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Federal Circuit issues opinion in Suprema, Inc. v. International Trade Commission

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What's at Stake?

The panel majority held that exclusion orders under § 337 may not issue based on a theory of induced infringement where the direct infringement does not occur until after the articles are imported. The **Federal Circuit** also relied on the Commission's Opinion in 337-TA-724, which held that there can be no Section 337 violation based on the direct infringement of a method claim—rather the complainant must show indirect infringement. In both cases the Federal Circuit and the Commission relied on Section 337's prohibition of "the importation … of articles that infringe." The immediate impact is significant: when asserting method claims under 19 U.S.C. § 1337(a)(1)(B)(i), the only viable theory of infringement is contributory infringement. Method-of-manufacture claims may still be asserted under 19 U.S.C. § 1337(a)(1)(B)(ii) and are not affected by this decision.

Summary of the Opinion

Suprema v. ITC is an appeal of the Commission's decision in 337-TA-720, based on a complaint filed by Cross Match Technologies, Inc. naming Suprema, Inc. and Mentalix, Inc. as respondents. Suprema imported optical scanners used for capturing and recognizing fingerprints and sold them to many customers, including Mentalix. After receiving the scanners in the U.S., Mentalix loaded them with its own software. The Commission found that Mentalix's use of the combination of the software and the scanners directly infringed the patent, and that Suprema induced that infringement when importing the scanners to Mentalix.

The Federal Circuit vacated this ruling, finding that Section 337 ties the importation to "articles that infringe" and focuses "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 Court reasoned that infringement under Section 271(a) and (c) is in each case tied to an article, but Section 271(b) is not tied to an article but instead refers to a person who "actively induces infringement of a patent." Because the inducement under Section 271(b) is not complete until there is a direct infringement, there can be no Section 337 violation through induced infringement until after the underlying act of direct infringement has occurred.

What to Expect

The Federal Circuit, in footnote 4, left open the possibility that induced infringement could still lead to a Section 337 violation "where the direct infringement occurs pre-importation." In this case, Mentalix would have to purchase the scanners abroad from Suprema, load its software on to the scanners, perform the claimed methods by testing the scanners, and then import the scanners into the U.S. Not only would this be an unusual business model, but it is possible that the Federal Circuit would still find that the scanners are not "articles that infringe" because they only infringe when used, not when they are imported. In discussing the Commission's 337-TA-724 Opinion, the Federal Circuit reasoned:

> [W]hile the Commission spoke in terms of its authority to ban articles that infringe either directly or indirectly, it emphasized that the "articles" must infringe "at the time of importation." Id. at *9.

For inducement, the only pertinent articles are those which directly infringe— at the time of importation. Hence, while the Commission may ban articles imported by an "inducer" where the article itself directly infringes Federal Circuit issues opinion in Suprema, Inc. v. International Trade Commission December 19, 2013 when imported (as it attempted to do in Kyocera), it may not invoke inducement to ban importation of articles which may or may not later give rise to direct infringement of Cross Match's patented method based solely on the alleged intent of the importer.

Thus, while the Federal Circuit says that Section 337 may ban articles imported by an "inducer" those articles must directly infringe when imported. It remains unclear how the use of an article to practice a method claim before importation can render that article infringing at the time of importation. There also remain practical questions including whether each article must be used, whether the person using the articles is relevant, or whether the inducing party may also be the induced party. We can expect significant litigation with respect to the meaning of Section 337's reference to "articles that infringe." In the meantime, complainants should be hesitant to rely on method-of-use claims at the ITC, especially when the theory is one of induced infringement.

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