

## Selected docket entries for case 12-1170

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| 03/25/2014 | <u>102</u> Response/Opposition to a Motion or Petition                | 160  | RESPONSE of Appellants Mentalix Incorporated and Suprema, Inc. to the petition for panel rehearing [ <u>90</u> ] filed by Intervenor Cross Match Technologies, Inc. in 12-1170 , petition for en banc rehearing [ <u>90</u> ] filed by Intervenor Cross Match Technologies, Inc. in 12-1170 , petition for panel rehearing [ <u>88</u> ] filed by Appellee ITC in 12-1170 , petition for en banc rehearing [ <u>88</u> ] filed by Appellee ITC in 12-1170. Service: 03/25/2014 by US mail, email. [143878] |

2012-1170

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**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

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SUPREMA, INC. AND MENTALIX, INC.,

Appellants,

v.

INTERNATIONAL TRADE COMMISSION,

Appellee,

and

CROSS MATCH TECHNOLOGIES, INC.,

Intervenor.

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On appeal from the United States International Trade Commission in  
Investigation No. 337-TA-720.

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**COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC  
OF APPELLEE INTERNATIONAL TRADE COMMISSION**

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## I. Federal Circuit Rule 35(b) Statement

Based on my professional judgment, I believe the panel decision<sup>1</sup> is contrary to the following decisions of the Supreme Court of the United States and the precedents of this Court: *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 940 n.13 (2005)<sup>2</sup>; *Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345, 348 (Fed. Cir. 1985) (Rich, J.); *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001); *Vizio, Inc. v. Int'l Trade Comm'n*, 605 F.3d 1330, 1343-44 (Fed. Cir. 2010); *The Young Engineers, Inc. v. U.S. Int'l Trade Comm'n*, 721 F.2d 1305, 1310, 1317 (Fed. Cir. 1983); *Chevron U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837, 843 (1984); *Enercon GmbH v. Int'l Trade Comm'n*, 151 F.3d 1376, 1381 (Fed. Cir. 1998).

Based on my professional judgment, I believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

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<sup>1</sup> Judge O'Malley filed the opinion of the Court and was joined in the majority by Judge Prost. Judge Reyna concurred-in-part and dissented-in-part from the panel majority. For simplicity, this petition refers to the panel majority as "the panel" and the majority opinion as "the panel decision" or "Maj. Op."

<sup>2</sup> *Grokster* applied established law concerning inducement of patent infringement to inducement of copyright infringement. This Court has previously relied on *Grokster* when reviewing a determination by the U.S. International Trade Commission on inducement of patent infringement. See, e.g., *Spansion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1355 (Fed. Cir. 2010).

(1) Did the panel contradict Supreme Court precedent in *Grokster* and precedents of this Court when it held that infringement under 35 U.S.C. § 271(b) “is untied to an article” (Maj. Op. at 19)?

(2) Did the panel contradict Supreme Court precedent in *Grokster* and this Court’s precedent in *Standard Oil* when it held that there can be no liability for induced infringement under 35 U.S.C. § 271(b) at the time a product is imported because direct infringement does not occur until a later time (Maj. Op. at 19-21)?

(3) When the panel determined the phrase “articles that . . . infringe” in 19 U.S.C. § 1337(a)(1)(B)(i) does not extend to articles that infringe under 35 U.S.C. § 271(b), did the panel err by contradicting decades of precedent and by failing to give required deference to the U.S. International Trade Commission (“the Commission”) in its interpretation of its own statute (Maj. Op. at 20-21, 26 n.5)?

(4) Did the panel misinterpret the Commission’s order as a “ban [on the] importation of articles which may or may not later give rise to direct infringement” (Maj. Op. at 25) when the order was issued to remedy inducement of infringement and when the order permits U.S. Customs and Border Protection to allow importation upon certification that the articles are not covered by the order?

/s/ Clark S. Cheney  
Clark S. Cheney, Attorney for Appellee  
U.S. International Trade Commission



## II. Points of Law or Fact Overlooked or Misapprehended by the Panel of the Court

By determining that the phrase “articles that . . . infringe” under 19 U.S.C. § 1337(a)(1)(B)(i) does not extend to infringement under 35 U.S.C. § 271(b), the panel overlooked the well-established principle that inducement of infringement under § 271(b) *is* infringement, nothing less. *See, e.g., Crystal Semiconductor Corp.*, 246 F.3d at 1351; Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. 521, 537 (1953) (one who induces infringement under § 271(b) “is an infringer”).

By holding that § 271(b) “is untied to an article” (Maj. Op. at 19), the panel overlooked numerous precedents from the Supreme Court and this Court finding that inducing infringement under § 271(b) is often directly tied to distributing articles. *See, e.g., Grokster*, 545 U.S. at 940 n.13 (“*the distribution of a product can itself give rise to liability where evidence shows that the distributor intended and encouraged the product to be used to infringe*” (emphasis added)); *Crystal Semiconductor Corp.*, 246 F.3d at 1351 (foreign manufacturer’s “acts in connection with *selling its chip . . . constitute active inducement*” (emphasis added)); *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001) (defendant liable for “induced infringement because it *sold the device*

with the intention that doctors would use it to perform the patented method” (emphasis added)).

By holding that “there are no ‘articles that . . . infringe’ at the time of importation when direct infringement has yet to occur” (Maj. Op. at 4), the panel overlooked Supreme Court precedent that culpability for induced infringement is independent from direct infringement and attaches at “the distribution of the tool intended for infringing use.” *Grokster*, 545 U.S. at 940 n.13. The panel also overlooked this Court’s precedent that liability for infringement by inducement attaches “*as of the time the acts were committed*, not at some future date” of direct infringement. *Standard Oil*, 754 F.2d at 348 (Rich, J.) (emphasis in original).

By interpreting 19 U.S.C. § 1337(a)(1)(B)(i) to reach only articles that directly infringe at the time of importation, the panel overlooked decades of precedent affirming Commission orders that exclude articles proven to indirectly infringe under 35 U.S.C. §§ 271(b) and (c). *See, e.g., Vizio*, 605 F.3d at 1343-44; *Young Engineers*, 721 F.2d at 1310, 1317; *see also Spansion*, 629 F.3d at 1353.<sup>3</sup>

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<sup>3</sup> *Spansion* affirmed a Commission exclusion order issued on proof of contributory infringement under § 271(c). 629 F.3d at 1353. Even though it appears that the panel in this case did not intend its decision to preclude an action under section 337 based on contributory infringement, parties in other cases have already argued to this Court that “[t]he reasoning in *Suprema* also dooms [a] contributory infringement claim” because in such a claim articles do not directly infringe at the time of importation. *See* Non-Confidential Brief of Intervenor Microsoft Corp., *Motorola Mobility LLC v. Int’l Trade Comm’n*, Appeal No.

The panel additionally overlooked the required deference given to the Commission's reasonable interpretation of its own statute. *Chevron*, 467 U.S. at 843; *Enercon*, 151 F.3d at 1381.

By characterizing the Commission's order as a "ban [on the] importation of articles which may or may not later give rise to direct infringement" (Maj. Op. at 25), the panel confused the question of an appropriate remedy under 19 U.S.C. § 1337(d) with the question of liability under 19 U.S.C. § 1337(a)(1)(B)(i), in contravention of *Bally/Midway Mfg. Co. v. U.S. International Trade Commission*, 714 F.2d 1117, 1122-23 (Fed. Cir. 1983) ("Congress did not intend the Commission to consider questions of remedy when the agency determines whether there is a violation.").

### **III. Summary of the Panel Decision**

The panel's decision rests on the following factual findings by the Commission.<sup>4</sup> Appellant Suprema, Inc. ("Suprema"), a Korean company, manufactures fingerprint scanners overseas and imports those scanners into the United States. Before the scanners may perform their intended purpose, they

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13-1518, at 53 (Fed. Cir. Feb. 11, 2014), ECF No. 54.

<sup>4</sup> If these infringement findings were not presumed by the panel to be supported by substantial evidence, there would have been no need for the panel to pronounce that the Commission is "powerless to remedy acts of induced infringement *in these circumstances*." Maj. Op. at 13 (emphasis added).

must be connected to a computer running specialized software. Suprema does not make or sell this software, but provides a Software Development Kit (“SDK”) that allows its customers to create their own customized software to operate the scanners. Suprema imports scanners and SDKs and supplies them to appellant Mentalix, Inc. (“Mentalix”), a company located in Plano, Texas.<sup>5</sup> Suprema assisted Mentalix in developing Mentalix software for use with Suprema’s imported scanners. Mentalix then used the software with Suprema’s scanners in a manner that directly infringed method claim 19 of U.S. Patent 7,203,344 (“the ’344 patent”). Maj. Op. at 10.

Section 337 of the Tariff Act of 1930, as amended, prohibits unfair acts in the importation of articles into the United States and charges the Commission with authority to administer that statute. *See* 19 U.S.C. § 1337. The statute expressly includes patent infringement among the actionable unfair acts. 19 U.S.C. § 1337(a)(1)(B). The panel held that the prohibition on the importation of “articles that . . . infringe” a U.S. patent in section 337(a)(1)(B)(i) “cannot extend to” articles that infringe under 35 U.S.C. § 271(b),<sup>6</sup> which defines infringement by

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<sup>5</sup> Mentalix also imports Suprema scanners. Maj. Op. at 10.

<sup>6</sup> In a footnote, the panel decision hypothesizes that an action under 19 U.S.C. § 1337(a)(1)(B)(i) based on infringement under 35 U.S.C. § 271(b) might lie “where the direct infringement occurs pre-importation.” Maj. Op. at 21 n.4. But it is well-established that direct infringement can only occur in the United States, not “pre-importation.” 35 U.S.C. § 271(a); *Merial Ltd. v. Cipla Ltd.*, 681

inducement in the Patent Act. Maj. Op. at 20. The panel held that infringement under § 271(b) “is untied to an article.” *Id.* at 19. The panel also held that liability for induced infringement does not attach “until there has been a direct infringement.” *Id.* at 20. Therefore, the panel concluded, “where direct infringement does not occur until after importation of the articles,” “there are no ‘articles that . . . infringe’ at the time of importation.” *Id.* at 4.

#### IV. ARGUMENT

When the panel held that the proscriptions of section 337 cannot extend to articles that infringe a U.S. patent under 35 U.S.C. § 271(b), the panel not only overturned decades of Commission practice affirmed by the courts, but also upended the law of induced infringement. As described below, the panel’s decision contradicts at least three major bodies of law: (1) the law tying infringement under § 271(b) to articles; (2) the law imposing liability under § 271(b) at the time an article is distributed even though direct infringement occurs later; and (3) the law affirming violations of the Tariff Act based on the importation of articles that infringe under § 271(b). The Commission therefore

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F.3d 1283, 1302 (Fed. Cir. 2012) (“purely extraterritorial conduct cannot constitute direct infringement of a U.S. patent”). Therefore, it is difficult to imagine any scenario under the panel decision that would allow the Commission to address infringement under § 271(b).

respectfully requests that the panel decision be vacated and the Commission's final determination in this matter be affirmed.

**A. The Panel's Holding That Infringement Under § 271(b) "Is Untied to an Article" Contradicts Supreme Court Precedent in *Grokster* and This Court's Precedents.**

The panel decision turns on a conclusion that §§ 271(a) and (c) "essentially define articles that infringe" but that infringement under § 271(b) "is untied to an article." Maj. Op. at 19-20. The panel errs by failing to recognize that infringement under § 271(b) may be, and often is, directly tied to articles. The Supreme Court explained this point in *Grokster*, a copyright case that relied heavily on established law concerning the inducement of patent infringement.

The Court stated,

*"[T]he distribution of a product can itself give rise to liability [for induced infringement] where evidence shows that the distributor intended and encouraged the product to be used to infringe. In such a case, the culpable act is not merely the encouragement of infringement but also the distribution of the tool intended for infringing use."*

*Grokster*, 545 U.S. at 940 n.13 (emphasis added).

This Court has similarly held that a foreign supplier's "acts in connection with *selling its chip* . . . constitute active inducement" of infringement. *Crystal Semiconductor Corp.*, 246 F.3d at 1351 (emphasis added). In *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 244 F.3d 1365 (Fed. Cir. 2001), this Court held a defendant liable for "induced infringement because it *sold the device* with the

intention that doctors would use it to perform the patented method.” *Id.* at 1379 (emphasis added). In all of these cases, infringement under § 271(b) was directly tied to distributing an article. The panel’s decision contradicts this well-established law. Here, Suprema’s scanners were imported to induce infringement of a method protected by a U.S. patent. The tie between the article and the inducement of infringement is clear.

**B. The Panel’s Holding that Liability for Induced Infringement Does Not Attach at the Time of Importation Contradicts Supreme Court Precedent in *Grokster* and This Court’s Precedent in *Standard Oil*.**

The panel held that “where direct infringement does not occur until after importation of the articles” used to induce infringement, “there are no ‘articles . . . that infringe’ at the time of importation.” Maj. Op. at 4. Implicit in this holding is a conclusion that liability for induced infringement cannot attach at the time of importation. As explained below, the panel’s decision contradicts established law on this point.

The panel appears to confuse the elements of a claim for infringement via inducement with the time that liability attaches for such infringement. One of the elements for proving induced infringement under § 271(b) is undoubtedly at least one act of direct infringement. *See, e.g., ACCO Brands, Inc. v. ABA Locks Mfrs. Co., Ltd.*, 501 F.3d 1307, 1313 (Fed. Cir. 2007). But liability for infringement under § 271(b) attaches at the time steps were taken to induce the infringement

(*e.g.*, importing the article), not at the time of the direct infringement. The Supreme Court explained this in *Grokster*: “the distribution of the tool intended for infringing use” is a “culpable act.” *Grokster*, 545 U.S. at 940 n.13. Judge Rich, widely recognized as the author of § 271(b), emphasized this point when writing for this Court in *Standard Oil*. He wrote that when a foreign manufacturer supplies a chemical for use in a patented process, any liability for inducement of infringement attaches “*as of the time the acts were committed*, not at some future date” of direct infringement. 754 F.2d at 348 (emphasis in original). The panel’s decision here contradicts this law.

Infringement under § 271(b) *is* infringement, nothing less. *See* Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. at 537 (one who induces infringement under § 271(b) “is an infringer”). Once that is accepted, it is readily apparent that articles imported to induce others to infringe a method claim are “articles that . . . infringe” a U.S. patent. *See* 19 U.S.C. § 1337(a)(1)(B)(i); *see also* *Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1302-03 (Fed. Cir. 2012) (a foreign party’s acts are not “exempt from redress under § 271(b)”). Suprema’s scanners were imported to induce the infringement of a method protected by a U.S. patent. Thus, at the time of importation, Suprema’s scanners are articles that infringe.



**C. The Panel’s Holding Ignores Congressional Endorsement of the Commission’s Interpretation of Its Statute and Fails to Give Required Deference to the Commission.**

The Commission, this Court’s predecessor, and this Court have for decades construed section 337 as including a remedy against the importation of articles used to induce patent infringement. As explained below, the panel’s decision ignores that history and the deference due to the Commission’s interpretation.

Congress established the predecessor to today’s International Trade Commission in 1916, naming it the Tariff Commission. *See Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 254 (C.C.P.A. 1930). In 1926, the Tariff Commission was asked to determine whether the importation of articles alleged to infringe U.S. patents held by the Bakelite Corporation violated section 316 of the Tariff Act of 1922, the predecessor of modern section 337. *Id.* at 250. The Commission held that it did. *Id.* at 251. In an appeal to this Court’s predecessor, the respondents raised the same argument that *Suprema* raised in this appeal: they argued that they “cannot be held responsible for what others may have done with the goods they imported and sold to them.” *Id.* at 260. The court rejected that argument and affirmed the Commission, relying on what today is understood to be the doctrine of inducement of infringement. *Id.* (citing *Henry v. A.B. Dick Co.*, 224 U.S. 1, 33-48 (1912)); *see Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2066-67

(2011) (explaining that *Henry v. A.B. Dick* represents the modern doctrine of inducement of infringement under 35 U.S.C. § 271(b)).

Congress re-enacted section 316 of the Tariff Act of 1922 as section 337 of Tariff Act in 1930. Almost immediately after its passage, the Commission and the courts construed the Act to prohibit the importation of articles that infringe a U.S. patent, relying heavily on the reasoning in the *Bakelite* case. *In re Orion Co.*, 71 F.2d 458, 465-66 (C.C.P.A. 1934). Years passed and Congress created this Court in 1982. Within a year, this Court affirmed Commission orders that were issued upon proof of the importation of articles that infringed via inducement under § 271(b). *See Young Engineers*, 721 F.2d at 1310, 1317.

