

Fed. Circ. Reverses Ruling Narrowing ITC's Patent Authority

By **Aebra Coe**

Law360, New York (August 10, 2015, 3:49 PM ET) -- A split Federal Circuit ruled Monday that the U.S. International Trade Commission has the authority to prevent the importation of products that hold the potential to induce infringement of U.S. patents after they are imported, even if they don't infringe at the time they enter the country.

Monday's majority decision, inked by six of the court's 10 judges, overturned a precedential 2013 ruling in which a panel of the court found that Section 337 of the Tariff Act only covers products that directly infringe U.S. patents at the time of importation, effectively eliminating trade relief under Section 337 for induced infringement.

The Federal Circuit judges' majority opinion, and their four dissenting colleagues' thoughts on the matter, hinged on the meaning of the words "articles that infringe" contained in Section 337 and whether that phrase includes products that do not infringe until after they enter the U.S.

"The commission's interpretation that Section 337 grants it authority to prevent importation of articles that have been part of inducement as an unfair trade act is consistent with the statutory phrase 'articles that infringe,'" Circuit Judge Jimmie V. Reyna wrote for the majority. "Nothing in nearly a century of U.S. trade law enactments is inconsistent with the commission's interpretation."

Judge Reyna wrote that the technical interpretation of "articles that infringe" that was adopted by the panel in 2013 weakens the ITC's ability to prevent unfair trade acts involving infringement of U.S. patents.

"The panel's interpretation of Section 337 would eliminate relief for a distinct unfair trade act and induced infringement," Judge Reyna wrote. "There is no basis for curtailing the Commission's gap-filling authority in that way. Indeed, the practical consequence would be an open invitation to foreign entities ... to circumvent Section 337."

The case centers around **the Federal Circuit's 2-1 panel decision** that partially vacated **an exclusion order** entered by the ITC barring imports of fingerprint scanners by South Korea-based Suprema Inc. that the commission found, when paired with specific software, infringed patents owned by Cross Match Technologies Inc. The circuit court agreed to review the case en banc in May 2014.

In the months leading up to the case, a host of tech giants including Microsoft Corp. filed amicus briefs supporting Suprema. Microsoft told the court in August 2014 that allowing the ITC to hear induced infringement cases could prevent "a host of products that can be, and routinely are, used in wholly

legitimate, noninfringing ways" from being imported into the U.S.

The majority of the Federal Circuit's judges felt differently, but in a dissenting opinion penned by Judge Kathleen M. O'Malley, four judges agreed that the law "unambiguously" fails to provide the ITC with the authority to bar the importation of articles of commerce that can hold the potential to induce infringement.

"The 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," the minority opinion concluded.

Palm Beach Gardens, Florida-based Cross Match, which bills itself as a pioneer in the biometric identity management solution field, sells fingerprint and palm print scanners under its Verifier, Guardian and Seek product lines, according to the company's ITC complaint, filed in May 2010.

The complaint alleged infringement of three patents and claimed that Cross Match has sometimes put a new product on the market "only to be competing against a clone of it within less than one year," including Suprema's RealScan line of fingerprint readers.

Counsel for Cross Match, Max Grant of Latham & Watkins LLP, told Law360 Monday he is pleased with the Federal Circuit's en banc decision.

"To me this is a really important decision, it allowed a relatively modest sized U.S. company, Cross Match, to enforce its intellectual property rights against a big Korean company that was competing against them by infringing," Grant said. "If the trade statute couldn't be used for that I'm not sure it would be worth the paper it's written on."

Counsel for Suprema declined to comment Monday.

The patents-in-suit are U.S. Patent Numbers 5,900,993 and 7,203,344, both of which were found to be infringed by Suprema's products, and 7,277,562, which was found not to be infringed. The ITC only reviewed the ruling with regard to the '344 patent.

Judges Pauline Newman, Evan Wallach, Richard Taranto, Raymond Chen and Todd M. Hughes joined the majority opinion. Chief Judge Sharon Prost and judges Kathleen O'Malley, Alan Lourie and Timothy Dyk dissented.

Suprema is represented by Darryl Woo of Vinson & Elkins LLP and Jae Won Song, Ilana S. Rubel, Bryan A. Kohm and David M. Lacy Kusters of Fenwick & West LLP.

Cross Match is represented by Clement Naples, Max Grant, Bert Reiser and Gabriel Bell of Latham & Watkins LLP.

The ITC is represented by General Counsel Dominic Bianchi, Assistant General Counsel Wayne Herrington and ITC attorney Clark Cheney.

The case is Suprema Inc. et al. v. International Trade Commission, case number 2012-1170, in the U.S. Court of Appeals for the Federal Circuit.

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