IP Alert: Suprema, Inc. v. ITC: ITC Can Exclude, Under Inducement Theory, Imported Products That Only Infringe After Importation

SUPREMA, INC. V. ITC: ITC CAN EXCLUDE, UNDER INDUCEMENT THEORY, IMPORTED PRODUCTS THAT ONLY INFRINGE AFTER IMPORTATION

By Jeffrey H. Chang

On August 10, 2015, an en banc Court of Appeals for the Federal Circuit held that the International Trade Commission's interpretation of Section 337 was reasonable and therefore that the ITC has the authority to exclude, under a theory of induced infringement, imported products that directly infringe a patent only after importation.

PROCEDURAL HISTORY

U.S. Patent No. 7,203,344 ('344 patent), which is owned by Cross Match Technologies, Inc. and the only patent at issue in the en banc decision, claims a method for capturing and processing a fingerprint image. In 2010, Cross Match filed a complaint under 19 U.S.C. § 1337 with the ITC alleging that Suprema, Inc. and Mentalix, Inc. infringed four of Cross Match's patents, including the '344 patent. Suprema manufactures the hardware for the fingerprint scanners abroad, and both Suprema and Mentalix import the hardware into the United States. After importation, Mentalix integrates its software with the hardware to make the infringing fingerprint scanner. In other words, the imported scanner hardware, on its own, does not directly infringe the '344 patent.

The ITC found that Mentalix directly infringed the '344 patent by integrating the scanner software with the hardware and that Suprema induced infringement of the '344 patent under 35 U.S.C. § 271(b), relying on Mentalix's infringement as the underlying direct

infringement. As a result of its findings, the ITC issued a limited exclusion order against Suprema and Mentalix.

Suprema and Mentalix appealed the ITC's findings to the Federal Circuit, and in 2013, a divided panel of the Federal Circuit vacated the ITC's findings that Mentalix directly infringed the '344 patent and that Suprema induced infringement. The panel argued that the phrase "articles that infringe" in Section 337 require that infringement must be measured at the time of importation and therefore that the ITC could not issue an exclusion order on the basis of induced infringement because "such imports are not in an infringing state upon importation." Judge Reyna dissented in the panel opinion, and the Federal Circuit agreed to rehear the case en banc.

ITC CAN EXCLUDE, UNDER INDUCEMENT THEORY, IMPORTED NON-INFRINGING PRODUCTS THAT ONLY DIRECTLY INFRINGE AFTER IMPORTATION

Judge Reyna wrote for the majority of the en banc Federal Circuit (6 out of 10 judges), and the en banc Federal Circuit overturned the panel decision. The Federal Circuit held that the ITC's interpretation of Section 337 was reasonable and therefore that the ITC has the authority under Section 337 to exclude, under a theory of induced infringement, imported products that directly infringe a patent only after importation.

The Federal Circuit explained that Congress delegated authority to the ITC to resolve ambiguities in Section 337, and therefore that the ITC's interpretation of Section 337 is entitled to Chevron deference. Under Chevron, a court reviewing an agency's interpretation of a statute will not overturn the agency's interpretation of the statute if it is a reasonable interpretation. The Federal Circuit determined that the ITC's interpretation of the phrase "articles that infringe" in Section 337 as including articles that only directly infringe after importation was reasonable because "it is consistent with Section 337 and Congress' mandate to the Commission to safeguard United States commercial interests at the border." The Federal Circuit returned the case to the panel for further proceedings consistent with the en banc court's opinion.

DISSENT

In her dissent, Judge O'Malley (joined by Chief Judge Prost, Judge Lourie, and Judge Dyk) argued that "[t]he language of the statute is unambiguous – the Commission lacks the power … to enter an exclusion order on the basis of infringement of a method claim when the underlying direct infringement occurs post-importation."

Please click here to read the opinion.

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