Client Alert

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Federal Circuit Limits ITC Power over Induced Infringement

By G. Brian Busey and Kirk A. Sigmon

On December 13, 2013, the Court of Appeals for the Federal Circuit released an opinion in *Suprema v. International Trade Commission* that significantly restricts the scope of the International Trade Commission ("ITC")'s power over imported articles that induce infringement of—but do not yet directly infringe—a United States patent. This decision is important because it may create a loophole that allows importers to avoid ITC exclusion orders and may significantly limit the usefulness of ITC litigation for method patent holders.

In *Suprema,* the Federal Circuit held that the ITC lacked the authority to issue an exclusion order against fingerprint scanners manufactured by Korean company Suprema because their scanners were only infringing *after* importation into the United States and only after being combined with software made by United States company Mentalix. According to the panel majority, because 19 U.S.C. § 1337 ("Section 337") is violated by "articles that . . . infringe a valid and enforceable United States patent," the ITC may only exercise its power against articles that are "already in an infringing state at the time of importation," not those that may infringe post-importation under 35 U.S.C. § 271(b). In other words, inducement of infringement under Section 271(b) is not "completed" until there has been both inducement to infringe and direct infringement, and thus the ITC has no power over imports that induce infringement but do not yet directly infringe.

Interestingly, under *Suprema,* if an article is not capable of non-infringing uses, its importation may constitute contributory infringement and therefore violate Section 337. The panel majority thus appears to leave open the option of a patent holder pursuing a contributory infringement theory at the ITC.

Importantly, *Suprema* appears to overrule *In the Matter of Certain Electronic Devices,* 337-TA-724, where the Commission concluded that it had the authority to entertain indirect infringement claims. 2011 ITC LEXIS 2869 (Dec. 21, 2011). In *Electronics Devices,* the Commission held that the plaintiff could not establish a violation of Section 271(a) and Section 337 where a computer practiced a method claim after importation. The Commission did, however, hold out the possibility that a violation of Section 337 could still be established by showing indirect infringement in connection with imported articles where the predicate direct infringement occurred after importation. That option, at least for inducement, no longer appears viable at the ITC.

In a vigorous dissent, Judge Reyna argued that the panel majority's holding in *Suprema* may create significant problems for patent holders. As many method patents are infringed only by an end-user, Judge Reyna noted that the panel majority's holding may all but prohibit method patents from being enforced in the ITC, especially since the ITC already refuses to entertain allegations regarding the direct infringement of method claims under Section 271(a) (which requires "use . . . within the United States"). Judge Reyna also noted that, by limiting the ITC's power to articles that "already" infringe, the panel majority has created a loophole that may allow importers to "import disassembled components of a

patented machine, or import an article capable of performing almost all of the steps of the patented method, but reserve final assembly of the last part or performance of the last step for the end-user in the United States[.]"

The degree to which this loophole will be used remains to be seen, as patent holders still have numerous ways in which they can protect their rights. As discussed above, *Suprema* still allows the ITC to issue exclusion orders based upon contributory infringement pursuant to Section 271(c), which prohibits the knowing importation of a material component of a patented invention that is not a "staple article or commodity of commerce suitable for substantial noninfringing use[.]" Moreover, patent holders' remedies in district courts, which enforce the entirety of Section 271, remain unchanged. Thus, *Suprema* may not only encourage litigants in the ITC to heavily rely on Section 271(c), but it may also encourage patentholders with method claims to file in district court rather than the ITC.

Contact:

G. Brian Busey
Partner
Washington D.C.
(202) 887-1504
gbusey@mofo.com

Kirk A. Sigmon
Associate
Washington D.C.
(202) 778-1664
ksigmon@mofo.com

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