

Full Fed. Circ. Appears Split On ITC's Patent Powers

By Jimmy Hoover

Law360, Washington (February 05, 2015, 2:52 PM ET) -- Questions on the limits of the U.S. International Trade Commission's patent authority appeared Thursday to divide ten Federal Circuit judges sitting en banc to consider whether the ITC may bar imports that induce infringement from entering the U.S.

In a packed courtroom, the judges hounded attorneys for the ITC and appellant Suprema Inc. on three words in Section 337 of the Tariff Act, the interpretation of which experts predict could shut the doors of the ITC to a bevy of cases involving software and other method patents.

According to Suprema Inc. — whose scanners the ITC banned from being sold in the U.S. due to their eventual pairing with allegedly patent-infringing software — the statutory phrase banning “articles of infringement” refers only to the imported items themselves, and not how they will be used upon sale in the U.S.

“Articles of infringement are just that,” Suprema’s attorney, Darryl M. Woo of Vinson & Elkins LLP said, referring to the statute. “My client imported only stable articles.”

Woo found a sympathetic ear Thursday in Judge Alan D. Lourie. Drawing on his time as a chemist and later a patent agent for Wyeth Labs, Judge Lourie said “patent people do not use language with imprecision.”

The case centers around a 2-1 Federal Circuit panel decision from December 2013 that partially vacated an exclusion order barring imports of fingerprint scanners by the South Korea-based company that the ITC found infringed patents owned by Cross Match Technologies Inc. The court agreed to review the case en banc in May.

According to Cross Match’s attorney, Maximilian A. Grant of Latham & Watkins LLP, the stakes are high. If the court restricts the ITC’s authority over induced infringement, Grant told the judges, the only alternative for patent owners will be recourse in the district courts, which he says falls woefully short.

In that case, even if a district court judge did enjoin alleged infringer Mentalix Inc. from selling its software, Suprema could turn around and sell to a different distributor unimpeded, Grant said.

“The entire purpose of this statute is to be able to stop that at the border in an effective way,” he told all of the court’s judges with notable exception of Judge Kimberly A. Moore, who recused herself since

her husband is a partner at the intervenor's firm, Latham & Watkins.

Echoing his statements was ITC lawyer Clark Cheney, who said the ITC is bound to U.S. patent law as a whole in analyzing which items infringe.

"The invention is the process," Cheney said, saying that isolating the items from their ultimate use is "not how [patent cases] are adjudicated."

During argument Thursday, Judge Jimmie Reyna led the charge for the ITC. Having penned the dissent to the panel's 2013 decision — in which he warned against the "fissure in the dam of the U.S. border" allegedly created for inducers by his colleagues' finding — Reyna pressed Suprema on whether the court owes deference to the commission in light of the statute's ambiguity.

After Woo countered by denying that the statute was ambiguous, Reyna fired back, "This court has been called en banc to determine what 'articles of infringement' means ... Isn't that an ambiguity?"

Judge Richard G. Taranto chimed in behind Reyna, suggesting that "articles of infringement" was perhaps "shorthand" for a more expansive definition of infringement that included inducement as well.

In an ostensible effort to bridge the gap between the choices, Judge Pauline Newman asked Woo whether the percentage of the items destined to infringe should be a factor, a line of thinking Suprema — whose scanners were overwhelmingly destined for Metalix's software pairing — sought to quash, with Woo saying, "I don't think it's a numbers game."

Newman, however, was unconvinced. "We always draw lines with numbers," the judge said.

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 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 patents-in-suit are U.S. Patent Numbers 5,900,993; 7,203,344; and 7,277,562.

Suprema is represented by Darryl Woo, Jae Won Song, Ilana Rubel, Bryan Kohm, David Lacy Kusters and Bradley Meissner 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.

—Additional reporting by Ryan Davis and Sindhu Sundar. Editing by John Quinn.