In 1988, Congress amended the Tariff Act of 1930 and added the language at issue in this case, which now expressly prohibits the “importation . . . of articles that . . . infringe” a U.S. patent. *See* H.R. Rep. No. 100-576, at 112, 100th Cong., 2nd Sess. (1988). The legislative history explains that Congress did “not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights.” *Id.* at 633; *Enercon*, 151 F.3d at 1382. Thus, when Congress added the statutory language in question, it endorsed the Commission’s interpretation of section 337, including induced infringement holdings in cases like *Young Engineers*.

After the 1988 amendment, this Court continued to give the required deference to the Commission's construction of section 337 as barring articles imported to induce infringement. *See, e.g., Vizio*, 605 F.3d at 1343-44 (affirming exclusion order issued on proof of induced infringement).<sup>7</sup> Most recently, the Commission expressly reaffirmed its interpretation of section 337(a)(1)(B)(i) as reaching induced infringement in *Certain Electronic Devices*, Inv. No. 337-TA-724, USITC Pub. No. 4374, 2012 WL 3246515 at \*8-9 (Feb. 2013) ("section 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to 'articles that – infringe.'").

The foregoing history demonstrates that the Commission's interpretation of section 337(a)(1)(B)(i) is consistent with earlier judicial precedents and with congressional intent. The panel's decision (Maj. Op. at 26 n.5) therefore errs by declining to give the required deference to the Commission's construction. *See Chevron*, 467 U.S. at 843; *Enercon*, 151 F.3d at 1381; *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 1565 (Fed. Cir. 1986) (the Commission is entitled to deference in construing its own statute because of its particular expertise).

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<sup>7</sup> For other examples of Commission cases involving induced infringement, see *Spanson*, 629 F.3d at 1355; *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1323 (Fed. Cir. 2010); *ERBE Elektromedizin GmbH v. Int'l Trade Comm'n*, 566 F.3d 1028, 1030 (Fed. Cir. 2009); *Broadcom Corp. v. Int'l Trade Comm'n*, 542 F.3d 894, 898-900 (Fed. Cir. 2008); *Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340 (Fed. Cir. 2008); and *Alloc, Inc. v. Int'l Trade Comm'n*, 342 F.3d 1361 (Fed. Cir. 2003).

#### **D. The Panel Misinterpreted the Commission's Remedial Orders**

The panel decision also misinterprets the Commission's exclusion order in this case as a "ban on the importation of articles which may or may not later give rise to direct infringement." *See* Maj. Op. at 25. That statement erroneously confuses an element of proof required for establishing *liability* for induced infringement (*i.e.*, proof of direct infringement) with the *remedy* a tribunal can issue to prevent induced infringement once liability is established. *See Bally/Midway*, 714 F.2d at 1122-23 ("Congress did not intend the Commission to consider questions of remedy when the agency determines whether there is a violation."). Because Suprema and Mentalix imported articles with the intent to induce infringement, they have engaged in a "culpable act." *See Grokster*, 545 U.S. at 940 n.13. Once liability has been established, section 337(d) directs the Commission to stop that importation. The Commission's remedy, established by Congress, is tied to the articles used in the inducement.<sup>8</sup> *See* 19 U.S.C. § 1337(d).

In any event, the Commission's order has provisions to alleviate the panel's concern. The limited exclusion order in this case provides that U.S. Customs and

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<sup>8</sup> District courts, under different statutory authority granted in 35 U.S.C. § 283, also frequently issue remedies for induced infringement that prohibit the distribution of articles that may later be used to directly infringe a patent claim. *See, e.g., Braintree Labs., Inc. v. Nephro-Tech, Inc.*, 81 F. Supp. 2d 1122, 1141 (D. Kan. 2000) (defendant enjoined from inducing infringement by "selling or causing to be sold" a product that could be used to infringe a method claim).

Border Protection may permit importation when Suprema and Mentalix certify that the scanners are not covered by the order. *See* Docket Entry No. 75 (limited exclusion order), ¶ 3.

Because the panel decision fails to give required deference to the Commission and contradicts substantial precedent from this Court and the Supreme Court, the Commission respectfully request that the panel decision be vacated and the Commission's final determination in this matter be affirmed.

Dated: Feb. 21, 2014

Respectfully submitted,

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# ADDENDUM

**United States Court of Appeals  
for the Federal Circuit**

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**SUPREMA, INC. AND MENTALIX, INC.,**  
*Appellants,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND

**CROSS MATCH TECHNOLOGIES, INC.,**  
*Intervenor.*

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2012-1170

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On appeal from the United States International Trade  
Commission in Investigation No. 337-TA-720.

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**CROSS MATCH TECHNOLOGIES, INC.,**  
*Appellant,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND

**SUPREMA, INC. AND MENTALIX, INC.,**  
*Intervenors.*

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2012-1026, -1124

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On appeal from the United States International Trade Commission in Investigation No. 337-TA-720.

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Decided: December 13, 2013

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DARRYL M. WOO, Fenwick & West, LLP, of San Francisco, California, argued for appellants Suprema, Inc., et al. With him on the brief were HEATHER N. MEWES, JAE WON SONG, ILANA S. RUBEL, BRYAN A. KOHM, DAVID M. LACY KUSTERS and ERIN SIMON.

CLINT A. GERDINE, Attorney, Office of General Counsel, United States International Trade Commission, of Washington, DC, argued for appellee. With him on the brief were DOMINIC L. BIANCHI, Acting General Counsel, and ANDREA C. CASSON, Assistant General Counsel for Litigation.

MAXIMILIAN A. GRANT, Latham & Watkins LLP, of Washington, DC, argued for intervenor Cross Match Technologies, Inc. With her on the brief were GABRIEL K. BELL, MICHAEL A. DAVID and GREGORY K. SOBOLSKI. Of counsel on the brief was CLEMENT J. NAPLES, of New York, New York.



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DARYL JOSEFFER, King & Spalding LLP, of Washington, DC, for amicus curiae. With him on the brief was ADAM CONRAD.

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MAXIMILIAN A. GRANT, Latham & Watkins LLP, of Washington, DC, argued for appellant Cross Match Technologies, Inc. With her on the brief were MICHAEL A. DAVID and GABRIEL K. BELL. Of counsel on the brief was CLEMENT J. NAPLES, of New York, New York.

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DARRYL M. WOO, Fenwick & West, LLP, of San Francisco, California, argued for intervenors Suprema, Inc., et al. With him on the brief were JAE WON SONG, ILANA S. RUBEL, BRYAN A. KOHM, DAVID M. LACY KUSTERS. Of counsel was HEATHER N. MEWES.

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Before PROST, O'MALLEY, and REYNA, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* O'MALLEY.

Opinion concurring in part and dissenting in part filed by  
*Circuit Judge* REYNA.

O'MALLEY, *Circuit Judge*.

We address related appeals from rulings of the U.S. International Trade Commission ("the Commission").

First, we consider the propriety of the Commission's limited exclusion order barring importation of optical

scanning devices and a related cease and desist order. We vacate the cease and desist order, vacate the limited exclusion order in part, and remand so that the order can be revised to bar only a subset of the scanners at issue. Resolution of this appeal turns in part on our conclusion that an exclusion order based on a violation of 19 U.S.C. § 1337(a)(1)(B)(i) may not be predicated on a theory of induced infringement under 35 U.S.C. § 271(b) where direct infringement does not occur until *after* importation of the articles the exclusion order would bar. The Commission's authority under § 1337(a)(1)(B)(i) reaches "articles that . . . infringe a valid and enforceable United States patent" at the time of importation. Because there can be no induced infringement unless there has been an act of direct infringement, however, there are no "articles . . . that infringe" at the time of importation when direct infringement has yet to occur. The Commission's exclusion order must be revised, accordingly, to bar only those articles that infringe a claim or claims of an asserted patent at the time of importation.

Next, we consider a Commission order refusing to find a violation of § 337 with respect to some of the same optical scanners. The proceeding giving rise to that appeal was premised on alleged infringement of U.S. Patent No. 7,277,562 ("the '562 patent"), a different patent than the two patents at issue in the first appeal we address today. The Commission concluded that the scanners at issue did not infringe the asserted claims of the '562 patent when properly construed. Because we agree with the Commission's claim construction and non-infringement finding, we affirm the Commission's ruling in this related appeal.

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## I.

## A.

The Commission rulings before us arise from proceedings in which Cross Match Technologies, Inc. (“Cross Match”) asserts that Suprema, Inc. and Mentalix, Inc. violated 19 U.S.C. § 1337(a)(1)(B)(i) by importing articles that infringe or are used to infringe U.S. Patent Nos. 7,203,344 (“the ’344 patent”), 7,277,562 (“the ’562 patent”), and 5,900,993 (“the ’993 patent”). The Commission found that Mentalix directly infringed method claim 19 of the ’344 patent by using its own software with imported Suprema scanners and found that Suprema induced that infringement. The Commission also found that certain of Suprema’s imported optical scanners directly infringe claims 10, 12, and 15 of the ’993 patent. But the Commission found no infringement of the ’562 patent. The Commission then held that Suprema and Mentalix failed to prove that the ’993 patent was invalid as obvious over two prior art patents: U.S. Patent No. 3,619,060 (“the ’060 patent”) and U.S. Patent No. 5,615,051 (“the ’051 patent”). Based on these findings, on October 24, 2011, the Commission issued a limited exclusion order directed to certain scanning devices imported “by or on behalf of Suprema or Mentalix” and issued a cease and desist order directed to Mentalix only.

Suprema and Mentalix premised their appeal of the exclusion and cease and desist orders on their belief that the Commission erred because: (1) a § 337(a)(1)(B)(i) violation may not be predicated on a theory of induced infringement under the facts of this case; (2) Suprema was not willfully blind to the existence of the ’344 patent and, thus, did not induce infringement of that patent; (3) Mentalix did not directly infringe the ’344 patent; (4) Suprema’s scanners do not infringe the ’993 patent under the correct claim construction; and (5) the asserted claims

of the '993 patent were invalid as obvious. Cross Match, in turn, appeals the Commission's non-infringement ruling with respect to the '562 patent, challenging the claim construction upon which that ruling was based.

We vacate the infringement finding on the '344 patent because we hold that an exclusion order based on a violation of § 337(a)(1)(B)(i) may not be predicated on a theory of induced infringement where no direct infringement occurs until post-importation. Given this conclusion, we do not reach the merits of the Commission's willful blindness or direct infringement findings on the '344 patent. Regarding the '993 patent, we affirm the Commission's finding of infringement and conclusion that Suprema failed to prove that the asserted claims were invalid as obvious. Finally, we affirm the Commission's non-infringement ruling regarding the '562 patent.

#### B.

The technology at issue pertains to biometrics (i.e., the science of analyzing biological characteristics) and the scanning of biometric objects. This case specifically involves fingerprint scanners. Fingerprint capture and recognition, probably the most common form of biometrics, is important technology because many industries and law enforcement increasingly rely on fingerprints as biometrics to store, recognize, or verify identity.

#### C.

As explained above, these appeals concern three patents. Two are method patents, the '344 patent and the '562 patent. The '344 patent is at issue in the appeal by Suprema and Mentalix; the '562 patent is at issue in Cross Match's appeal. They relate to particular implementations of fingerprint image capture and processing. The third patent, the '993 patent, contains apparatus

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claims (over an “optical system”) and is at issue in Suprema’s appeal.

The ’344 patent contains claims drawn to methods used by an optical scanning system to detect fingerprint images based on shape and area, and to determine fingerprint quality based on the detected shape and area. ’344 patent col. 19 ll. 24–38. Claim 19 (the only claim of the ’344 patent found infringed) recites such a process:

A method for capturing and processing a fingerprint image, the method comprising:

- (a) scanning one or more fingers;
- (b) capturing data representing a corresponding fingerprint area;
- (c) filtering the fingerprint image;
- (d) binarizing the filtered fingerprint image;
- (e) detecting a fingerprint area based on a concentration of black pixels in the binarized fingerprint image;
- (f) detecting a fingerprint shape based on an arrangement of the concentrated black pixels in an oval-like shape in the binarized fingerprint image; and
- (g) determining whether the detected fingerprint area and shape are of acceptable quality.

*Id.* col. 19 ll. 24–37.

The ’993 patent claims an optical system for forming a real image of a biometric object that corrects for field curvature using a three-lens system. Claims 10, 12, and

15 were found infringed. Claims 12 and 15 depend from claim 10. The three claims read:

10. An optical system having an optical axis, said system forming an image of an object and comprising:

- a) a prism having a first surface for contacting the object and a second surface, said first surface being oriented with respect to the optical axis at an angle greater than the angle of total internal reflection of the surface;
- b) an aperture stop;
- c) a first lens unit having a positive power between the aperture stop and the prism for forming a telecentric entrance pupil;
- d) a second lens unit having a positive power for forming a real image of the object, said second lens unit being on the image side of the first lens unit; and
- e) a third lens unit for correcting the field curvature of the image contributed by the first and second lens units.

12. The optical system of claim 10 wherein the first lens units consist of a single lens element.

15. The optical system of claim 10 wherein the third lens unit has a negative power.

'993 patent col. 10 ll. 18–45. The debate over the '993 patent centers on whether the optical system described in claim 10 can include within it non-lens elements, such as the mirrors that are included in the lens units of the Suprema scanners. While Suprema says claim 10 and those claims that depend therefrom exclude the use of

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such mirrors, the ALJ and the Commission found they did not.

The '562 patent claims methods aimed at “reliably capturing print images.” The parties’ dispute regarding the '562 patent centers on an issue of claim construction—in particular, the determination by the ALJ and Commission that “capture,” within the meaning of the asserted claims, cannot occur until after the print quality and number of prints have been determined and detected.

#### D.

Cross Match, the complainant and intervenor, is a global provider of fingerprint acquisition technology. It is a domestic company headquartered in Florida, and it develops and manufactures a variety of biometric identification products for verifying a person’s identity, such as fingerprint and palm print scanners. It supplies products to the U.S. government and private industry. Cross Match is the sole assignee of the three patents-in-suit.

The respondents below are Suprema, a Korean company that manufactures and imports hardware and software for scanning fingerprints, and Mentalix, a domestic importer of Suprema scanners. Specifically at issue are Suprema scanners marketed under the trade-name RealScan and software development kits (“SDKs”) packaged along with those scanners. Mentalix imports Suprema’s scanners and integrates them with its own software in the United States. The specific Mentalix software involved in this case is called FedSubmit. Mentalix’s accused software can be used with fingerprint scanners sold by other companies, including Cross Match. In the Commission investigation, Cross Match contended that its system claims are infringed by Suprema optical systems and that the method claims at issue are infringed when Suprema’s scanners are used in combination with

both respondents' software (i.e., Suprema's SDKs and FedSubmit).

E.

Suprema appeals the Commission's finding that it violated § 337(a)(1)(B)(i) by infringement of the '344 and '993 patents, and asks that the related exclusion orders be vacated. The ALJ found that a number of Suprema's scanners (RealScan-10, RealScan-D, RealScan-10F, and RealScan-DF), when used with Mentalix's FedSubmit software, directly infringe claim 19 of the '344 patent and recommended an exclusion order relating to those scanners on that ground. The Commission agreed that the '344 patent was infringed, but clarified the controlling infringement theories—it concluded that Mentalix directly infringes method claim 19 of the '344 patent when it combines Suprema products with its own software and that Suprema induces that infringement.

While the ALJ had not considered inducement and made no factual finding on its elements, the Commission nevertheless concluded that the record evidence supported a finding that Suprema (1) was willfully blind to the '344 patent, (2) studied and emulated Cross Match's products before willfully blinding itself to the infringing nature of Mentalix's activities, and (3) actively encouraged those activities. Therefore, it found that Suprema had induced infringement of the patented method under 35 U.S.C. § 271(b), and that this inducement formed the basis for a § 337(a)(1)(B)(i) violation.

Regarding the underlying direct infringement, the Commission found that Mentalix's FedSubmit software, when integrated with the imported Suprema scanners, and upon execution of the software, practiced method claim 19 of the '344 patent under the ALJ's claim con-



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structions.<sup>1</sup> The Commission adopted those constructions and the subsequent infringement findings.

With respect to the '993 patent, the Commission fully adopted the ALJ's infringement analysis. Specifically, the Commission found that the claimed optical systems need not exclude non-lens elements (such as distortion correcting prisms or holographic optical elements) or off-axis optics. The Commission then concluded that all the recited elements of claims 10, 12, and 15 were met by the accused scanners.

