCUIT CONSIDERS WHETHER ITC CAN PROPERLY EXCLUDE IMPORTED PRODUCTS THAT ONLY INFRINGE AFTER IMPORTATION

By Erin E. Bryan

On February 5, 2015, the Court of Appeals for the Federal Circuit sitting en banc heard oral arguments in Suprema, Inc. v. Int'l Trade Comm'n, Fed. Cir., No. 2012-1170, a case involving the ability of the International Trade Commission to issue exclusion orders under Section 337 based on a theory of induced patent infringement of method claims under 35 U.S.C. §271(b).

The en banc Federal Circuit is reviewing the vacation of an ITC order excluding fingerprint scanners that only infringe after they have been imported and loaded with software that causes the scanners to infringe the complainant's method patent when used. The ITC's decision was vacated by a split panel of the Federal Circuit on the grounds that the scanners did not constitute "articles that infringe" under §337(a)(1)(B)(i) at the time of importation.

BACKGROUND

Cross Match Technologies, Inc. filed a patent infringement complaint at the ITC against Suprema, Inc. and Mentalix, Inc. under 19 U.S.C. §1337. Suprema manufacturers fingerprint scanners in Korea that are then imported into the United States. Some of the scanners are sold to Mentalix, who then adds software to the scanner in the United States and the scanner/software combination is sold to customers.

Cross Match argued to the ITC that the sale and subsequent use of the combined scanner and software infringed their method claims. The ITC investigated the claim and ultimately determined that the scanner/software combination sold by Mentalix directly infringed the asserted method claims and that Suprema induced this infringement. An exclusion order was then issued by the ITC prohibiting any future importation of the infringing scanners.

The Federal Circuit originally split in finding that the ITC cannot issue an exclusion order on a theory of induced infringement where direct infringement does not occur until after the product is shipped into the United States. This decision was vacated by the full court after the en banc hearing was granted and the appeal reinstated.

ARGUEMENTS

The hearing included arguments from counsel for Suprema and Mentalix, counsel for the ITC, counsel for Cross Match, and counsel for the Justice Department. The en banc panel probed whether the language “articles that infringe” is ambiguous, and if not ambiguous, whether the ITC’s interpretation of that phrase to include induced infringement is a reasonable one entitled toChevron deference, e.g., the court should defer to the ITC’s interpretations of the statute unless it is unreasonable. The en banc panel was also concerned with the distinction between articles that infringe and conduct that infringes and how post-importation infringement relates to the statute. The en banc panel addressed the enforcement of any exclusion order, including how much freedom a border agent would have in interpreting an exclusion order and how an exclusion order can be appealed.

Counsel for Suprema and Mentalix argued that the language “articles that infringe” is not ambiguous and limits the ITC to only excluding products that infringe at the time of importation. However, if the phrase “articles that infringe” were to be found to be ambiguous then the ITC’s interpretation of the language was unreasonable by including induced infringement. Counsel additionally argued that the ITC would have to consider the intent of the importer, e.g., does the importer intend to cause infringement, when conducting an infringement analysis for inducement.

Counsel for the ITC argued that the phrase “articles that infringe” is ambiguous and the ITC’s interpretation should be given deference. Counsel then set forth the ITC’s position that induced infringement constitutes patent infringement and that articles that are imported with the intention of being combined with another product which will cause infringement of a method patent should be excluded. In responding to statements from the panel regarding direct infringement occurring after importation, counsel stated that it is no defense to a claim of inducement to say that the infringing conduct has not occurred until after the inducing conduct. ITC’s counsel additionally addressed questions as to how an investigation decision on infringement is made. For example, whether a decision is made merely by looking at a product and determining whether infringement will occur once it has been imported into the United States, whether there are non-infringing uses of the product, and whether an exclusion order can be drafted in such a manner as to block only the importation of products that will be used for infringement, e.g., only block the importation of products that are being sold to Mentalix.

Cross Match’s counsel argued that the language “articles that infringe” is not ambiguous. Additionally, the language is consistent with how infringement is described in 35 U.S.C. §271. Counsel addressed questions regarding the distinction between articles that infringe and

conduct that infringes stating that if the phrase “articles that infringe” is read strictly to articles only, then Section 337 excludes liability under any aspect of §271 because the statutory language refers to conduct.

Counsel for the Justice Department argued that the phrase “articles that infringe” is not defined by the statute and therefore deference should be given to the ITC’s interpretation of the statute. Additionally, when responding to questions, counsel stated that when considering whether an article being imported would infringe a patent then the intent behind the article should be considered, as well as considering if the article will infringe or if it is being sold to a third-party who will not use the article to infringe a method patent.

CONCLUSION

The en banc panel has raised many issues with its questions. Resolution of those issues will provide guidance to importers and patent holders alike as to whether the ITC can properly exclude imported products that do not infringe until after importation.

The court is expected to issue its decision later in 2015.

Posted: February 17, 2015