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Federal Circuit Strengthens ITC's Authority to Police Importation

August 17, 2015

*By: **Douglas F. Stewart**, **Constance Gall Rhebergen** and **Brad Y. Chin***

On August 10, 2015, the Federal Circuit, acting *en banc*, ruled that the International Trade Commission (ITC) has the authority to prevent importation of products based on claims for induced infringement where the predicate act of direct infringement occurs after importation.[1] The decision is a reversal of the Federal Circuit's prior 2013 panel decision which effectively precluded relief for a complainant filing suit at the ITC where no direct infringement could be shown to occur at the time of importation. In rendering its decision, the Federal Circuit found that the ITC has correctly interpreted "articles that infringe" in Section 337 of the Tariff Act to include those that induce infringement post-importation, in keeping with the mandate of the ITC to "safeguard United States commercial interests at the border," and thereby demonstrating substantial deference to the ITC on how best to regulate importation of goods.

The case involves fingerprint scanners manufactured by South Korea-based Suprema Inc. (Suprema) which, following importation into the United States, were combined with a Software Development Kit produced by another entity, Mentalix, Inc. (Mentalix), for distribution and sale within the U.S. The complainant, Cross Match Technologies, Inc., alleged that the combined product directly infringed four of its patents and sought an exclusion order from the ITC to bar Suprema's scanners from entry into the U.S. under a theory of induced infringement. In concluding that Suprema did in fact induce infringement, the majority reasoned that Suprema actively encouraged Mentalix to adapt its software to work with Suprema's imported scanners.

The recently-issued *Suprema* decision represents an expansion of the ITC's authority over imported articles and will likely impact another currently pending case challenging the ITC's ability to exercise control allegedly infringing activities at the U.S. border. ClearCorrect Operating LLC (ClearCorrect) has asked the Federal Circuit to reverse an ITC decision that qualifies digital data as an "article," thus bringing digital data within the scope of the ITC's exclusionary authority.[2] ClearCorrect has argued that the ITC only has jurisdiction over tangible, physical items and that electronic data transmissions are not "articles." The Federal Circuit has ordered additional briefing on the issue in view of its *Suprema* decision. The *ClearCorrect* and *Suprema* cases are compelling to:

- Global technology companies which conduct R&D or software engineering outside of the U.S. and perform integration functions in the U.S., whether alone or in collaboration with partners. Such companies should be concerned that the ITC could prevent importation of articles, even when direct infringement cannot be established at the time of importation.

- Technology companies with mixed hardware-software products, for which software R&D is conducted overseas, electronic data is transmitted into the U.S., and integration of electronic data with hardware products occurs in the U.S.

- 3D printing applications where the CAD file is an electronic representation of a physical printed object and where the CAD file is created outside of the U.S., but the physical object is 3D-printed inside of the U.S.

Due to the exclusionary remedy available to patent owners in the ITC, the role of Section 337 actions as a mechanism of patent enforcement is increasing in popularity. The Federal Circuit's expansion and reaffirmation of the ITC's authority over allegedly infringing "articles" is relevant to any company that engages in cross-border commerce, particularly with electronic articles, and should be factored into management of the risks associated with patent infringement in the U.S.

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[1] *Suprema, Inc. v. ITC*, Fed. Cir. No. 2012-1170

[2] *The ClearCorrect Operating LLC v. Int'l Trade Comm'n*, Fed. Cir. No. 2014-1527