The Commission also found that the asserted prior art, the '060 and '051 patents, did not render the asserted claims of the '993 patent obvious. Based on the evidentiary record, the ALJ determined that the respondents failed to offer clear and convincing evidence that the combination of the '060 and '051 patents renders asserted independent claim 10, as well as asserted dependent claims 11–12, 15, and 17–18, obvious under § 103(a). The ALJ concluded that the '060 patent did not disclose element 10(c) (a first lens unit having a positive power between the aperture stop and the prism for forming a telecentric entrance pupil), element 10(d) (a second lens unit having a positive power for forming a real image of the object), or element 10(e) (a third lens unit for correcting field curvature). The ALJ also noted that, although

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<sup>1</sup> Although the Commission says that Mentalix conceded that it directly infringed claim 19, Mentalix contests that statement and points to places in the record where it denied that it practiced the asserted method. We see no support in the record for the Commission's characterization of Mentalix's position, but need not address it further since we vacate the only Commission order directed to Mentalix on other grounds.

the '051 patent disclosed a triplet lens that was well suited for use with photographic cameras, the patent did not pertain to fingerprint scanners and did not disclose a telecentric condition. The ALJ also found no motivation to combine the two references. The Commission adopted each of these findings.

#### F.

In its separate appeal, Cross Match challenges the Commission's determination that claims 1, 5–7, 12, and 30 of the '562 patent are not infringed by either Suprema's scanners or use of those scanners in conjunction with the FedSubmit software. The ALJ adopted Cross Match's proposed construction of "capture" as it appears in step (f) of the asserted independent claims, namely, that "capture" means "acquiring, by the scanner, for processing or storage." The Commission adopted that construction and, based on it, also adopted the ALJ's finding that the accused products do not infringe the asserted claims.

Specifically, the Commission found that the "capture" limitation was not met because the record evidence showed that the accused scanners do not perform the steps of claim 1 in the required order. The Commission found that Claim 1 requires that the scanned fingerprint image be captured after both a determination of the expected number of prints under step (e) and a determination of the quality of the prints under step (d) have been made. But the accused products capture the fingerprint image before software determines the number of prints as required by step (e) and before assessing their quality as required by step (d). The Commission also found the accused products do not perform step (f) of claim 30, since that step is substantially the same as step (f) of claim 1.

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## II.

We turn first to Suprema's appeal regarding the '344 patent and the threshold issue it raises—specifically, whether a § 337(a)(1)(B)(i) violation may be predicated on a claim of induced infringement where the attendant direct infringement of the claimed method does not occur until post-importation. We conclude that § 337(a)(1)(B)(i), by tying the Commission's authority to the importation, sale for importation, or sale within the U.S. after importation of *articles that infringe* a valid and enforceable U.S. patent, leaves the Commission powerless to remedy acts of induced infringement in these circumstances. Accordingly, we vacate the Commission's rulings regarding the '344 patent.<sup>2</sup>

## A.

On appeal, Suprema contends it does not import “articles that infringe,” as required under § 337(a)(1)(B)(i). The accused devices are imported scanners which Cross Match concedes do not directly infringe the method of claim 19 of the '344 patent at the time of importation. The alleged infringement only takes place when the scanners are combined with domestically developed software after the scanners are imported. Cross Match

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<sup>2</sup> Our ruling is not a jurisdictional one. The question we address is not whether the Commission may initiate an investigation where theories of induced infringement are implicated; we simply conclude that a § 337(a)(1)(B)(i) violation may not be predicated on a theory of induced infringement in these circumstances. *See Amgen, Inc. v. U.S. Int'l Trade Comm'n*, 902 F.2d 1532, 1535 (Fed. Cir. 1990) (noting that the Commission is correct to first assume jurisdiction and then determine merits of claim where patent claims are asserted).

does not dispute that the scanners have substantial non-infringing uses, and Suprema contends its other customers have put them to such uses. On these facts, Suprema contends that no infringing articles were ever imported. Accordingly, Suprema asserts that the Commission's decision with respect to the '344 patent must be vacated.

Suprema argues that allegations of induced infringement do not adequately connect the fact of importation to the ultimate infringement. Suprema concedes that, if an article is capable of no non-infringing uses, its importation may constitute contributory infringement and thereby violate § 337. But, Suprema asserts that the imported scanners at issue here are capable of multiple non-infringing uses. It is only when they are combined with Mentalix's specific software program that they purportedly infringe the method described in claim 19. Suprema believes that § 337(a)(1)(B)(i) does not reach the conduct in which Cross Match alleges it engaged.

Cross Match defends the Commission's ruling that, by inducing Mentalix to commit direct infringement, Suprema violated § 337(a)(1)(B)(i). Cross Match argues that *In the Matter of Certain Electronic Devices*, Inv. No. 337-TA-724, 2012 WL 3246515, at \*8–9 (ITC Dec. 21, 2011), a recent Commission ruling, makes clear that a § 337 violation *can be* predicated on the theory of induced infringement the Commission employed here. Cross Match also relies on our rulings in *Kyocera Wireless Corp. v. International Trade Commission* 545 F.3d 1340 (Fed. Cir. 2008), and *Alloc, Inc. v. International Trade Commission*, 342 F.3d 1361 (Fed. Cir. 2003).

The Commission disputes Suprema's argument regarding the scope of its authority under § 337(a)(1)(B)(i). According to the Commission, "articles that . . . infringe" can involve any type of infringement, be it direct, contributory, or induced. The Commission asserts that Suprema

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began encouraging and aiding and abetting Mentalix's infringement well before importation, indicating that Suprema already was indirectly infringing at the time of importation. The Commission also cites *Certain Electronic Devices*, which, in its view, did not change the law and simply reiterated that all forms of indirect infringement can lead to a violation of § 337(a)(1)(B)(i).

B.

The Commission's authority to issue exclusion orders in this case must find a basis in statute. *See Kyocera*, 545 F.3d at 1355 ("The ITC is a creature of statute, and must find authority for its actions in its enabling statute."). The question presented is, thus, one of statutory construction. When interpreting a statute which an agency administers, we conduct our statutory analysis under the framework established in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). Under that framework, "a reviewing court must first ask 'whether Congress has directly spoken to the precise question at issue.'" *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 132 (2000) (quoting *Chevron*, 467 U.S. at 842). "If Congress has done so, the inquiry is at an end; the court 'must give effect to the unambiguously expressed intent of Congress.'" *Id.* (quoting *Chevron*, 467 U.S. at 843). If, however, "the statute in question is ambiguous and the agency's interpretation is reasonable," "a court must defer to an agency's construction of a statute governing agency conduct." *Cathedral Candle Co. v. U.S. Int'l Trade Comm'n*, 400 F.3d 1352, 1361 (Fed. Cir. 2005).

All matters of statutory construction, of course, begin with the language of the statute in question. *See Hughes Aircraft Co. v. Jacobson*, 525 U.S. 432, 438 (1999) ("As in any case of statutory construction, our analysis begins

with the language of the statute.”) (internal quotation marks omitted). Section 337 states:

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

...

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of *articles that—*

(i) *infringe* a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

19 U.S.C. § 1337(a) (emphases added). The Commission’s mandate to deal with matters of patent infringement under § 337(a)(1)(B)(i) is thus premised on the “importation,” “sale for importation,” or “sale within the United States after importation” of “articles that . . . infringe.” *Id.* Thus, the Commission’s authority extends to “articles that . . . infringe a valid and enforceable United States patent.” The focus is on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods.

The same focus is evident also from the main remedy it can grant, exclusion orders on the imported articles:

(d) Exclusion of articles from entry

(1) If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that *the articles concerned*, imported by any person violating

the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

19 U.S.C. § 1337 (emphasis added). In the context of this dispute, the “articles concerned” would be, of course, the aforementioned “articles that . . . infringe a valid and enforceable United States patent,” 19 U.S.C. § 1337(a)(1)(B)(i). Exclusion orders based on violations of § 337(a)(1)(B)(i) thus pertain only to the imported goods and are necessarily based on the infringing nature of those goods when imported.<sup>3</sup>

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<sup>3</sup> Certain provisions of § 337 do mention “any person violating the provision of this section,” 19 U.S.C. § 1337(d), and the Commission can issue cease and desist orders to “any person violating this section,” § 1337(f). This language, limits the remedies authorized by those provisions to reach only certain persons. *See Kyocera*, 545 F.3d at 1357. But it does not broaden the Commission’s authority beyond the scope of § 337(a)(1)(B)(i), which prohibits only specified acts involving “articles that . . . infringe.” Section 337(a)(1)(B)(i) does not reach parties’ general culpable conduct that is not specified in the

The Commission has recognized this limitation on its jurisdiction by refusing to investigate complaints premised on allegations of direct infringement of method claims under § 271(a) because patented methods are not infringed until “use” in the United States occurs. *See In the Matter of Certain Electronic Devices*, Inv. No. 337-TA-724, 2012 WL 3246515, at \*12–13 (ITC Dec. 21, 2011).

C.

To determine if imported goods are “articles that . . . infringe,” we turn to the patent laws, specifically, § 271 of Title 35 of the U.S. Code. That provision defines unlawful patent infringement—i.e., the basis for the unfair trade practice regulated in 19 U.S.C. § 1337(a)(1)(B). Section 271 states:

- (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.
- (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
- (c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such

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section, even if that conduct eventually is related to acts of patent infringement following importation.



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patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

35 U.S.C. § 271.

Section 271(a) defines direct patent infringement and makes unlawful conduct tied to an article, namely, the making, using, offering for sale, and selling of a “patented invention.” Section 271(c) defines contributory patent infringement, which again prohibits conduct tied to an article, but here, “a component of a patented machine, manufacture, combination or composition, or a material or apparatuses for use in practicing a patented process, constituting a material part of the invention.” Section 271(b) defines induced patent infringement, and this provision, unlike the other two, declares unlawful conduct which is untied to an article—“actively induc[ing] infringement of a patent.”

Precedent from our court makes evident the nature of § 271(b) and its focus on the conduct of the inducer. *See, e.g., DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc) (“[I]nducement requires evidence of *culpable conduct*, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.” (emphasis added)). We have stated, additionally, that “[t]o succeed [on a theory of induced infringement], a plaintiff must prove that the *defendants’ actions* induced infringing acts and that they knew or should have known their actions would induce actual infringement.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003) (emphasis added) (internal quotation marks and alterations omitted). For this reason, a large part of the inducement analysis and our case law dealing with the theory focuses on the intent of the inducer in performing the proscribed act. *See DSU*, 471 F.3d at 1304–06. Our

most recent en banc decision dealing with induced infringement likewise makes clear the nature of the offense: “[S]ection 271(b) extends liability to a party who advises, encourages, or otherwise induces others to engage in infringing conduct. . . .” *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307–08 (Fed. Cir. 2012) (en banc).

But the focus of the inducement analysis is not on the conduct of the alleged inducer alone. “To prevail on inducement, ‘the patentee must show, first that there has been direct infringement . . . .’” *Kyocera*, 545 F.3d at 1353–54 (quoting *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1304–05 (Fed. Cir. 2002)). Under that longstanding law, while the inducing act must of course precede the infringement it induces, it is not a completed inducement under § 271(b) until there has been a direct infringement.

#### D.

Given the nature of the conduct proscribed in § 271(b) and the nature of the authority granted to the Commission in § 337, we hold that the statutory grant of authority in § 337 cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation. Section 337(a)(1)(B)(i) grants the Commission authority to deal with the “importation,” “sale for importation,” or “sale within the United States after importation” of “articles that . . . infringe a valid and enforceable U.S patent.” The patent laws essentially define articles that infringe in § 271(a) and (c), and those provisions’ standards for infringement (aside from the “United States” requirements, of course) must be met at or before importation in order for the articles to be infringing when imported. Section 271(b) makes unlawful certain conduct (inducing infringement) that becomes tied to an article only through the underlying direct infringe-

ment. Prior to the commission of any direct infringement, for purposes of inducement of infringement, there are no “articles that . . . infringe”—a prerequisite to the Commission’s exercise of authority based on § 337(a)(1)(B)(i). Consequently, we hold that the Commission lacked the authority to enter an exclusion order directed to Suprema’s scanners premised on Suprema’s purported induced infringement of the method claimed in the ’344 patent.<sup>4</sup>

#### E.

Cross Match points to a number of cases from our court and the Commission to argue that the Commission has the authority to entertain induced infringement claims. But the cases on which Cross Match relies do not squarely address the issue or are distinguishable. In *Kyocera Wireless Corp. v. International Trade Commission*, we reversed a finding of induced infringement by the Commission—because it failed to apply the “specific intent” requirement which, subsequent to the Commission’s determination, we clarified in *DSU*—and remanded for reassessment under the correct legal standard. 545 F.3d at 1354. We assumed without deciding that the Commission had the authority to predicate a § 337 exclusion order on its finding of induced infringement by Qualcomm. There was no challenge to the Commission’s

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<sup>4</sup> We do not agree with the dissent that today’s holding will materially impact the ITC’s ability to carry out its mandate. Our holding is far narrower than the dissent asserts; as we explain, virtually all of the mischief the dissent fears can be addressed by the ITC via resort to § 271(a) or § 271(c), or even to § 271(b) where the direct infringement occurs pre-importation.

authority to predicate a violation on the theories urged. Our holding was limited to the following:

Because the Commission based its finding on an approach overruled by *DSU*, this court vacates and remands the ITC's determination of induced infringement. On remand, the ITC will have the opportunity to examine whether Qualcomm's conduct satisfies the specific intent requirement set forth in *DSU*.

*Id.* at 1354. It is understandable, moreover, that the parties and court in *Kyocera* did not focus on the Commission's authority to address inducement in the circumstances presented here (i.e., where no direct infringement occurs until after the articles are imported). The facts in *Kyocera* were very different.

In *Kyocera*, the Commission prohibited the importation of wireless communication devices "which when programmed to enable certain battery-saving features infringe the '983 patent," but the Commission only did so with respect to manufacturers who "purchase[d] and incorporate[d] Qualcomm chips into their mobile wireless devices outside the United States, and then imported them into the United States for sale." *Id.* at 1346. Thus, while the infringement theory the Commission relied upon in *Kyocera* was one of induced infringement, the Commission's exclusion order was directed to articles which, *when imported*, directly infringed the patents at issue. Thus, this case differs significantly from *Kyocera*.

*Alloc, Inc. v. International Trade Commission*, 342 F.3d 1361 (Fed. Cir. 2003), also does not compel us to reach a different conclusion here. In *Alloc*, in a brief discussion we affirmed a Commission finding of no induced infringement. But there was no challenge in that case to the Commission's authority over inducement

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claims, and we premised our holding on the fact that there simply was no evidence of either direct infringement—by anyone—or of an intent to induce by the importers:

Here, the administrative judge found no evidence that the Intervenor intended to induce others to infringe the asserted patents. More importantly, the administrative judge found no evidence of direct infringement, which is a prerequisite to indirect infringement. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) (“Because this court upholds the verdict that claim 28 of the ’494 patent is not directly infringed, the trial court correctly determined that FPS does not indirectly infringe that claim.”); *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986) (“[T]here can be no inducement of infringement without direct infringement by some party.”). This court finds no reason to disturb the administrative judge’s conclusion on inducement.

*Alloc*, 342 F.3d at 1374. Thus, *Alloc* is uninformative with respect to the question presented here.

Simply put, the issue we address today has never been presented to or decided by us. We are unpersuaded by either Cross Match’s or the Commission’s efforts to read more into *Kyocera* and *Alloc* than is there. See *United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 38 (1952) (“[T]his Court is not bound by a prior exercise of jurisdiction in a case where it was not questioned and it was passed sub silentio.”); *Beacon Oil Co. v. O’Leary*, 71 F.3d 391, 395 (Fed. Cir. 1995) (“Stare decisis applies only to legal issues that were actually decided in a prior action.”)

The parties also focus on a recent Commission ruling, *In the Matter of Certain Electronic Devices*, Inv. No. 337-TA-724 2012 WL 3246515, at \*8–9 (ITC Dec. 21, 2011). There, the pertinent issue *was* raised. The Commission analyzed the statutory provisions we discussed above and concluded it has the authority generally to entertain indirect infringement claims:

The plain language of [19 U.S.C. § 1337(a)(1)(B)] first identifies three specific acts that may form the basis of a violation of section 337: importation, selling for importation, and selling after importation. The statute then specifies, in list form, categories of articles that must be involved in the proscribed acts. First on the list are “articles that – infringe” a U.S. patent. *Id.* § 1337(a)(1)(B)(i). Because the statute specifies that the articles in question must “infringe,” an importation analysis that ignores the question of infringement would be incomplete.

The word “infringe” in section 337 derives its legal meaning from 35 U.S.C. § 271, the section of the Patent Act that defines patent infringement. Section 271 defines infringement to include direct infringement (35 U.S.C. § 271(a)) and the two varieties of indirect infringement, active inducement of infringement and contributory infringement (35 U.S.C. § 271(b), (c)). Thus, section 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to “articles that – infringe.” We also interpret the phrase “articles that – infringe” to reference the status of the articles at the time of importation. Thus, infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.

