

Indirect Infringement At The ITC Post-Suprema

Law360, New York (January 03, 2014, 12:08 PM ET) -- In a potentially far-reaching decision, the Court of Appeals for the Federal Circuit in *Suprema Inc. and Mentalix Inc. v. U.S. International Trade Commission* vacated an ITC determination based on induced infringement, holding that the commission has no authority under Section 337 to find a violation in an inducement case involving method claims where the articles do not directly infringe at the time of importation.[1]

At first glance, the opinion appeared to destabilize decades of established ITC law, under which indirect infringement could form the basis of a Section 337 violation, even where the final act of direct infringement took place in the United States after importation. A closer reading of the decision in *Suprema* make clear, however, that the court deliberately sought to narrow the scope of its decision to cases involving induced infringement under § 271(b) of the Patent Act — thereby maintaining the viability of contributory infringement cases at the ITC involving method claims under 271(c).

Section 337 of the Tariff Act of 1930 authorizes the ITC to find unlawful:

The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee of articles that ... [i]nfringe a valid and enforceable United States patent.

On the basis of such a determination, the ITC is authorized to order the exclusion of such “articles.”

In recent years, the commission has adjudicated numerous cases involving method claims, in which software loaded onto hardware — such as the operating system running on a smartphone — is alleged to infringe method claims.[2] Because claims of indirect infringement necessarily involve proof that an act of direct infringement occurred — and because patent law is territorial — ITC complainants in software cases have sought to establish direct infringement based on the infringing use of the imported article in the United States. *Suprema* appears to call into question the viability of ITC cases involving inducement of infringement of method claims, where the act of direct infringement occurs in the United States.

In relevant part, the *Suprema* case involved the importation of fingerprint scanners into the United States by *Suprema*, a Korean company, and *Mentalix*, a Texas-based integrator. In Texas, *Mentalix* loaded software onto the noninfringing scanners and then sold them to clients in the United States. The complainant, *CrossMatch*, alleged that the scanners, once the software was loaded onto the machines in Texas and the machines were operated, infringed the asserted method claims.

The complainant alleged that *Suprema*, acting from abroad, actively induced *Mentalix* to develop and

implement software that infringed the asserted method claims in the United States. There was no dispute that the scanners themselves, as imported, had substantial noninfringing uses and did not infringe the asserted method claims. It was only the specific use to which the articles were put after importation by Mentalix — and the act of domestic direct infringement predicated on that use — that the commission found to have infringed the asserted method claim.

Applying Section 337 to these facts, the Federal Circuit in *Suprema* held that “the statutory grant of authority in § 337 cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation.”[3] The court explained that § 271(b) “focus[es] on the conduct of the inducer” whereas under Section 337 the focus is “on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods.”[4] The majority's statements appear to leave no basis for a violation finding based on induced infringement, whatever the facts, given that that “inducement requires that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another's infringement.”[5]

At first glance, this is a surprising result, as the Federal Circuit did not address the commission's factual findings. (“Because we find the Commission had no authority to premise an exclusion order addressed to *Suprema*'s scanners on the infringement theory it employed, we do not address the Commission's other findings on the '344 patent.”[6]) It is important, however, to recall that Section 337 is a trade statute that is administered by U.S. Customs and Border Protection, which prospectively excludes infringing devices.

For an ITC exclusion order to be administrable, CBP must be able to determine by examining the imported article whether it infringes the asserted patent claims. Where, as here, the imported article does not necessarily infringe and has substantial noninfringing uses, and it is possible for the importer to use the imported article in a noninfringing manner, exclusion of the accused scanners by CBP arguably is not appropriate. CBP is not in a position to determine whether the imported article — such as the otherwise noninfringing scanners at issue in *Suprema* — will be used in an infringing manner in the United States.

The court appears to recognize the difficulty in administering a prospective exclusion order that requires CBP to assess the subjective intent of the importer, noting that “[t]he focus is on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods. The same focus is evident also from the main remedy [the ITC] can grant, exclusion orders on the imported articles.”[7]

Nevertheless, the majority implied that induced infringement may still remain a viable cause of action at the ITC under the right circumstances.[8] Specifically, the court repeatedly suggests that the facts of the underlying case were highly significant to the court's holding (a 337 violation “may not be predicated on a theory of induced infringement in these circumstances;”[9] the commission is “powerless to remedy acts of induced infringement in these circumstances.”[10]).

