

Federal Circuit's En Banc *Suprema* Ruling Confirms the ITC's Authority to Exclude Imported Goods Used to Directly Infringe in the United States

Written by Jeremy A. Younkin

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On August 10, 2015, the Federal Circuit held that under Section 337 of the Tariff Act of 1930, the International Trade Commission (ITC) could exclude from the United States imported goods that, after importation, are used in an infringing method at the inducement of the goods' seller. The court issued its ruling, *Suprema, Inc. v. ITC*, en banc.

Section 337 prohibits the importation, sale for importation, and sale within the U.S. after importation of "articles that...infringe a valid and enforceable United States patent." 19 U.S.C. § 1337(a)(1)(B)(i). Before the ruling, there had been doubt about the application of the statute to imported goods that are not themselves covered by a patent but are used, after importation, to directly infringe a U.S. patent, such as goods that are used to carry out a patented method. (A separate part of the statute forbids the importation of goods made abroad using a patented method; the issue in this case was the use of goods in a patented method after importation.)

The case concerned patents covering methods for "capturing and processing a fingerprint image." The complaint alleged that *Suprema*, a Korean manufacturer of scanners, induced a U.S. company (*Mentalix Inc.*) to infringe patents held by complainant *Cross Match Technologies, Inc.* *Cross Match* alleged that by selling its non-infringing scanners to *Mentalix*, *Suprema* induced *Mentalix* to infringe *Cross Match's* patents because *Suprema* knew that, after importing the scanners, *Mentalix* would use an included software development kit to program the scanners to perform the patented methods. The ITC agreed. It found that *Suprema's* activity constituted a violation of Section 337, and it issued a limited exclusion order barring certain *Suprema* products from importation into the United States.

In 2013, a split three-judge panel of the Federal Circuit disagreed with the ITC, holding that Section 337 did not authorize the exclusion of non-infringing goods used in a patented method when the direct infringement occurs after importation.

Last week's decision went the other way, affirming the ITC's determination. The en banc court was sharply divided, with five judges (Newman, Reyna, Wallach, Taranto, Chen, and Hughes) standing behind the decision and four (Prost, Lourie, Dyk, and O'Malley) dissenting. To reach its ruling, the majority first determined that the statutory phrase "articles that infringe" was ambiguous, because it refers to "articles," while the section of the Patent Act that defines infringement does so by reference to actions – such as making, using, or selling a patented invention. Given this discontinuity, the majority reasoned, it should accord deference to the ITC's interpretation of the statute. The majority also expressed concern that a contrary ruling would "weaken[] the [ITC's] overall ability to prevent unfair trade acts..."

In a strongly worded dissent, Judge O'Malley, joined by three others, argued that the majority had "strain[ed] to find an ambiguity in the statute where there is none..." Thus, she argued, the majority's deference to the ITC was unfounded: "We are not at liberty to impute power to the [ITC] that Congress did not grant." The opinion concluded with an attack on the majority as violating the separation of powers because its ruling "diminishes Congress's power to define the scope of the [ITC's] authority, and it permits the Executive Branch to say what the law is."

The decision will be welcomed by owners of method patents who can establish a violation of Section 337 only by making a showing of induced infringement. Unless the Supreme Court overrules the decision, it will provide new certainty about the ITC's ability to enforce method claims based on inducement theories.

Method claims, which often must be enforced by a showing that a manufacturer induced its customers to infringe rather than direct infringement by the manufacturer, have received a boost recently not only from the *Suprema* ruling, but also from the court's en banc

ruling only days later in the long-running case *Akamai v. Limelight*, which **we discuss here**. The two rulings together do much to revive the value of method claims, which, although important in many industries, had become increasingly difficult to enforce in light of other recent rulings.

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