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*Certain Electronic Devices*, 2012 WL 3246515, at \*8–9. Despite this general discussion, on the merits, the Commission ultimately found no infringement:

Thus, S3G might have proved a violation of section 337 if it had proved indirect infringement of method claim 16. S3G failed to do so, however, and we adopt the ALJ’s findings to that effect. Because S3G has not shown importation, sale for importation, or sale after importation of articles that infringe method claim 16, directly or indirectly, S3G has not shown a violation of section 337 based on infringement of method claim 16.

*Id.* at \*12–13; *see also id.* at \*16 (“Because S3G has failed to prove indirect infringement of any asserted method claim, we reiterate that S3G has not shown a violation of section 337 with respect to claim 16 of the ’146 patent.”). We are not persuaded that the decision in *Certain Electronic Devices* counsels against the conclusion we reach today.

First, while the Commission spoke in terms of its authority to ban articles that infringe either directly or indirectly, it emphasized that the “articles” must infringe “at the time of importation.” *Id.* at \*9. For inducement, the only pertinent articles are those which directly infringe—at the time of importation. Hence, while the Commission may ban articles imported by an “inducer” where the article itself directly infringes when imported (as it attempted to do in *Kyocera*), it may not invoke inducement to ban importation of articles which may or may not later give rise to direct infringement of Cross Match’s patented method *based solely on the alleged intent of the importer*. Second, the Commission’s discussion of its authority to predicate a § 337 finding on an inducement claim in *Certain Electronic Devices* was dicta; ultimately, it did not resort to its purported authority

over such claims to fashion a remedy. And, the Commission's ruling, even if not dicta, would not be binding on us. Instead, we are bound by congressional intent, which is evident from the statutory language.<sup>5</sup>

#### F.

Because we find the Commission had no authority to premise an exclusion order addressed to Suprema's scanners on the infringement theory it employed, we do not address the Commission's other findings on the '344 patent. Whether Mentalix directly infringes claim 19 of the '344 patent and whether Suprema induces that infringement are issues to be addressed by the only tribunal with authority to do so—the applicable federal court forum.

### III.

We turn next to Suprema's challenge to the Commission's finding that certain products Suprema imports (RealScan-10 and RealScan-10F) infringe claims 10, 12, and 15 of the '993 patent. The Commission adopted the ALJ's initial determination on these claims as its own. On appeal, Suprema challenges the ALJ's claim construction of a term appearing in the asserted claims, the infringement finding based on that claim interpretation, and the holding that Suprema failed to prove that the '993 patent would have been obvious.

#### A.

The claim construction dispute involves the phrase "said second lens unit being on the image side of the first

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<sup>5</sup> Because we find congressional intent unambiguous, we decline to afford deference to the Commission's views on the precise question presented.



lens unit,” as it appears in step (d) of claim 10 of the ’993 patent, and the two other asserted claims, which both depend from claim 10. Specifically, Suprema argues that the claimed lens system<sup>6</sup> excludes “non-lens elements” and “off-axis optics” because those were disavowed in the written description of the ’993 patent. So there can be no non-lens elements between the “lens units,” Suprema believes, and the ALJ erred by not limiting the claims in this manner.

The ALJ did not separately analyze the language of step (d) but did construe the term “optical system,” which appears in the preamble of claim 10 and the dependent claims. In its analysis of “optical system,” the ALJ first found the preamble of claim 10 to be a limitation, *In the Matter of Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same*, Final Initial and Recommended Determinations, Inv. No. 337-TA-720, USITC Pub. 4366, at 24 (June 17, 2011) [hereinafter “Initial Determination”], and then held that “optical system” “could include non-lens elements, distortion correction prisms, holographic optical elements and off-axis optics,” *id.* at 25. The ALJ looked to the written description for a disavowal related to the presence of non-lens elements in the “optical system,” ultimately finding none. *Id.* at 26. Then, he stated the following:

Based on said construction of “optical system” supra, the administrative law judge rejects respondents’ arguments regarding the disavowal of non-lens elements and off-axis optics with respect to the other elements of claim 10 of the ’993 patent.

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<sup>6</sup> Suprema uses “lens system” to refer to the three lens units and aperture stop recited in claim 10.

(RBr at 195-196.) Thus, he finds that the claim terms “first lens unit having a positive power,” “between the aperture stop and the prism,” “said second lens unit being on the image side of the first lens unit,” and “third lens unit” are not precluded from containing non-lens elements, distortion correcting prisms, holographic optical elements, or off-axis optics.

*Id.* at 27. The ALJ again rejected Suprema’s arguments for disclaimer, first distinguishing case law which Suprema cited and then rejecting its arguments based on the written description. *Id.* at 28–32. The ALJ relied on, among other things, Suprema’s concession that the “optical system” could include the purportedly excluded items and only the lens system could not; Suprema stands by that concession here. Ultimately, Suprema seeks a limitation excluding non-lens elements within the lens system because its products contain mirrors (i.e., non-lens elements) along with the lenses, so such a construction would lead to a finding of non-infringement.

Thus, Suprema concedes that non-lens elements can be included in the “optical system,” as long as they are not located within the lens system. Suprema also seems to concede that the claim language does not exclude non-lens elements from being present in the lens system, i.e., between the first and second “lens units.” Instead, Suprema relies on two passages in the written description to argue that non-lens elements cannot be present at that location. First, Suprema points to the patent’s statements regarding the objects of the invention:

In view of the foregoing, it is an object of the invention to provide improved lens systems for use in fingerprint detection. In particular, it is an object of the invention to provide lens systems which employ only lens elements and do not employ dis-

tortion correcting prisms, holographic optical elements, or off-axis optics.

A further object of the invention is to provide inexpensive lens systems for use in fingerprint detection systems. In particular, it is an object of the invention to provide lens systems for use in fingerprint detection which comprise molded lens elements which can be produced in large quantities at low cost.

'993 patent col. 1 ll. 46–57. The “foregoing” language referred to is the “BACKGROUND OF THE INVENTION SECTION,” on which Suprema also relies. That passage states:

A description of some of the problems involved in fingerprint detection using frustrated total internal reflection can be found in Stoltzmann et al., “Versatile anamorphic electronic fingerprinting: design and manufacturing considerations,” *SPIE*, Vol. 2537, pages 105–116, August 1995. These authors conclude that the optical system used to form the image of the fingerprint ridges should include prisms for correcting optical distortion. In practice, an optical system employing prisms is expensive to manufacture compared to an optical system employing only lens elements, both because prisms themselves are expensive and because collimating optics are required to avoid introducing aberrations.

Significantly with regard to the present invention, Stoltzmann et al. specifically teach away from the use of an optical system employing only lens elements to produce an image of fingerprint ridges. In particular, they state that a system employing cylindrical lenses cannot successfully

correct for high levels of horizontal/vertical compression.

As an alternative to distortion correcting prisms, Bahuguna et al., “Prism fingerprint sensor that uses a holographic optical element,” *Applied Optics*, Vol. 35, pages 5242–5245, September 1996, describes using a holographic optical element to achieve total internal reflection without tilting the object (fingerprint ridges), thus allowing a rectilinear image of the object to be produced using only lens elements. The use of a holographic optical element, of course, increases the cost and complexity of the optical system.

Hebert, Robert T., “Off-axis optical elements in integrated, injection-molded assemblies,” *SPIE*, Vol. 2600, pages 129–134, December 1995, describes another approach to the fingerprint detection problem, namely, the use of off-axis optics to avoid tilting the object. This approach requires the use of complex optical surfaces which are difficult to manufacture economically.

*Id.* col. 1 ll. 10–44.

Reading both passages together, it becomes evident that the concern which the patented invention addresses, and which is described in the first quoted passage above, is the use of costly means for correcting optical distortion. The prior art, according to the patent, achieves this correction with three alternatives, all of which are costly: prisms, holographic optical elements, and off-axis optics. The stated purpose of the invention, which forms the strongest basis for Suprema’s arguments, says “it is an object of the invention to provide lens systems which employ only lens elements and do not employ distortion correcting prisms, holographic optical elements, or off-axis

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optics.” *Id.* col. 1 ll. 48–51. If anything is disclaimed by this statement, it is prisms, holographic optical elements, and off-axis optics, when either is used *as the means to correct distortion*.

We need not decide if this statement amounts to a clear disavowal of claim scope with respect to distortion correcting optics, however, a result that would require holding Suprema to a high burden. *See Bell Atl. Network Servs., Inc. v. Covad Commc’ns Grp., Inc.*, 262 F.3d 1258, 1268 (Fed. Cir. 2001) (“We have previously held that, in redefining the meaning of particular claim terms away from the ordinary meaning, the intrinsic evidence must clearly set forth or clearly redefine a claim term so as to put one reasonably skilled in the art on notice that the patentee intended to so redefine the claim term. We have also stated that the specification must exhibit an express intent to impart a novel meaning to claim terms.”) (citations and internal quotation marks omitted). Suprema’s only non-infringement argument based on the disputed claim term is its assertion that *mirrors between the lens elements* in its products preclude a finding of infringement. But Suprema never contends that the mirrors correct distortion and it is unlikely that they serve this purpose; the mirrors seem instead to fold the optical axis to make the systems fit within their cases.

Accordingly, we conclude that the ALJ’s infringement finding was supported by substantial evidence, as was the Commission’s adoption thereof. Even assuming certain costly distortion-correcting devices were disclaimed and cannot be present in between “lens units,” mirrors that do not correct distortion were not clearly disclaimed.

## B.

Suprema also challenges the ALJ’s holding on its obviousness defense to the asserted claims of the ’993 pa-

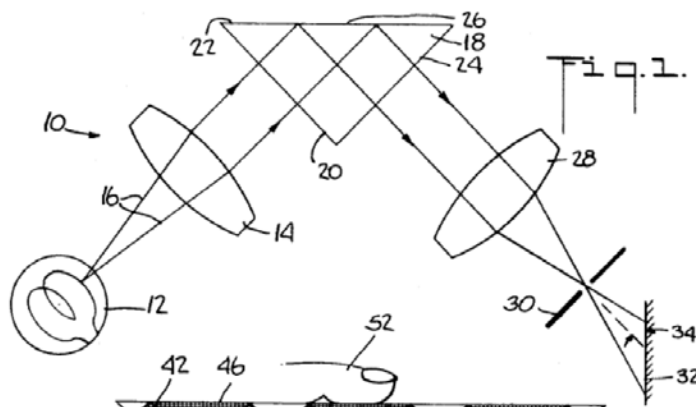
tent. Suprema argues that, in light of prior art U.S. Patent No. 3,619,060 (“the ’060 patent”) combined with prior art U.S. Patent No. 5,615,051 (“the ’051 patent”), the asserted claims of the ’993 patent would have been obvious to a person of skill in the art. The ALJ rejected this argument, first finding the ’061 patent failed to disclose a three-lens unit as required by claim 10 of the ’993 patent or a telecentric condition “in a lens located between the prism and the aperture stop as required by element c) of claim 10 of the ’993 patent.” Initial Determination at 116. The ALJ also rejected Suprema’s argument that it would have been obvious to combine the triplet lens disclosed in the ’051 patent into the device disclosed in the ’060 patent, in order to render the asserted claims obvious, because the ’051 patent, in the ALJ’s view, also failed to disclose the required telecentric condition and Suprema adduced insufficient evidence regarding motivation to combine. *Id.* at 117–18. Accordingly, the ALJ found, among other things, that Suprema “failed to prove, by clear and convincing evidence, . . . that one of ordinary skill in the art would have been motivated to combine the asserted references.” *Id.* at 118. That finding, we hold, was supported by substantial evidence. Accordingly, we affirm the ALJ’s legal conclusion that Suprema “failed to establish, by clear and convincing evidence, that claim 10 of the ’993 patent is obvious in view of the ’060 patent in combination with the ’051 patent.” *Id.*

The ’060 patent, entitled “Identification Device,” issued on November 9, 1971. It generally discloses “identification devices and more particularly . . . a device which employs optical apparatus for comparing an object to be identified with a preselected image.” ’060 patent col. 1 ll. 3–5. One disclosed embodiment of the “identification device” is a finger print scanner comprising a light source, a prism, two lenses, a diaphragm, and a focal plane. *Id.*

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col. 2 l. 74 – col. 3 l. 31. This device is depicted in Figure 1 of the patent:



*Id.*  
Fig.  
1.

The device is described as follows:

The object to be identified, which may be a human finger on the hand of a person to be identified is positioned on the second face **22**, as at **26**. The light beams **16** pass into the prism **18** perpendicularly to the face **20**, and an image is formed of the fingerprint because the light is reflected between points of contact between the finger and the second face. The reflected light comes out through face **24** of the prism and is focused with an achromatic lens **28** through a diaphragm **30** onto an inclined focal plane **32**.

*Id.* col. 3 ll. 32–40.

“Achromatic lens **28**” is the focus of the parties’ argument, and the above-quoted passage is the only description of that lens contained in the ’060 patent. That is, no details regarding the “achromatic lens **28**” are given, such as its structure or makeup. This failure to provide “constructional data” for the achromatic lens, *Suprema* ar-

gues, provides motivation to combine the '060 patent with the lens system disclosed in the '051 patent.

Turning to that second reference, the '051 patent is entitled “Bright Triplet” and was issued on July 20, 1997. It discloses a novel “triplet,” a three-lens triplet lens unit: “The present invention relates to a bright triplet and, more particularly, to a behind-the-stop type triple that has a wide field angle and is bright, so that it is well suited for use on photographic cameras.” '051 patent col. 1 ll. 5–8. The structure of the disclosed triplet is described in detail. *See, e.g., id.* col. 1 l. 63 – col. 2 l. 7 (“According to one aspect of the invention, there is provided a bright triplet which comprises, in order from the object side, a first lens consisting of a positive single lens of glass in a meniscus form convex on the object side, a second lens located with an air separation between it and said first lens and consisting of a negative single lens of glass, a third lens located with an air separation between it and said second lens and consisting of a positive single lens of glass in a double-convex form, and an aperture stop located on the image side of said third lens, and in which at least two of said first to third lenses are provided with aspherical surfaces.”).

We agree with the ALJ that the absence of “constructional data” regarding the achromatic lens disclosed in the '060 patent provides insufficient motivation for a person of skill in the art to seek out that data from the '051 patent, and that Suprema has shown insufficient evidence to substitute the triplet lens disclosed in the '051 patent for the “achromatic lens 28” of the '060 patent. As the ALJ noted, the only pertinent expert testimony provided by Suprema was that of its expert, Dr. Jose Manuel Sasian Alvarado, in which he stated:

Q. Why would they be motivated to do so [combine the '060 patent with the '051 patent]?



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A. Because of the need to, to create a finger print system. The '060 patent doesn't disclose the constructional data for the achromatic lens 28. So a person of ordinary skill would have the need to find what the achromatic lens that could be the triplet of the '051 patent.

Q. Can you explain for me why the lens 28 would need to be replaced in the '060 patent?

A. Because, again, the '060 patent does not disclose the construction of that, so a person needs to put a lens and then that person could very well use the triplet of the '051 patent, because they are well-known lenses.

(Tr. at 1280-81).

That a person of skill in the art "could very well" use the triplet of the '051 patent is insufficient reason for the skilled artisan to specifically seek out the unique lens disclosed in that reference. Moreover, the ALJ found that the '051 patent discloses a lens system that is well suited for "photographic cameras," not fingerprint scanners. That finding, we hold, was supported by substantial evidence. The '051 patent itself indicates that the lens it discloses "is well suited for use on photographic cameras." '051 patent col. 1. ll. 7-8. Thus, Suprema adduced insufficient evidence of motivation to substitute the photographic camera triplet lens of the '051 patent for the fingerprint scanner achromatic lens of the '060 patent. Moreover, since it gives no description of the achromatic lens' structure, there is no indication that the achromatic lens of the '060 patent is a triplet lens or that a triplet lens would be suitable in its place.

Accordingly, we affirm the Commission's holding that Suprema failed to adduce clear and convincing evidence

that the asserted claims of the '993 patent would have been obvious to a person of skill in the art.

#### IV.

For the reasons explained, we vacate the Commission's judgment regarding infringement of the '344 patent and vacate the limited exclusion order to the extent it was predicated on that finding. We affirm the Commission's holding that Suprema directly infringes the '993 patent, however, and leave intact the exclusion order regarding the RealScan-10 and RealScan-10F optical systems.

The scope of the exclusion order must thus be adjusted accordingly—it appears that only two of the previously identified products may be subject to the order.<sup>7</sup> Accordingly, we vacate the limited exclusion order and remand for proceedings in accordance with this decision.

#### V.

We turn now to Cross Match's appeal regarding the '562 patent. The Commission fully adopted the ALJ's initial determination regarding this patent; the ALJ found that Cross Match failed to prove by a preponderance of the evidence that any Suprema accused product infringed the asserted claims of that patent. On appeal, Cross Match challenges the ALJ's interpretation of the term "capture" as it appears in the asserted claims of this patent and claims that the ALJ's improper construction of that term led to an incorrect non-infringement finding.