Given the court's analysis, under what circumstances could induced infringement remain a viable cause of action at the ITC? The answer, the Federal Circuit states, is that the commission may ban articles “imported by an ‘inducer’ where the article itself directly infringes when imported ... it may not invoke inducement to ban importation of articles which may or may not later give rise to direct infringement.”[11]

Where an imported product contains written instructions that induce infringement at importation, it is

possible that would also suffice under the Federal Circuit's analysis, although the act of direct infringement would occur in the United States. Induced infringement, however, is generally much more difficult to prove than direct infringement, and it is highly unlikely a party would claim a violation based on induced infringement if it could prove direct infringement at the time of importation. In a case involving alleged induced infringement of a method claim, where a necessary step of the method occurs in the United States, the commission after *Suprema* would seem justified in refusing to institute an investigation based solely on inducement.

To avoid the opinion being read as undermining the viability of contributory infringement cases under § 337 (given that the requisite act of direct infringement in contributory infringement cases also occurs post-importation), the court went out of its way to emphasize that contributory infringement remains a viable cause of action at the commission, stating that “[o]ur holding is far narrower than the dissent asserts ... virtually all of the mischief the dissent fears can be addressed by the ITC via resort to § 271(a) or § 271(c), or even to § 271(b) where the direct infringement occurs pre-importation.”[12]

The Federal Circuit further distinguished contributory infringement from induced infringement, emphasizing that the relevant inquiry under Section 337 is whether the infringing conduct was “tied to an article.”[13] In the case of direct infringement under § 271(a), the imported article itself is a “patented invention” and therefore clearly is an “article ... that infringe[s]” for purpose of Section 337.[14]

Contributory infringement, the court said, is similarly also “tied to an article,” in that Section 271(c) requires that an article be specifically designed to infringe and have no substantial noninfringing uses.[15] This is consistent with the Federal Circuit's previous holdings that contributory infringement is a viable cause of action under Section 337.[16] The continued life of contributory infringement at the ITC under Section 337 in cases involving method claims is also consistent with the Federal Circuit's recent approach to § 271(c), which “covers both contributory infringement of systems claims and method claims.”[17]

This suggests that the key distinction between induced infringement and contributory infringement for purposes of Section 337 is inherency: In contributory infringement cases, the accused product has no substantial noninfringing uses and, therefore, can be said to infringe (or contribute to infringement) at the time of importation.

Viewed, again, in light of the fact that Section 337 is a trade statute, the viability of contributory infringement as a cause of action at the ITC makes some practical sense. CBP, at least in principle, can determine from a visual examination of an imported article (or in the laboratory) whether an imported article necessarily directly infringes a method claim, by switching on the device or making a determination of the device's lack of a more general purpose use. A determination of the subjective intent of the importer at the point of importation is not necessary if infringement can be determined by CBP through such inspection or testing.

In short, the Federal Circuit's decision in *Suprema* appears to leave no room for viable Section 337 actions based solely on induced infringement of method claims, when the act of direct infringement occurs in the United States. While findings of violation based on inducement cases were relatively rare at the ITC, particularly involving method claims, the commission had long adjudicated such cases on the merits. Given the Federal Circuit's ruling here, it would seem that such a path no longer exists.

Nevertheless, the Federal Circuit went out of its way to make clear that contributory infringement

continues to be a viable cause of action in Section 337 investigations involving method claims. For both defendants and respondents, however, the central inquiry in indirect infringement cases at the ITC, in addition to infringement, must be whether the accused articles are staple articles of commerce or have no substantial noninfringing uses. A clear showing that the claim is “tied to an article” that infringes upon importation into the United States will be key to obtaining a finding of violation at the ITC in cases involving indirect infringement.

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Adduci Mastriani & Schaumberg LLP represented respondents Suprema Inc. and Mentalix Inc. only before the U.S. International Trade Commission in the matter of Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same, ITC Inv. No. 337-TA-720.

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[1] *Suprema, Inc. v. Int’l Trade Comm’n*, No. 2012-1170, slip op. (Fed. Cir. Dec. 13, 2013) (“Maj. Op.”)

[2] See generally, *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724

[3] Maj. Op. at 20

[4] Maj. Op. at 16

[5] *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006)

[6] Maj. Op. at 26

[7] Maj. Op. at 16

[8] Maj. Op. at 13, n2

[9] *Id.*

[10] Maj. Op. at 13

[11] Maj. Op. at 25

[12] Maj. Op. at 21, n4

[13] Maj. Op. at 19

[14] *Id.*

[15] Id.

[16] See *Spancion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1353 (Fed. Cir. 2010) (explaining that “to prevail on contributory infringement in a Section 337 case, the complainant must show: (1) there is an act of direct infringement in violation of Section 337; (2) the accused device has no substantial non-infringing uses; and (3) the accused infringer imported, sold for importation, or sold after importation within the United States, the accused components that contributed to another’s direct infringement.”)

[17] *Arris Group, Inc. v. British Telecomm. PLC*, 639 F.3d 1368, 1376 (Fed. Cir. 2011) (footnotes omitted)

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