

February 6, 2015



Federal Circuit Hears Oral Arguments in *Suprema, Inc. v. International Trade Commission* Rehearing *en banc*

Court considers whether the U.S. International Trade Commission has authority over allegations of induced infringement and infringement of method-of-use claims by importers.

Procedural Background

Suprema v. ITC is an *en banc* rehearing of an appeal of the U.S. International Trade Commission's decision in Investigation No. 337-TA-720. The underlying dispute is based on a complaint filed by Cross Match Technologies, Inc. naming *Suprema, Inc.* and *Mentalix, Inc.* as respondents. *Suprema* manufactured and imported optical scanners for capturing fingerprints. Some of these imported scanners were sold to *Mentalix*, who then integrated them with separate hardware and software to create a system. The Commission found that *Mentalix*'s use of this integrated system directly infringed *Cross Match*'s patented methods. The Commission further found that *Suprema* induced that infringement through willful blindness to the *Cross Match* patent and issued an exclusion order preventing the importation of the scanners.

Suprema appealed and the Federal Circuit vacated the Commission's decision in an opinion that foreclosed the use of induced infringement in future Section 337 investigations. The panel reasoned that "[b]ecause there can be no induced infringement unless there has been an act of direct infringement, [] there are no 'articles . . . that infringe' at the time of importation" because direct infringement occurs after importation. The Commission and *Cross Match* petitioned for rehearing *en banc* and the Court vacated the panel decision and granted the petition.

Oral Argument

Questions from the bench during oral argument primarily addressed (1) whether the phrase "articles that infringe" in 19 U.S.C. § 1337(a)(1)(B)(i) is ambiguous with respect to induced infringement as defined in 35 U.S.C. § 271, and, if the phrase is ambiguous, (2) whether the Commission's interpretation of the phrase to include induced infringement is a reasonable one that is entitled to *Chevron* deference, i.e., does the Federal Circuit need to defer to the Commission's interpretation of its enabling statute. *Suprema* argued that "articles that infringe" requires direct infringement at the time of importation. The Commission and *Cross Match* took a broader view, asserting that "infringe" includes all forms of infringement, direct and indirect, because Congress intended to grant broad authority to remedy unfair trade practices. Although not raised by the parties at oral argument, certain amicus briefs argued that Congress intended Section 337(a)(1)(B) to grant authority over types of *patent claims* rather than types of *infringement*, prohibiting the importation of "articles that infringe" apparatus claims or are "made ... by" a method-of-manufacture claim.

The parties were also asked about the practicality of crafting and enforcing an exclusion order that allows the importation of scanners destined for noninfringing uses. *Suprema* argued that the Commission's exclusion order prohibited all scanners without reference to post-importation use, and that, even if the Commission tried to make the distinction, it would be impossible for to enforce. The Commission and *Cross Match* responded that a selective order could be crafted and the Court should vacate and remand to the Commission with instructions to do so. The Commission further argued that the exclusion of scanners with noninfringing uses is acceptable given *Suprema*'s guilty intent. *Suprema* countered, however, noting that the Commission's finding of induced infringement was based not on actual intent but on willful blindness.

What to Expect

Although many holdings are possible, the Federal Circuit may find that Section 337(a)(1)(B) only authorizes the Commission to enforce apparatus claims covering “articles that infringe” under subsection (i) and articles “made [by] a process covered by” a method-of-manufacture claim under subsection (ii). If so, the Commission would lack authority over all method-of-use claims, including those asserted by Cross Match.

Alternatively, the Court may find that congressional intent regarding “articles that infringe” is ambiguous because 35 U.S.C. § 271 defines infringement with respect to the actions of individuals rather than articles. This result would require the Court to further determine (1) whether the Commission reasonably interpreted “articles that infringe” to include induced infringement and (2) whether the Commission’s exclusion order was overbroad.

The Court is expected to issue its decision no later than this summer.

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