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<sup>7</sup> The products found to infringe the '993 patent appear to be only RealScan-10 and RealScan-10F. Initial Determination at 168. But the products found to infringe the '344 patent are RealScan-10, RealScan-10F, RealScan-D, and RealScan-DF, when used with Mentalix's FedSubmit software.

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Claim 1 is representative of the asserted claims and states:

A method for reliably capturing print images, comprising:

- (a) initiating camera operation with a scanner
- (b) scanning a biometric object to obtain a scanned image;
- (c) processing the scanned image;
- (d) determining print quality of individual print images in the scanned image;
- (e) detecting prints in the scanned image; and
- (f) determining whether the scanned image is ready for capture based on an expected number of print images detected in step (e) and the quality of the print images determined in step (d).

'562 patent col. 10 l. 59 – col. 11 l. 4.

Cross Match proposed to the ALJ that “capture” as used in the preamble to and step (f) of claim 1 means “acquiring, by the scanner, for processing or storage.” Initial Determination at 59. The ALJ adopted this construction. *Id.* at 60. And, based on this construction, the ALJ concluded that Suprema’s products do not infringe the asserted claims because they do not perform steps (d) and (e) before the image is “acquired . . . for processing or storage”—i.e., before it is deemed “ready for capture” and, ultimately, “captured.”

Cross Match now suggests that the ALJ’s construction of capture was wrong; it claims that “acquiring, by the

scanner, for processing or storage” does not require that the scanner perform all steps of the claimed “capturing” process. Instead, Cross Match argues that the scanner only need be *involved* in that process. Cross Match also contends that the scanner need only “keep” or “save” the image and that any “processing” thereof can be done by a computer. Based on these interpretations of what it means to “capture” an image, Cross Match contends the ALJ and Commission were wrong to conclude that all steps of claim 1 must be performed by a scanner for infringement to occur, and were wrong to conclude that step (f) of claim 1—the “determining whether the scanned image is ready for capture”—must occur after steps (e) and (d) have been performed.

In making these arguments, Cross Match puts itself in the difficult position of challenging a claim construction it proposed. See *Tessera Inc. v. Int’l Trade Comm’n*, 646 F.3d 1357, 1364 (Fed. Cir. 2011); *Key Pharma. v. Hercon Labs. Corp.*, 161 F.3d 709, 714–15 (Fed. Cir. 1998) (“We find highly questionable Hercon’s assertion on appeal that the trial court erred when it adopted the very construction Hercon urged upon the court through the testimony of Dr. Guy. In essence, Hercon asserts that the trial court erred by adopting the position it advocated at trial. Although the function of an appellate court is to correct errors committed at trial, we look with extreme disfavor on Hercon’s assertion that the trial court committed error in its claim construction. Ordinarily, doctrines of estoppel, waiver, invited error, or the like would prohibit a party from asserting as ‘error’ a position that it had advocated at the trial.”). And, Cross Match is in the peculiar situation of asking for a construction of “capture” in the ’562 patent which differs from that which it advocates for the same term in the ’344 patent, even though the ’562 patent incorporates by reference the ’344 patent. Indeed, Suprema and the Commission ask that we resolve Cross

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Match's appeal on these grounds, finding that it either waived any right to seek a different construction of the term "capture" before this court, or at least is estopped from doing so.

Cross Match contends it did not waive its right to make the arguments it develops here because it is not really asking for a new construction; it is simply debating how that construction should itself be construed. While Cross Match's position is a stretch—it really seems to be unhappy with the construction it proposed and to be asking for something directly at odds with that original construction—we need not rely on waiver to affirm the Commission's non-infringement finding on the '562 patent because we conclude that the Commission's finding on the merits was correct.

Specifically, we conclude that the ALJ's construction of the term "capture" is correct and that the ALJ was correct to conclude that the "capture" itself, and the preceding determination of whether the image is "ready for capture," in the claims of the '562 patent must occur before the scanned image is transferred to a computer. We also hold that the ALJ's infringement finding is supported by substantial evidence. The computer of the accused products performs the checks, i.e., steps (e) and (d), with software *at some point after* the computer receives the image from the scanner. So, in the accused products, those checks necessarily occur sometime after the scanner determines whether the image is "ready for capture."

There is no real dispute regarding the construction of "capture" since the ALJ adopted Cross Match's proposed construction. We adopt that construction as well: "capture" means "acquiring, by the scanner, for processing or storage." We also conclude that the ALJ was correct to conclude that, under this construction, step (f) necessarily

requires a determination of whether the “scanned image” is ready for “acquiring, by the scanner,” *based on* the number and quality checks of steps (e) and (d). Given that claim language, as a matter of logic, those quality checks must precede the determination made under step (f), since that step is based on the results from the checks, and, since the scanner ultimately performs the capture, the preceding checks must be performed by the scanner or one of its components. *See Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369 (Fed. Cir. 2003) (“We look to the claim language to determine if, as a matter of logic or grammar, [the steps of a method claim] must be performed in the order written.”).

The claim language here plainly requires this construction. *See, e.g.*, ’562 patent col. 11 ll. 1–4 (“determining whether the scanned image is ready for capture *based on* the number of prints detected in step (e) and the quality of the print image determined in step (d).” (emphasis added)); *id.* col. 11 ll. 24–36 (claim 4 adding to claim 1 steps of “(g) capturing the scanned image to obtain a captured image” and “(i) forwarding the captured image to a computer.”). The written description of the patent also supports the view that “capture” is performed by the scanner and not by a separate computer. *Id.* col. 2 ll. 18–20 (“The method includes capturing the scanned image, processing the captured image, and forwarding the captured image to a computer.”). A component of the scanner, such as software residing on a computer coupled to the scanner—which computer is part of the scanner—can perform the scanner’s functionality, including the step (f) determination step. *See id.* col. 6 ll. 37–57 (“In an embodiment of the present invention, scanner **104** includes . . . a controller **116** [which] includes print capture manager **117**. . . . Control functionality . . . of print cap-

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ture manager 117 [] can be carried out by . . . a computer coupled to the scanner.”).<sup>8</sup>

Because it is undisputed that, in the accused products, the scanner has already transmitted the image to a computer when the purported number and quality checks are performed, the accused products cannot perform the method as claimed. Accordingly, we hold that the ALJ’s non-infringement finding as to the ’562 patent was premised on its correct construction of the term capture and understanding of the scope of claim 1. We affirm the Commission’s ruling finding no violation of § 337 on grounds that no imported articles infringe the asserted claims of the ’562 patent.

**AFFIRMED IN PART, VACATED IN PART, AND  
REMANDED IN PART**

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<sup>8</sup> Cross Match makes a number of other arguments in support of its infringement claim. While we do not address each, we have considered them all and find them unpersuasive.

**United States Court of Appeals  
for the Federal Circuit**

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**SUPREMA, INC. AND MENTALIX, INC.,**  
*Appellants,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND

**CROSS MATCH TECHNOLOGIES, INC.,**  
*Intervenor.*

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2012-1170

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On appeal from the United States International Trade  
Commission in Investigation No. 337-TA-720.

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**CROSS MATCH TECHNOLOGIES, INC.,**  
*Appellant,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND



**SUPREMA, INC. AND MENTALIX, INC.,**  
*Intervenors.*

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2012-1026, -1124

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On appeal from the United States International Trade Commission in Investigation No. 337-TA-720.

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REYNA, *Circuit Judge*, concurring-in-part, dissenting-in-part.

The majority concludes that the International Trade Commission lacks authority to find a violation of 19 U.S.C. § 1337 (“Section 337”) that is premised on induced infringement where “the acts of underlying direct infringement occur post-importation.” Maj. Op. at 20. While I agree with the majority’s disposition of this case in all other respects, I cannot join my colleagues’ decision to negate the Commission’s statutory authority to stop induced infringement at the border. Accordingly, I respectfully *concur-in-part* and *dissent-in-part*.

I

This appeal arises out of an investigation into alleged violations of Section 337 by Suprema (a Korean company) and Mentalix (located in Plano, Texas). Suprema manufactures fingerprint scanners that it imports and sells for importation<sup>1</sup> into the United States. To function, Su-

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<sup>1</sup> The parties stipulated that Suprema imported and sold for importation at least one unit of each accused scanner, and that Mentalix imported and sold after importation at least one unit of each accused scanner. See *Certain Biometric Scanning Devices, Components Thereof*,

Suprema's scanners must be connected to a separate computer running special software. Suprema does not make or sell this software, but provides Software Development Kits (SDKs) that allow its customers to create their own software to operate the scanners. The SDKs include utilities that operate various functionalities of the scanners, and also include manuals instructing customers on how to use the SDKs. Mentalix, one of Suprema's customers in the United States, imports Suprema's fingerprint scanners and sells the scanners after importation, along with software to operate the scanners. Mentalix's software uses some of the functions included in Suprema's SDKs.

As relevant here, the Commission found that Suprema's scanners, when used with Mentalix's software, practice a patented method for capturing and processing fingerprints. The Commission found Mentalix liable for direct infringement for integrating its software with Suprema's scanners and using the integrated scanners in the United States. The Commission also found that Suprema actively aided and abetted Mentalix's infringement by collaborating with Mentalix to import the scanners and helping Mentalix adapt its software to work with the imported scanners to practice the patented method. Finding that Suprema willfully blinded itself to the existence of the patent and the infringing nature of the activities it encouraged, the Commission held Suprema liable for induced infringement under 35 U.S.C. § 271(b). Accordingly, the Commission issued a limited exclusion order banning from entry into the United States articles imported by Suprema or Mentalix that infringe the patented method. *See Certain Biometric Scanning Devices,*

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*Associated Software, and Products Containing Same,* USITC Inv. No. 337-TA-720, Order No. 11 (Sep. 16, 2010).

*Components Thereof, Associated Software, and Products Containing Same*, USITC Inv. No. 337-TA-720, Pub. No. 4366, Limited Exclusion Order ¶ 1 (Feb. 2013).

## II

Instead of addressing the merits of the Commission's determination of induced infringement, the majority takes the unnecessary step of addressing the legality of the Commission's authority to conduct a Section 337 investigation that is based on allegations of induced infringement. The majority concludes that the Commission did not have authority to issue an exclusion order in this case because "the statutory grant of authority in § 337 cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation." Maj. Op. at 20. According to the majority, the phrase "articles that – infringe" in Section 337 requires infringement at the time of importation, and because inducement is not "completed" until there has been direct infringement, the Commission may not invoke inducement to ban the importation of articles that are not already in an infringing state at the time of importation. *See id.* at 20, 25.

My problem with the majority's opinion is that it ignores that Section 337 is a trade statute designed to provide relief from specific acts of unfair trade, including acts that lead to the importation of articles that will result in harm to a domestic industry by virtue of infringement of a valid and enforceable patent. To negate both a statutory trade remedy and its intended relief, the majority overlooks the Congressional purpose of Section 337, the long established agency practice by the Commission of conducting unfair trade investigations based on induced patent infringement, and related precedent by this Court confirming this practice. In the end, the majority has created a fissure in the dam of the U.S. border

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through which circumvention of Section 337 will ensue, thereby harming holders of U.S. patents.

## A

For decades, the Commission has entertained complaints and found Section 337 violations where respondents actively induced direct infringement in the United States, infringement that did not occur until after importation of the articles involved.<sup>2</sup> This Court has affirmed

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<sup>2</sup> See, e.g., *Certain Inkjet Ink Cartridges with Print-heads and Components Thereof*, USITC Inv. No. 337-TA-723, Pub. No. 4373 (Feb. 2013), Comm'n Notice at 3 (Oct. 24, 2011), Initial Determination at 79, 2011 WL 3489151, at \*49 (Jun. 10, 2011); *Certain Digital Set-Top Boxes and Components Thereof*, USITC Inv. No. 337-TA-712, Pub. No. 4332 (Jun. 2012), Initial Determination at 132, 146, 2011 WL 2567284, at \*76, \*82 (May 20, 2011) (reconsideration granted on other grounds); *Certain Optoelectronic Devices, Components Thereof, and Prods. Containing Same*, USITC Inv. No. 337-TA-669, Pub. No. 4284 (Nov. 2011), Initial Determination at 51, 2011 WL 7628061, at \*45 (March 12, 2010), *aff'd sub nom. Emcore Corp. v. Int'l Trade Comm'n*, 449 F. App'x 918 (Fed. Cir. 2011) (non-precedential); *Certain Voltage Regulators, Components Thereof and Prods. Containing Same*, USITC Inv. No. 337-TA-564, Pub. No. 4261 (Oct. 2011), Enforcement Initial Determination at 38, 2011 WL 6980817, at \*31 (Mar. 18, 2010) (violation of limited exclusion order based on inducement); *Certain Semiconductor Chips Having Synchronous Dynamic Random Access Memory Controllers and Prods. Containing Same*, USITC Inv. No. 337-TA-661, Pub. No. 4266 (Oct. 2011), Initial Determination at 42, 2011 WL 6017982, at \*85 (Jan. 22, 2010); *Certain Digital Television Prods. and Certain Prods. Containing Same*, USITC Inv. No. 337-TA-617, Comm'n Op. at 10,

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2009 WL 1124461, at \*5 (Apr. 23, 2009), *aff'd in relevant part sub nom. Vizio, Inc. v. Int'l Trade Comm'n*, 605 F.3d 1330 (Fed. Cir. 2010); *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Prods. Containing Same*, USITC Inv. No. 337-TA-543, Pub. No. 4258 (Oct. 2011), Initial Determination at 151, 2011 WL 6175074, at \*83 (Oct. 10, 2006); *Certain Foam Masking Tape*, USITC Inv. No. 337-TA-528, Pub. No. 3968 (Aug. 2007), Initial Determination at 14-15, 2007 WL 4824257, at \*20 (Jun. 21, 2005); *Certain Automated Mechanical Transmission Sys. for Medium-Duty and Heavy-Duty Trucks and Components Thereof*, USITC Inv. No. 337-TA-503, Pub. No. 3934 (Jul. 2007), Initial Determination at 154, 2007 WL 4473082, at \*101 (Jan. 7, 2005); *Certain Display Controllers and Prods. Containing Same*, USITC Inv. No. 337-TA-491, Initial Determination, 2004 WL 1184745, at \*116 (Apr. 14, 2004); *Certain Hardware Logic Emulation Systems and Components Thereof*, USITC Inv. No. 337-TA-383, Pub. No. 3154 (Jan. 1999), Comm'n Notice at 2 (Mar. 6, 1998), Initial Determination at 179, 1997 WL 665006, at \*101 (Jul. 31, 1997); *Certain Concealed Cabinet Hinges and Mounting Plates*, USITC Inv. No. 337-TA-289, Initial Determination, 1989 WL 608804, at \*48, \*52 (Sep. 28, 1989); *Certain Minoxidil Powder, Salts and Compositions for Use in Hair Treatment*, USITC Inv. No. 337-TA-267, 1988 WL 582867, at \*6-7 (Feb. 16, 1988); *Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation*, USITC Inv. No. 337-TA-99, Pub. No. 1246 (May 1982), Comm'n Op. at 8 (Apr. 9, 1982), *aff'd sub nom. Young Eng'rs, Inc. v. Int'l Trade Comm'n*, 721 F.2d 1305 (Fed. Cir. 1983); *Certain Surveying Devices*, USITC Inv. No. 337-TA-68, Pub. No. 1085 (Jul. 1980), Comm'n Determination at 19, 0080 WL 594364, at \*10 (Jul. 7, 1980).

Commission determinations of Section 337 violations that are premised on induced infringement.<sup>3</sup> Other decisions of this Court, while not affirming an exclusion order, recognized the Commission's authority to premise a Section 337 violation on a finding of induced infringement.<sup>4</sup> This rich history of longstanding agency practice and legal precedent is fruit borne of law enacted by Congress precisely to address importation of infringing articles by establishing relief at the point of importation, the border.

This Court has long recognized the Congressional purpose of Section 337 is to provide "meaningful relief available to patentees by enabling the ITC to issue exclusion orders to *stop infringement at the border*." *John Mezzalingua Assoc., Inc. v. Int'l Trade Comm'n*, 660 F.3d 1322, 1340 (Fed. Cir. 2011) (emphasis added). As originally enacted, Section 337 authorized the Commission to investigate unfair acts or practices in the importation of articles, including those related to infringement of U.S.

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<sup>3</sup> See *Vizio*, 605 F.3d 1330 (affirming violation in Inv. No. 337-TA-617 based on induced infringement of method claim); *Emcore*, 449 F. App'x 918 (affirming without opinion violation in Inv. No. 337-TA-669 based on induced infringement of apparatus claim); *Young Eng'rs*, 721 F.2d 1305 (affirming violation in Inv. No. 337-TA-99 based on contributory and induced infringement of process patents).

