

## Federal Circuit Patent Bulletin: *Suprema, Inc. v. Int’l Trade Comm’n*

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August 12, 2015

*“[T]he 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.”*”

On August 10, 2015, in *Suprema, Inc. v. Int’l Trade Comm’n*, the U.S. Court of Appeals for the Federal Circuit (Newman, Lourie, Dyk, O’Malley, Reyna,\* Wallach, Taranto, Chen, and Hughes) en banc vacated and remanded the original panel decision that affirmed-in-part, vacated-in-part, and remanded-in-part the U.S. International Trade Commission’s (Commission) cease-and-desist and limited exclusion orders following its determination that the importation of certain optical biometric (fingerprint) scanners infringed U.S. Patents No. 7,203,344, No. 7,277,562, and No. 5,900,993, but not U.S. Patent No. 7,277,562. The Federal Circuit stated:

Section 337 refers not just to infringement, but to “articles that infringe.” That phrase does not narrow the provision to exclude inducement of post-importation infringement. Rather, the phrase introduces textual uncertainty. Simply put, the phrase “articles that infringe” does not map onto the Patent Act’s definition of infringement. In its amicus brief to us, the United States describes the disparity as one arising from the in rem language of Section 337 and the in personam language of § 271. The relevant portions of § 271 define persons’ actions as infringement. An “article” cannot infringe under any subsection of § 271. The disparity between the language of Section 337 and the Patent Act’s definitions of infringement presents uncertainty requiring resolution by the agency charged with Section 337’s enforcement. Congress has not provided an unambiguous resolution, much less one that excludes the inducement at issue here. . . .

For contributory infringement, as for inducement, direct infringement is necessary and will typically take place later than the accused indirect infringer’s act. The panel recognized that Section 337 could fairly reach contributory infringement. As that recognition confirms, Section 337’s present-tense language is readily susceptible to being read as satisfied by the indirect infringer’s own acts, including importation that is part of inducement or contribution. Reading the statute unambiguously to require that infringement occur at the time of importation would have produced absurd results under the pre-1994 version of § 271(a). Such a reading would mean that Congress, when it enacted the language at issue in 1988, excluded even the ordinary case of direct infringement. At that time (before 1994), § 271(a) did not define importing a patented invention (or the offer to sell a patented invention) an infringing act. Section 271(a) only covered making, using, and

selling, and those actions had to occur in the United States. At least for ordinary importations involving goods that enter the United States for a later use or sale, none of the activities encompassed by the former § 271(a) would have occurred in the United States at the time of importation. If Congress meant to forbid the Commission from looking past the time of importation in defining Section 337's reach, Section 337 would not have reached even garden-variety direct infringement. Even if Section 337(a)(1)(B)'s clause covering post-importation sales allowed assessment of infringement after importation, Section 337 would not have covered the ordinary case of post-importation use without post-importation sales. We cannot attribute that result to Congress. . . . Accordingly, we hold that Congress has not directly answered whether goods qualify as "articles that infringe" when the Commission has found that an importer used such goods, after importation, to directly infringe at the inducement of the goods' seller.

Because Section 337 does not answer the precise question before us, we consider whether the Commission's interpretation of Section 337 is reasonable. The Commission's interpretation "prevails if it is a reasonable construction of the statute, whether or not it is the only possible interpretation or even the one a court might think best." . . . Induced infringement is one kind of infringement, and when it is accomplished by supplying an article, the article supplied can be an "article that infringes" if the other requirements of inducement are met. Liability for inducement must be predicated on a finding of direct infringement. Yet direct infringement commonly occurs after inducement. Liability for inducement nevertheless attaches as of the time of the inducing activity, provided that direct infringement eventually occurs. The Commission's interpretation recognizes that the acts necessary for induced infringement, including acts of direct infringement, may not occur simultaneously at the time of importation. In many cases, such acts cannot occur at the time of importation. In that context, 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."

The Commission's interpretation is also consistent with the text of Section 337 as a whole. Section 337 contemplates that infringement may occur after importation. The statute defines as unlawful "the sale within the United States after importation . . . of articles that—(i) infringe . . ." The statute thus distinguishes the unfair trade act of importation from infringement by defining as unfair the importation of an article that will infringe, i.e., be sold, "after importation." Section 337(a)(1)(B)'s "sale . . . after importation" language confirms that the Commission is permitted to focus on post-importation activity to identify the completion of infringement. . . .

Nothing in nearly a century of U.S. trade law enactments is inconsistent with the Commission's interpretation. The legislative history consistently evidences Congressional intent to vest the Commission with broad enforcement authority to remedy unfair trade acts. . . . Section 337 "provides broadly for action by the Tariff Commission in cases involving 'unfair methods of competition and unfair acts in the importation of articles' but does not define those terms nor set up a definite standard." When Congress used the words "unfair methods of competition and unfair acts in the importation of articles," that language is "broad and inclusive and should not be limited to, or by, technical definitions of those types of acts." For nearly 35 years, the Commission has embraced its Congressional grant as bestowing authority to investigate and take action under Section 337 based on induced infringement. At least as early as 1980, the Commission was making

determinations that inducement to infringe a valid U.S. patent under 35 U.S.C. § 271(b) constituted an unfair trade act under Section 337 that could be remedied by an exclusion order. The Commission has persisted in its interpretation of Section 337 to the present day. . . .

This court has consistently affirmed the Commission's determination that a violation of Section 337 may arise from an act of induced infringement. Prior to this case, none of our reviews of the Commission's determinations have questioned the Commission's authority to investigate and find a violation of Section 337 predicated on an act of induced infringement. . . . 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 (which might for various reasons not be subject to a district court injunction) to circumvent Section 337 by importing articles in a state requiring post-importation combination or modification before direct infringement could be shown.