<sup>4</sup> See *ERBE Elektromedizin GmbH v. Int'l Trade Comm'n*, 566 F.3d 1028 (Fed. Cir. 2009) (affirming finding of no direct infringement underlying inducement claims); *Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340 (Fed. Cir. 2008) (reversing violation ruling after finding no intent to induce); *Alloc, Inc. v. Int'l Trade Comm'n*, 342 F.3d 1361 (Fed. Cir. 2003) (affirming finding of no intent to induce).

patents, and placed on the President the authority to exclude such articles at the border. *See* Tariff Act of 1930, ch. 497, Title III, § 337, 46 Stat. 703 (1930).<sup>5</sup> In 1974, Congress expanded the Commission’s authority by amending Section 337 to allow the Commission, itself, to order the exclusion of articles involved in unfair acts and practices. *See* Trade Act of 1974, ch. 4, Title III, § 341, 88 Stat. 1978 (1975). In 1988, with the intention to provide a “more effective remedy for the protection of U.S. intellectual property rights,” Congress eliminated, with respect to investigations involving certain intellectual property rights, the domestic injury requirement contained in the prior version of Section 337. *See* S. Rep. No. 100-71, at 127-29 (1987); H.R. Rep. No. 100-40, pt. 1, at 154-56 (1987). Congress thus strengthened the role of the Commission in preventing unfair foreign competition by providing a more effective enforcement mechanism at the border. At no point in the Congressional development of Section 337 was the Commission’s authority limited to only certain acts or practices that constitute infringement. Stated differently, the statute on its face authorizes the Commission to investigate all unfair acts or practices related to importation that are harmful to U.S. trade via infringement of a U.S. patent. There is no indication that Congress intended to prohibit the Commission from investigating acts of inducement leading to infringement. Had Congress intended such limitation, it would have amended Section 337 to so require. *See generally Whitfield v. United States*, 534 U.S. 209, 214 (2005) (“[I]f Congress had intended to create the scheme petitioners envision, it would have done so in clearer terms.”).

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<sup>5</sup> The provenance of Section 337 dates back as early as 1922. *See* Tariff Act of 1922, ch. 356, Title II, § 316, 42 Stat. 943 (1922).

The Commission's broad authority derives from the nature of the relief it is intended to provide. Exclusion at the border (and, in some cases, a cease and desist order directed at infringing articles already imported) is the only form of relief available in a Section 337 investigation. In this manner, Section 337 not only supplements the patent infringement remedies available in federal courts, it also provides a unique form of relief in patent law: preventing unfairly traded articles from entering the U.S. customs territory. Congress provided this broad remedy because it recognized that "[t]he importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest." H.R. Rep. No. 100-40, at 154, 156. In other words, imported articles involved in unfair acts of infringement inflict injury on the U.S. industry and patent holders simply by virtue of importation, apart from any acts occurring after importation. Under Section 337, once the unfairly traded article is imported, the harm is done.

## B

The majority justifies a narrow reading of Section 337 by finding that proceedings at the Commission are focused "on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods." Maj. Op. at 16. The majority misunderstands the *in rem* nature of proceedings at the Commission. Because the Commission has *in rem* jurisdiction over articles sold for importation, imported or sold after importation into the United States, it has the authority to exclude products *intended* to be sold or imported in the future by virtue of Congress's delegation of its power to regulate commerce with foreign nations and exclude unfairly traded merchandise from entry into the United States. See *Buttfield v. Stranahan*, 192 U.S. 470,



492 (1903). Thus, at least one instance of sale for importation, importation or sale after importation is required, and sufficient, to trigger the Commission's jurisdiction to investigate an alleged violation of Section 337. *See, e.g., Certain Trolley Wheel Assemblies*, USITC Inv. No. 337-TA-161, Pub. No. 1605 (Nov. 1984), Comm'n Op. at 8, 0084 WL 951859, at \*4 (Aug. 29, 1984). But the Commission's authority to issue an exclusion order is more than *in rem* in nature because it incorporates an "*in personam* element," *see Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340, 1357 (Fed. Cir. 2008), and is directed at future imported articles. Hence, the Commission's "focus" on articles is perfectly consistent with exclusion orders preventing future importation (and, in the case of inducement, future direct infringement) based on demonstrated instances of inducement and direct infringement in the United States.

Thus, while the Commission examines articles as they are imported to determine which infringement theory applies, it is not constrained by a requirement that the articles be in an infringing state when imported. Section 337 expressly applies not only to the moment of importation, but also, in the alternative, to sales occurring before and after importation that can give rise to infringement liability. An article that is not in an infringing state at the moment of importation can still form the basis of a Section 337 violation if its importation is tied to conduct giving rise to infringement liability.

The majority engages in protracted analysis to arrive at the view that 35 U.S.C. §§ 271(a) and (c) essentially define "articles that infringe" for purposes of Section 337 liability. *See* Maj. Op. at 20. According to the majority, inducing conduct does not "become tied" to an article until the underlying direct infringement happens. *See id.* I disagree. To the extent that the induced direct infringe-

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ment involves an article, the inducing acts are tied to such an article at the time each act of inducement occurs. For purposes of Section 337, as long as the inducing acts include sale for importation, importation or sale after importation of articles involved in direct infringement in the United States, the inducing conduct is tied to “articles – that infringe” and the Commission has authority to investigate such conduct.

Contrary to the majority’s holding, the reference in Section 337 to “articles – that infringe” does nothing to exclude induced infringement from the type of unfair acts Section 337 was designed to remedy. Section 337 is defined, much like § 271, in terms of *conduct* that may occur before and after the precise moment of importation. Because Section 337 is not by its terms confined to a specific time when the imported articles must “infringe,” the majority errs in using § 271(a) and (c) to introduce a strict temporal limitation on the moment on which infringement liability must be “complete” for purposes of the Commission’s authority to remedy violations of Section 337.

### III

I perceive the majority’s holding in this case as enabling circumvention of the legitimate legislative objective of Section 337 to stop, at the border, articles involved in unfair trade. First, the majority’s holding allows importers to circumvent Section 337 liability for indirect infringement. For example, an importer could import disassembled components of a patented machine, or import an article capable of performing almost all of the steps of a patented method, but reserve final assembly of the last part or performance of the last step for the end-user in the United States and, under the majority’s holding, fall outside the Commission’s statutory reach because direct infringement would not have occurred until after

importation. Yet, this Court has recently recognized that “there is no reason to immunize the inducer from liability for indirect infringement simply because the parties have structured their conduct so that no single defendant has committed all the acts necessary to give rise to liability.” *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1309 (Fed. Cir. 2012) (en banc). Likewise, an importer inducing infringement should not be able to escape liability by delaying direct infringement until after importation. The fact remains that “one who aids and abets an infringement is likewise an infringer.” H.R. Rep. No. 82-1923, at 9 (1952). Section 337 should not be interpreted in a manner that enables this form of circumvention.

Second, the majority’s holding allows importers to circumvent Section 337 liability for almost all forms of method patent infringement not involving product-by-process claims.<sup>6</sup> The Commission already declines to entertain complaints based on allegations of direct infringement of method claims under § 271(a), recognizing that a patented method is only infringed by “use” in the United States, which is not one of the types of conduct proscribed in Section 337. *See Certain Electronic Devices*, Inv. No. 337-TA-724, Comm’n Op. at 18-19, 2012 WL 3246515, at \*12-13 (Dec. 21, 2011); 19 U.S.C. § 1337(a)(1)(B)(i) (making unlawful only the “importation,” “sale for importation,” and “sale within the United States after importation” of infringing articles). Given this existing limitation, the ability to file a Section 337 complaint based on theories of indirect infringement becomes even more important for owners of patented processes. But the majority now eliminates § 271(b) as a basis for finding a Section 337 violation, leaving only the

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<sup>6</sup> Violations based on importation of articles manufactured abroad according to a patented process are separately codified in § 337(a)(1)(B)(ii), not at issue here.

possibility of enforcing method patents at the Commission under § 271(c) to the extent that the imported articles are especially made or adapted for use in practicing a patented method and are not capable of substantial noninfringing uses. Whether obtaining a remedy for this form of method patent infringement continues to be viable at the Commission remains to be seen, in light of the majority's broad holding that "there are no 'articles . . . that infringe' at the time of importation when direct infringement has yet to occur." Maj. Op. at 4.<sup>7</sup>

The majority's view also overlooks the practical realities of international trade. A common threat to trade relief in general is the modification of articles to place them outside the scope of relief orders, *e.g.*, exclusion or antidumping orders. These circumvention practices can be sophisticated and elaborate. Here, the majority legalizes the most common and least sophisticated form of circumvention, importation of the article in a disassembled state. The idea is that assembly within the United States removes the article from scrutiny and enforcement at the border. With regard to importation of articles whose assembly in the United States creates "articles – that infringe," while it is true that the patent holder may be able to sue in district court, it would likely face person-

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<sup>7</sup> Although the majority indicates that the § 271(c) "standards for infringement" can be met at the time of importation, it also holds that inducement is not "completed" until there has been direct infringement. *See* Maj. Op. at 20. Like inducement, liability for contributory infringement under § 271(c) requires a showing of direct infringement, which in the case of method claims will not occur until after importation. *See, e.g., ERBE*, 566 F.3d at 1037 (affirming Commission's finding of no contributory or induced infringement where there was no evidence of direct infringement of method claim in the United States).

al jurisdiction and enforcement of judgment hurdles, and would certainly not be able to stop importation of the disassembled articles at the border. If anything, the majority's holding creates a new threat for U.S. patent holders.<sup>8</sup>

In my view, Section 337 was intended to provide distinct relief at the border to stop imports of articles that are used in unfair trade. I see no rational reason why this form of relief to U.S. patent holders should be eliminated when acts of inducement are involved. For purposes of Section 337 liability, I see no distinction between importing an article that meets all limitations of an apparatus claim as it crosses the border, and actively inducing infringement by importing an article and encouraging another to use that article to practice a patented method. In both cases, a patented invention is practiced within the country without authority as a result of importation. The majority is apparently concerned with the possibility that this interpretation could result in overbroad remedial orders that exclude articles that may or may not later give rise to direct infringement depending on the intent of the importer. *See* Maj. Op. at 25. But the Commission regularly includes a "certification provision" in its exclusion orders by which importers may certify that the articles they seek to import do not infringe and are there-

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<sup>8</sup> The majority believes that its holding will not have adverse effects on the Commission's statutory mandate to provide specific relief from unfair trade practices, and points to § 271(a) and § 271(c) as obviating any need for relief, at the border, from induced infringement. *See* Maj. Op. at 21, n.4. As this dissent demonstrates, that is not the case. But even if it were so, it is up to Congress, not this Court, to repeal the Commission's mandate on grounds that sufficient relief is afforded elsewhere in the law.

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fore not covered by the order. For example, the limited exclusion order issued against Suprema and Mentalix provides that “persons seeking to import biometric scanning devices . . . potentially subject to this Order may be required to certify that . . . to the best of their knowledge and belief, the products being imported are not excluded from entry under paragraph 1 of this Order.” *Certain Biometric Scanning Devices*, Limited Exclusion Order ¶ 3. I view the Commission as an international trade agency with the expertise and experience to fashion exclusion orders of appropriate scope.

In an appeal involving trade secret misappropriation, we recently held that the Commission may consider conduct abroad in determining whether imports related to that conduct violate Section 337. *See TianRui Grp. Co. v. Int’l Trade Comm’n*, 661 F.3d 1322, 1331-32 (Fed. Cir. 2011). Just as the panel in *TianRui* deemed it highly unlikely that Congress intended Section 337 not to reach instances in which the accused party was careful to ensure that the actual act of conveying the trade secret occurred outside the United States, I believe it is equally unlikely that Congress intended that Section 337 would not reach instances in which a respondent is careful to ensure that the actual act of direct infringement does not occur until the imports have entered the customs territory of the United States. The majority errs in concluding otherwise. Therefore, I must *dissent-in-part*.

**CERTIFICATE OF SERVICE**

I, Clark S. Cheney, hereby certify on this 21st day of February, 2014, that I am electronically filing the attached **COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC OF APPELLEE INTERNATIONAL TRADE COMMISSION** using the Court's CM/ECF system, which will send notification to the following:

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2012-1170

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**IN THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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**SUPREMA, INC. and MENTALIX, INC.,**  
*Appellants,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

and

**CROSS MATCH TECHNOLOGIES, INC.,**  
*Intervenor.*

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Appeal from the United States International Trade Commission in  
Investigation No. 337-TA-720.

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**INTERVENOR'S COMBINED PETITION FOR  
REHEARING AND REHEARING *EN BANC***

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February 21, 2014

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## CERTIFICATE OF INTEREST

Counsel for Intervenor Cross Match Technologies, Inc. certifies the following:

1. *The full name of every party or amicus curiae represented by me is:*

Cross Match Technologies, Inc.

2. *The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:*

N/A

3. *All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:*

Francisco Partners Management LLC

4. *The names of all law firms and the partners or associates that appeared for the party or amicus curiae now represented by me in the trial court or agency or are expected to appear in this court are:*

Latham & Watkins LLP: Maximilian A. Grant, Matthew J. Moore, Bert C. Reiser, Clement Naples, Gabriel Bell, Adam Greenfield, Michael David (former), Franklin Kang (former), Gregory Sobolski (former), Stephen McBride (former), Inge Osman (former), James Bender (former)

Respectfully submitted,

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## STATEMENT OF COUNSEL

1. Based on my professional judgment, I believe the panel decision is contrary to the following precedents: *Young Eng'rs, Inc. v. ITC*, 721 F.2d 1305 (Fed. Cir. 1983); *Vizio, Inc. v. ITC*, 605 F.3d 1330 (Fed. Cir. 2010); *Disabled Am. Veterans v. Sec'y of Veterans Affairs*, 419 F.3d 1317 (Fed. Cir. 2005).
2. Based on my professional judgment, I believe this appeal requires an answer to the following precedent-setting question of exceptional importance: Whether the United States International Trade Commission (“ITC”) has authority to find a Section 337 violation—and issue an exclusion or cease and desist order—where it finds that an importer actively induced infringement of a patented invention using its imported articles but the direct infringement occurred post-importation.

## INTRODUCTION

For decades the ITC has exercised its authority under Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, to issue an exclusion order when an importer has induced infringement, even when the direct infringement only occurred post-importation. Notwithstanding that well-established understanding, a divided panel of this Court held that the ITC is “powerless to remedy” such infringement. Maj. Op. 4, 13-26. The majority nonetheless recognized the ITC *does* have authority to remedy another form of indirect infringement—*contributory* infringement—even when the direct infringement occurs post-importation. Panel rehearing or

rehearing *en banc* is warranted for two reasons.

First, the majority's holding is contrary to (a) the statutory text, which precludes the majority's distinction between induced infringement and contributory infringement; (b) longstanding ITC understanding, which the majority improperly refused to afford *Chevron* deference, and this Court's precedent repeatedly affirming the ITC's understanding; and (c) the legislative history, which shows that Congress endorsed the ITC's authority that the majority now rejects.

Second, the issue is exceptionally important because the majority's holding creates a gaping hole in the ITC's ability to enforce the statutory protections against unfair trade practices and permits foreign importers to induce domestic infringement with impunity. The ruling drastically curtails the reach of Section 337. Under the majority's holding, for example, importers of high-tech devices that infringe only after being loaded with certain software can evade ITC authority simply by importing the devices without software and then actively instructing stateside partners how to assemble and use them after importation—which is exactly what happened here. But such improper trade practices are precisely the type that Congress intended ITC to stop at the border. The panel's decision strips the agency of the ability to enforce the statute in these commonplace circumstances.

Rehearing is necessary to restore the ITC's authority to enforce the statute.

## BACKGROUND

The ITC found that Appellants Suprema, Inc. (a Korean company) and Mentalix, Inc. (located in Texas) violated Section 337 because Suprema's fingerprint scanners, when imported and used with Mentalix's software perform a method for capturing and processing fingerprints that infringes Cross Match's U.S. Patent No. 7,203,344 ("the '344 patent"). The ITC determined that Suprema actively aided and abetted Mentalix's infringement by collaborating with Mentalix to import the scanners and helping Mentalix adapt its software to work with the imported scanners to practice the patented method. Based on a detailed factual record, the ITC found that Suprema willfully blinded itself to the existence of the patent and the infringing nature of the activities it encouraged, and held that Suprema induced infringement under 35 U.S.C. § 271(b). Accordingly, the ITC issued a limited exclusion order under Section 337 barring Suprema from importing products that infringe the '344 patent when combined with Mentalix software and used after importation.

On December 13, 2013, a divided panel vacated the exclusion order in relevant part, holding that the ITC has no authority to find a Section 337 violation where an importer induced infringement but the predicate direct infringement occurred post-importation. Maj. Op. 13. The majority recognized that its holding contradicts ITC precedent interpreting the statute as giving the ITC that authority,



*id.* at 25-26, but “decline[d] to afford deference to the Commission’s views on the precise question presented” because, according to the majority, the “congressional intent ... is evident from the statutory language.” *Id.* at 26 & n.5.

Judge Reyna dissented, pointing out that the majority opinion “negate[s] both a statutory trade remedy and its intended relief” by “overlook[ing] the Congressional purpose of Section 337, the long established agency practice ... of conducting unfair trade investigations based on induced patent infringement, and related precedent by this Court confirming this practice.” Dis. Op. 4. The dissent identified numerous decisions spanning over three decades (which the majority did not address) in which the ITC issued an exclusion order barring an inducing importer’s products even though direct infringement occurred post-importation. *Id.* at 5 & n.2. “In the end,” the dissent concluded, “the majority has created a fissure in the dam of the U.S. border through which circumvention of Section 337 will ensue, thereby harming holders of U.S. patents.” *Id.* at 4-5.

## **ARGUMENT**

### **I. THE MAJORITY’S DECISION IS CONTRARY TO THE STATUTORY TEXT, LONGSTANDING AGENCY PRACTICE, AND LEGISLATIVE HISTORY**

#### **A. The Majority’s Decision Is Contrary To The Statutory Text**

The majority held that there is no violation where, as here, the importer actively induced infringement using the imported products but the first direct infringement occurred only post-importation. Maj. Op. 20-21. The majority

reasoned that (1) Section 337 requires “articles that ... infringe” “at the time of importation” (*id.* at 15-18) and (2) there are no such “articles that ... infringe” for induced infringement because the imported articles are not sufficiently “tied to” infringement until the direct infringement occurs post-importation (*id.* at 18-21). The majority is wrong on both counts.

First, the majority’s interpretation is contrary to the text of Section 337. Section 337 provides that the following is unlawful:

The importation into the United States, the sale for importation, *or the sale within the United States after importation* by the owner, importer, or consignee, of articles that ... infringe a valid and enforceable United States patent ....

19 U.S.C. § 1337(a)(1)(B)(i) (emphasis added).

The statute does not require a violation to be based on articles that infringe “at the time of importation.” Those words do not appear in the statute and the majority improperly engrafted them, despite this Court’s frequent admonition against adding language. *See, e.g., Texas Instruments Inc. v. ITC*, 988 F.2d 1165, 1181 (Fed. Cir. 1993). Instead, the statutory language precludes any such strict temporal limitation because one of the three prohibited acts expressly addresses *post*-importation conduct—*i.e.*, “*sale within the United States after importation*” of infringing articles. 19 U.S.C. § 1337(a)(1)(B)(i) (emphasis added). Thus, the statutory text expressly repudiates the majority’s temporal restriction.

Second, the majority further erred in holding that no “articles that ... infringe” exist where the importer induces post-importation infringement. The majority interpreted “articles that ... infringe” by reference to the Patent Act’s definition of infringement, 35 U.S.C. § 271. Maj. Op. 18. According to the majority, only two types of infringement—direct infringement (§ 271(a)) and contributory infringement (§ 271(c))—are “tied to” infringing articles. *Id.* at 19. In contrast, the majority asserted, inducing infringement (§ 271(b)) is focused on the “conduct of the inducer” and “is untied to an article” because inducement is not “completed” until there has been direct infringement. *Id.* at 19-20. Thus, the majority concluded, imported articles can “infringe” for purposes of Section 337 only if they satisfy the requirements for either direct infringement or contributory infringement at the time of importation. This reasoning is fundamentally flawed.

The majority’s attempt to connect “articles that ... infringe” to certain subsections of § 271—(a) and (c), but not (b)—is incoherent. None of those subsections defines infringing *articles*. Instead, each “sets forth a type of *conduct* that qualifies as infringing.” *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1314 (Fed. Cir. 2012) (en banc) (emphasis added), *cert. granted*, 134 S. Ct. 895 (2014). Moreover, *all three* subsections depend *both* on the conduct of the actors and on the associated articles (or processes) that ultimately practice the patented invention. 35 U.S.C. § 271(a)-(c). Thus, there is no basis on which to

single out inducement as uniquely unconnected to an article.

Further, the majority's distinction between inducement (§ 271(b)) and contributory infringement (§ 271(c)) is particularly unpersuasive. Both are forms of indirect infringement that give rise to liability only if they lead to direct infringement. *Akamai*, 692 F.3d at 1308, 1316. So, in that sense, contributory infringement is no more "completed" at the moment of importation than is induced infringement. *See* Dis. Op. 13 n.7. Yet the majority recognized that, even if the corresponding direct infringement occurs post-importation, contributory infringement *is* a basis for Section 337 violation because the articles that were imported were ultimately tied to direct infringement. That is correct. *See, e.g., Spansion v. ITC*, 629 F.3d 1331, 1353-54 (Fed. Cir. 2010) (affirming Section 337 violation based on contributory infringement where direct infringement occurred post-importation). But it follows that the same is true for induced infringement.

At root, the majority fails to appreciate that the ITC's authority for finding a Section 337 violation (and thus issuing prospective exclusion or cease and desist orders) requires the complainant to show the respondents' demonstrated past, *completed* infringement. Here, the ITC found that Suprema induced Mentalix's infringement of the '344 patent by importing Suprema scanners and instructing Mentalix how to adapt Mentalix's software and use the scanners to perform the patented fingerprint capturing method. Suprema collaborated extensively with

Mentalix prior to and including importation of the scanners and, after importation, Mentalix added its software and used the scanners. In other words, when the ITC found a violation in this case, the infringement—induced and direct—*had already occurred* and was closely tied to Suprema’s imported scanners. Therefore, those are “articles that ... infringe” for purposes of Section 337 and the ITC may prevent continued infringement by barring those articles at the point of importation, especially where, as is the case here, the record shows that the infringing products continued to be imported after the first direct infringement. The majority’s ruling curtailing the ITC’s authority is unsupported by the statutory language.

**B. The Majority’s Decision Is Contrary To Longstanding Agency Practice That Has Been Repeatedly Affirmed By This Court**

The majority’s decision is also contrary to decades of ITC precedent and practice. Even if the statute did not, on its face, authorize the ITC to find a violation based on induced infringement where the direct infringement occurs post-importation (it does), at worst the statute is ambiguous. Therefore, the majority erred in refusing to defer to the agency’s reasonable interpretation. *See, e.g., Enercon GmbH v. ITC*, 151 F.3d 1376, 1381 (Fed. Cir. 1998) (affording *Chevron* deference to ITC interpretation of Section 337).

For over three decades, the agency has held that it has authority to find a Section 337 violation based on induced infringement even where the direct infringement occurs post-importation. *See* Dis. Op. 5 & n.2. For example, in

*Certain Molded-In Sandwich Panel Inserts & Methods for Their Installation*, the ITC found a violation where the importer induced infringement of a patented method by importing products (airplane parts) and training domestic aerospace companies to use them (and thus practice the patented method) post-importation. Inv. No. 337-TA-99, 1982 WL 61887 (Apr. 9, 1982) (“*Sandwich Panel Inserts*”), *aff’d sub nom. Young Eng’rs, Inc. v. ITC*, 721 F.2d 1305 (Fed. Cir. 1983).

Similarly, in *Certain Minoxidil Powder, Salts & Compositions for Use in Hair Treatment*, the ITC found induced infringement of a patented method using an imported compound (minoxidil), even though direct infringement only occurred post-importation by the “end user.” Inv. No. 337-TA-267, 1988 WL 582867 (Feb. 16, 1988). Although “[n]o respondent was shown to infringe these claims directly,” the “respondents who have sold topical minoxidil to the consumer and provided information through advertising and labeling on how to use it to promote hair growth have induced infringement” of the method claims. *Id.* at \*6; *see also*, *e.g.*, *Certain Digital Set-Top Boxes & Components Thereof*, Inv. No. 337-TA-712, 2011 WL 2567284, at \*11 n.4 (May 20, 2011) (“Direct infringement does not have to precede importation for an exclusion order to reach components that contribute to the infringement of the patents-in-issue.” (citation omitted)); *Certain Optoelectronic Devices*, Inv. No. 337-TA-669, 2011 WL 7628061, at \*15-83 (Mar. 12, 2010), *aff’d sub nom. Emcore Corp. v. ITC*, 449 F. App’x 918 (Fed. Cir. 2011).

More recently, in *Certain Electronic Devices*, the ITC reiterated its view, based on an analysis of the statutory provisions, that “section 337 may reach articles involved in indirect infringement”—inducement or contributory infringement—even when the articles as imported do not directly infringe. Inv. No. 337-TA-724, 2012 WL 3246515, at \*13 (Dec. 21, 2011). Although the imported devices in that case were staple articles (computers) capable of substantial non-infringing uses, the ITC repeatedly stressed that there *would* have been a Section 337 violation if the complainant had demonstrated indirect infringement of the asserted method claims. *See, e.g., id.* at \*12-13. That reasoned agency view was not mere “dicta,” as the majority claims (at 25). The ITC found that it had jurisdiction over the investigation precisely because the complainant “alleged sufficient facts” as to induced infringement (and other theories) that, if proven, would show the respondent violated Section 337. *Id.* at \*7 (citing inducement allegations). Thus, the ITC found that a violation could be premised on induced infringement, even where direct infringement occurs post-importation.

There are numerous other examples of the ITC’s exercise of its authority to exclude based on induced infringement. *See* Dis. Op. 5 n.2 (collecting fifteen examples from 1980 to 2013). The majority erred in refusing to defer to that longstanding reasonable interpretation, *see, e.g., Enercon GmbH*, 151 F.3d at 1381, particularly in light of this Court repeatedly confirming the ITC’s authority and

relevant remedial practices. For example, in affirming *Sandwich Panel Inserts*, this Court recognized that a Section 337 violation can be premised on “‘*induced* and *contributory* infringement of the method patents,’” even though the method claim was only infringed after the airplane parts were imported. *Young Eng’rs*, 721 F.2d at 1310 (citation omitted); *see also, e.g., Vizio, Inc. v. ITC*, 605 F.3d 1330, 1343-44 (Fed. Cir. 2010); *Alloc, Inc. v. ITC*, 342 F.3d 1361, 1365 (Fed. Cir. 2003); Dis. Op. 7 & nn.3-4. The majority’s decision is contrary to this precedent.

### **C. The Majority’s Decision Is Contrary To The Statutory And Legislative History**

Finally, the majority’s interpretation is contrary to the statutory and legislative history, which establish that Congress ratified the agency’s broad authority. When Congress amends a statute without disturbing a well-established administrative or judicial interpretation—especially where the legislative history makes plain that Congress is aware of that interpretation—it thereby ratifies that understanding. *See, e.g., Young v. Cmty. Nutrition Inst.*, 476 U.S. 974, 983 (1986) (“[C]ongressional failure to revise or repeal the agency’s interpretation is persuasive evidence that the interpretation is the one intended by Congress.” (citation omitted)); *Disabled Am. Veterans v. Sec’y of Veterans Affairs*, 419 F.3d 1317, 1322 (Fed. Cir. 2005) (“[C]ongressional inaction in the face of long-standing agency practice can rise to the level of implied adoption.”); *Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1312 n.10 (Fed. Cir. 2001) (collecting cases); *San*



*Huan New Materials High Tech, Inc. v. ITC*, 161 F.3d 1347, 1355 (Fed. Cir. 1998).

Here, Congress ratified the agency's understanding and practice multiple times— with a 1988 amendment, and several times thereafter.

As originally enacted, Section 337 prohibited “[u]nfair methods of competition and unfair acts in the importation of articles into the United States.” Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (1930). The courts and ITC have long recognized that patent infringement, although not initially identified specifically in Section 337, is one such unfair act. *See, e.g., In re Von Clemm*, 229 F.2d 441, 443-44 (C.C.P.A. 1955). And “it is evident from the language used that Congress intended to allow wide discretion in determining what practices are to be regarded as unfair.” *Id.* at 444. Prior to 1988, the ITC consistently held, and this Court affirmed, that an importer that induces post-importation infringement (for example, of a method patent) is liable under Section 337. *See, e.g., Sandwich Panel Inserts, aff'd sub nom. Young Eng'rs*, 721 F.2d at 1310, 1317; *supra* at 8-9; Dis. Op. 5 n.2.

In 1988, Congress amended the statute to expressly provide patent infringement as a basis for a Section 337 violation. Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1342(a)(1), 102 Stat. 1107, 1212 (1988). Congress added the current language, making unlawful “[t]he importation into the United States, the sale for importation, or the sale within the United States after importation ... of articles that ... infringe” a U.S. patent. 19

U.S.C. § 1337(a)(1)(B)(i). And, as this Court has held, the legislative history makes plain that, “in passing the 1988 amendments to section 337, Congress *did not intend* to weaken the ability of the ITC to prevent unfair acts.” *Enercon GmbH*, 151 F.3d at 1383 (emphasis added); *see, e.g.*, H.R. Rep. No. 100-576, at 633 (1988) (Conf. Rep.) (“In changing the wording with respect to importation or sale, the conferees do not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights.”). Thus, Congress was aware of the ITC’s interpretation of Section 337 and intended the 1988 amendments not to restrict the scope of the ITC’s authority to find a violation based on induced infringement where the direct infringement occurred post-importation. *See also Morgan v. Principi*, 327 F.3d 1357, 1361 (Fed. Cir. 2003) (“Congress is presumed to legislate against the backdrop of existing law.”).

Moreover, after the 1988 amendments, the ITC adhered to its view, finding Section 337 violations for inducing post-importation infringement within the United States. *See, e.g., supra* at 9-10; Dis. Op. 5 n.2. And Congress has amended Section 337 several more times without disturbing the agency’s understanding. *See, e.g.*, Pub. L. No. 102-563 (1992); Pub. L. No. 103-465 (1994); Pub. L. No. 104-295 (1996); Pub. L. No. 106-113 (1999); Pub. L. No. 108-429 (2004).

Therefore, “[t]he legislative history leaves no doubt that Congress was aware

of, and approved of,” the ITC’s statutory interpretation. *See San Huan New Materials High Tech*, 161 F.3d at 1355. Similarly, in *Disabled American Veterans*, this Court held that Congress ratified a Veterans Affairs Department practice because “[b]oth prior and subsequent to the enactment of [the statutory section at issue], Congress has done nothing to disturb this well-settled agency practice, and ... this inaction was intentional.” 419 F.3d at 1322. The same is true here. The majority’s decision conflicts with this precedent by curtailing ITC authority that Congress deliberately left intact.

## **II. THE MAJORITY’S DECISION DRASTICALLY CURTAILS THE REACH OF SECTION 337**

The majority’s holding, left unchecked, will substantially constrain the ITC’s ability to perform its statutory function, allowing importers to circumvent the statute’s critical protections against unfair trade practices. Under that ruling, importers can aid and abet direct infringers with impunity—for example, importing an article and providing explicit instructions on how to assemble it into an infringing product or how to use it to perform an infringing method—and, so long as the final assembly or use only occurs after importation, the ITC is “powerless” to stop it. Maj. Op. 13. The majority has thus vitiated the ITC’s ability to stop inducement at the border and has “legalize[d] the most common and least sophisticated form of circumvention, importation of the article in a disassembled [or not complete] state.” Dis. Op. 13. As commentators have already recognized,

the decision “drastically curtail[s] the reach of 19 U.S.C. § 1337.” Sokal & Craig, *Federal Circuit Discards the “Nexus” Test for Infringement at the ITC, Potentially Narrowing the Scope and Effectiveness of § 337*, 41 AIPLA Q.J. 637, 639 (2013).

The majority’s assurances of a limited impact ring hollow. The majority allows that inducement can still be a basis for a violation—but only if the article infringes at time of importation or is not capable of non-infringing uses. Maj. Op. 21 n.4. Of course, in those situations, the importer will already violate Section 337 as a direct or contributory infringer. So the majority left no *independent* basis for preventing an importer from inducing infringement by importing its products. Moreover, the majority’s direction to bring the matter in federal court is misplaced. *Id.* at 26. As the dissent notes, patentees might well face insurmountable difficulties regarding personal jurisdiction and enforcement. Dis. Op. 13-14. In any event, Congress intentionally provided the ITC as an alternative forum “to provide distinct relief at the border to stop imports of articles that are used in unfair trade.” *Id.* at 14. The majority’s decision substantially inhibits the ITC in performing its statutory function. This question of surpassing importance warrants this Court’s reconsideration.

## CONCLUSION

For these reasons, this Court should grant panel or *en banc* rehearing.

Respectfully submitted,

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February 21, 2014

## CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of February, 2014, I caused a copy of the foregoing Intervenor's Combined Petition for Rehearing and Rehearing *En Banc* to be served via the Court's CM/ECF system on all counsel registered to receive electronic notices.

I further certify that copies of the foregoing were sent by FedEx to the below attorneys who are not registered for CM/ECF service:

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# ADDENDUM

**United States Court of Appeals  
for the Federal Circuit**

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**SUPREMA, INC. AND MENTALIX, INC.,**  
*Appellants,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND

**CROSS MATCH TECHNOLOGIES, INC.,**  
*Intervenor.*

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2012-1170

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On appeal from the United States International Trade  
Commission in Investigation No. 337-TA-720.

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**CROSS MATCH TECHNOLOGIES, INC.,**  
*Appellant,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND



**SUPREMA, INC. AND MENTALIX, INC.,**  
*Intervenors.*

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2012-1026, -1124

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On appeal from the United States International Trade  
Commission in Investigation No. 337-TA-720.

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Decided: December 13, 2013

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DARRYL M. WOO, Fenwick & West, LLP, of San Francisco, California, argued for appellants Suprema, Inc., et al. With him on the brief were HEATHER N. MEWES, JAE WON SONG, ILANA S. RUBEL, BRYAN A. KOHM, DAVID M. LACY KUSTERS and ERIN SIMON.

CLINT A. GERDINE, Attorney, Office of General Counsel, United States International Trade Commission, of Washington, DC, argued for appellee. With him on the brief were DOMINIC L. BIANCHI, Acting General Counsel, and ANDREA C. CASSON, Assistant General Counsel for Litigation.

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MAXIMILIAN A. GRANT, Latham & Watkins LLP, of Washington, DC, argued for appellant Cross Match Technologies, Inc. With her on the brief were MICHAEL A. DAVID and GABRIEL K. BELL. Of counsel on the brief was CLEMENT J. NAPLES, of New York, New York.

CLINT A. GERDINE, Attorney, Office of General Counsel, United States International Trade Commission, of Washington, DC, argued for appellee. With him on the brief were DOMINIC L. BIANCHI, Acting General Counsel, and ANDREA C. CASSON, Assistant General Counsel for Litigation.

DARRYL M. WOO, Fenwick & West, LLP, of San Francisco, California, argued for intervenors Suprema, Inc., et al. With him on the brief were JAE WON SONG, ILANA S. RUBEL, BRYAN A. KOHM, DAVID M. LACY KUSTERS. Of counsel was HEATHER N. MEWES.

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Before PROST, O'MALLEY, and REYNA, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* O'MALLEY.

Opinion concurring in part and dissenting in part filed by  
*Circuit Judge* REYNA.

O'MALLEY, *Circuit Judge*.

We address related appeals from rulings of the U.S. International Trade Commission (“the Commission”).

First, we consider the propriety of the Commission’s limited exclusion order barring importation of optical

scanning devices and a related cease and desist order. We vacate the cease and desist order, vacate the limited exclusion order in part, and remand so that the order can be revised to bar only a subset of the scanners at issue. Resolution of this appeal turns in part on our conclusion that an exclusion order based on a violation of 19 U.S.C. § 1337(a)(1)(B)(i) may not be predicated on a theory of induced infringement under 35 U.S.C. § 271(b) where direct infringement does not occur until *after* importation of the articles the exclusion order would bar. The Commission's authority under § 1337(a)(1)(B)(i) reaches "articles that . . . infringe a valid and enforceable United States patent" at the time of importation. Because there can be no induced infringement unless there has been an act of direct infringement, however, there are no "articles . . . that infringe" at the time of importation when direct infringement has yet to occur. The Commission's exclusion order must be revised, accordingly, to bar only those articles that infringe a claim or claims of an asserted patent at the time of importation.

Next, we consider a Commission order refusing to find a violation of § 337 with respect to some of the same optical scanners. The proceeding giving rise to that appeal was premised on alleged infringement of U.S. Patent No. 7,277,562 ("the '562 patent"), a different patent than the two patents at issue in the first appeal we address today. The Commission concluded that the scanners at issue did not infringe the asserted claims of the '562 patent when properly construed. Because we agree with the Commission's claim construction and non-infringement finding, we affirm the Commission's ruling in this related appeal.

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## I.

## A.

The Commission rulings before us arise from proceedings in which Cross Match Technologies, Inc. (“Cross Match”) asserts that Suprema, Inc. and Mentalix, Inc. violated 19 U.S.C. § 1337(a)(1)(B)(i) by importing articles that infringe or are used to infringe U.S. Patent Nos. 7,203,344 (“the ’344 patent”), 7,277,562 (“the ’562 patent”), and 5,900,993 (“the ’993 patent”). The Commission found that Mentalix directly infringed method claim 19 of the ’344 patent by using its own software with imported Suprema scanners and found that Suprema induced that infringement. The Commission also found that certain of Suprema’s imported optical scanners directly infringe claims 10, 12, and 15 of the ’993 patent. But the Commission found no infringement of the ’562 patent. The Commission then held that Suprema and Mentalix failed to prove that the ’993 patent was invalid as obvious over two prior art patents: U.S. Patent No. 3,619,060 (“the ’060 patent”) and U.S. Patent No. 5,615,051 (“the ’051 patent”). Based on these findings, on October 24, 2011, the Commission issued a limited exclusion order directed to certain scanning devices imported “by or on behalf of Suprema or Mentalix” and issued a cease and desist order directed to Mentalix only.

Suprema and Mentalix premised their appeal of the exclusion and cease and desist orders on their belief that the Commission erred because: (1) a § 337(a)(1)(B)(i) violation may not be predicated on a theory of induced infringement under the facts of this case; (2) Suprema was not willfully blind to the existence of the ’344 patent and, thus, did not induce infringement of that patent; (3) Mentalix did not directly infringe the ’344 patent; (4) Suprema’s scanners do not infringe the ’993 patent under the correct claim construction; and (5) the asserted claims

of the '993 patent were invalid as obvious. Cross Match, in turn, appeals the Commission's non-infringement ruling with respect to the '562 patent, challenging the claim construction upon which that ruling was based.

We vacate the infringement finding on the '344 patent because we hold that an exclusion order based on a violation of § 337(a)(1)(B)(i) may not be predicated on a theory of induced infringement where no direct infringement occurs until post-importation. Given this conclusion, we do not reach the merits of the Commission's willful blindness or direct infringement findings on the '344 patent. Regarding the '993 patent, we affirm the Commission's finding of infringement and conclusion that Suprema failed to prove that the asserted claims were invalid as obvious. Finally, we affirm the Commission's non-infringement ruling regarding the '562 patent.

#### B.

The technology at issue pertains to biometrics (i.e., the science of analyzing biological characteristics) and the scanning of biometric objects. This case specifically involves fingerprint scanners. Fingerprint capture and recognition, probably the most common form of biometrics, is important technology because many industries and law enforcement increasingly rely on fingerprints as biometrics to store, recognize, or verify identity.

#### C.

As explained above, these appeals concern three patents. Two are method patents, the '344 patent and the '562 patent. The '344 patent is at issue in the appeal by Suprema and Mentalix; the '562 patent is at issue in Cross Match's appeal. They relate to particular implementations of fingerprint image capture and processing. The third patent, the '993 patent, contains apparatus

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claims (over an “optical system”) and is at issue in Suprema’s appeal.

The ’344 patent contains claims drawn to methods used by an optical scanning system to detect fingerprint images based on shape and area, and to determine fingerprint quality based on the detected shape and area. ’344 patent col. 19 ll. 24–38. Claim 19 (the only claim of the ’344 patent found infringed) recites such a process:

A method for capturing and processing a fingerprint image, the method comprising:

- (a) scanning one or more fingers;
- (b) capturing data representing a corresponding fingerprint area;
- (c) filtering the fingerprint image;
- (d) binarizing the filtered fingerprint image;
- (e) detecting a fingerprint area based on a concentration of black pixels in the binarized fingerprint image;
- (f) detecting a fingerprint shape based on an arrangement of the concentrated black pixels in an oval-like shape in the binarized fingerprint image; and
- (g) determining whether the detected fingerprint area and shape are of acceptable quality.

*Id.* col. 19 ll. 24–37.

The ’993 patent claims an optical system for forming a real image of a biometric object that corrects for field curvature using a three-lens system. Claims 10, 12, and

15 were found infringed. Claims 12 and 15 depend from claim 10. The three claims read:

10. An optical system having an optical axis, said system forming an image of an object and comprising:

- a) a prism having a first surface for contacting the object and a second surface, said first surface being oriented with respect to the optical axis at an angle greater than the angle of total internal reflection of the surface;
- b) an aperture stop;
- c) a first lens unit having a positive power between the aperture stop and the prism for forming a telecentric entrance pupil;
- d) a second lens unit having a positive power for forming a real image of the object, said second lens unit being on the image side of the first lens unit; and
- e) a third lens unit for correcting the field curvature of the image contributed by the first and second lens units.

12. The optical system of claim 10 wherein the first lens units consist of a single lens element.

15. The optical system of claim 10 wherein the third lens unit has a negative power.

'993 patent col. 10 ll. 18–45. The debate over the '993 patent centers on whether the optical system described in claim 10 can include within it non-lens elements, such as the mirrors that are included in the lens units of the Suprema scanners. While Suprema says claim 10 and those claims that depend therefrom exclude the use of

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such mirrors, the ALJ and the Commission found they did not.

The '562 patent claims methods aimed at “reliably capturing print images.” The parties’ dispute regarding the '562 patent centers on an issue of claim construction—in particular, the determination by the ALJ and Commission that “capture,” within the meaning of the asserted claims, cannot occur until after the print quality and number of prints have been determined and detected.

#### D.

Cross Match, the complainant and intervenor, is a global provider of fingerprint acquisition technology. It is a domestic company headquartered in Florida, and it develops and manufactures a variety of biometric identification products for verifying a person’s identity, such as fingerprint and palm print scanners. It supplies products to the U.S. government and private industry. Cross Match is the sole assignee of the three patents-in-suit.

The respondents below are Suprema, a Korean company that manufactures and imports hardware and software for scanning fingerprints, and Mentalix, a domestic importer of Suprema scanners. Specifically at issue are Suprema scanners marketed under the trade-name RealScan and software development kits (“SDKs”) packaged along with those scanners. Mentalix imports Suprema’s scanners and integrates them with its own software in the United States. The specific Mentalix software involved in this case is called FedSubmit. Mentalix’s accused software can be used with fingerprint scanners sold by other companies, including Cross Match. In the Commission investigation, Cross Match contended that its system claims are infringed by Suprema optical systems and that the method claims at issue are infringed when Suprema’s scanners are used in combination with



both respondents' software (i.e., Suprema's SDKs and FedSubmit).

E.

Suprema appeals the Commission's finding that it violated § 337(a)(1)(B)(i) by infringement of the '344 and '993 patents, and asks that the related exclusion orders be vacated. The ALJ found that a number of Suprema's scanners (RealScan-10, RealScan-D, RealScan-10F, and RealScan-DF), when used with Mentalix's FedSubmit software, directly infringe claim 19 of the '344 patent and recommended an exclusion order relating to those scanners on that ground. The Commission agreed that the '344 patent was infringed, but clarified the controlling infringement theories—it concluded that Mentalix directly infringes method claim 19 of the '344 patent when it combines Suprema products with its own software and that Suprema induces that infringement.

While the ALJ had not considered inducement and made no factual finding on its elements, the Commission nevertheless concluded that the record evidence supported a finding that Suprema (1) was willfully blind to the '344 patent, (2) studied and emulated Cross Match's products before willfully blinding itself to the infringing nature of Mentalix's activities, and (3) actively encouraged those activities. Therefore, it found that Suprema had induced infringement of the patented method under 35 U.S.C. § 271(b), and that this inducement formed the basis for a § 337(a)(1)(B)(i) violation.

Regarding the underlying direct infringement, the Commission found that Mentalix's FedSubmit software, when integrated with the imported Suprema scanners, and upon execution of the software, practiced method claim 19 of the '344 patent under the ALJ's claim con-

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structions.<sup>1</sup> The Commission adopted those constructions and the subsequent infringement findings.

With respect to the '993 patent, the Commission fully adopted the ALJ's infringement analysis. Specifically, the Commission found that the claimed optical systems need not exclude non-lens elements (such as distortion correcting prisms or holographic optical elements) or off-axis optics. The Commission then concluded that all the recited elements of claims 10, 12, and 15 were met by the accused scanners.

The Commission also found that the asserted prior art, the '060 and '051 patents, did not render the asserted claims of the '993 patent obvious. Based on the evidentiary record, the ALJ determined that the respondents failed to offer clear and convincing evidence that the combination of the '060 and '051 patents renders asserted independent claim 10, as well as asserted dependent claims 11–12, 15, and 17–18, obvious under § 103(a). The ALJ concluded that the '060 patent did not disclose element 10(c) (a first lens unit having a positive power between the aperture stop and the prism for forming a telecentric entrance pupil), element 10(d) (a second lens unit having a positive power for forming a real image of the object), or element 10(e) (a third lens unit for correcting field curvature). The ALJ also noted that, although

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<sup>1</sup> Although the Commission says that Mentalix conceded that it directly infringed claim 19, Mentalix contests that statement and points to places in the record where it denied that it practiced the asserted method. We see no support in the record for the Commission's characterization of Mentalix's position, but need not address it further since we vacate the only Commission order directed to Mentalix on other grounds.

the '051 patent disclosed a triplet lens that was well suited for use with photographic cameras, the patent did not pertain to fingerprint scanners and did not disclose a telecentric condition. The ALJ also found no motivation to combine the two references. The Commission adopted each of these findings.

#### F.

In its separate appeal, Cross Match challenges the Commission's determination that claims 1, 5–7, 12, and 30 of the '562 patent are not infringed by either Suprema's scanners or use of those scanners in conjunction with the FedSubmit software. The ALJ adopted Cross Match's proposed construction of "capture" as it appears in step (f) of the asserted independent claims, namely, that "capture" means "acquiring, by the scanner, for processing or storage." The Commission adopted that construction and, based on it, also adopted the ALJ's finding that the accused products do not infringe the asserted claims.

Specifically, the Commission found that the "capture" limitation was not met because the record evidence showed that the accused scanners do not perform the steps of claim 1 in the required order. The Commission found that Claim 1 requires that the scanned fingerprint image be captured after both a determination of the expected number of prints under step (e) and a determination of the quality of the prints under step (d) have been made. But the accused products capture the fingerprint image before software determines the number of prints as required by step (e) and before assessing their quality as required by step (d). The Commission also found the accused products do not perform step (f) of claim 30, since that step is substantially the same as step (f) of claim 1.

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## II.

We turn first to Suprema's appeal regarding the '344 patent and the threshold issue it raises—specifically, whether a § 337(a)(1)(B)(i) violation may be predicated on a claim of induced infringement where the attendant direct infringement of the claimed method does not occur until post-importation. We conclude that § 337(a)(1)(B)(i), by tying the Commission's authority to the importation, sale for importation, or sale within the U.S. after importation of *articles that infringe* a valid and enforceable U.S. patent, leaves the Commission powerless to remedy acts of induced infringement in these circumstances. Accordingly, we vacate the Commission's rulings regarding the '344 patent.<sup>2</sup>

## A.

On appeal, Suprema contends it does not import “articles that infringe,” as required under § 337(a)(1)(B)(i). The accused devices are imported scanners which Cross Match concedes do not directly infringe the method of claim 19 of the '344 patent at the time of importation. The alleged infringement only takes place when the scanners are combined with domestically developed software after the scanners are imported. Cross Match

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<sup>2</sup> Our ruling is not a jurisdictional one. The question we address is not whether the Commission may initiate an investigation where theories of induced infringement are implicated; we simply conclude that a § 337(a)(1)(B)(i) violation may not be predicated on a theory of induced infringement in these circumstances. *See Amgen, Inc. v. U.S. Int'l Trade Comm'n*, 902 F.2d 1532, 1535 (Fed. Cir. 1990) (noting that the Commission is correct to first assume jurisdiction and then determine merits of claim where patent claims are asserted).

does not dispute that the scanners have substantial non-infringing uses, and Suprema contends its other customers have put them to such uses. On these facts, Suprema contends that no infringing articles were ever imported. Accordingly, Suprema asserts that the Commission's decision with respect to the '344 patent must be vacated.

Suprema argues that allegations of induced infringement do not adequately connect the fact of importation to the ultimate infringement. Suprema concedes that, if an article is capable of no non-infringing uses, its importation may constitute contributory infringement and thereby violate § 337. But, Suprema asserts that the imported scanners at issue here are capable of multiple non-infringing uses. It is only when they are combined with Mentalix's specific software program that they purportedly infringe the method described in claim 19. Suprema believes that § 337(a)(1)(B)(i) does not reach the conduct in which Cross Match alleges it engaged.

Cross Match defends the Commission's ruling that, by inducing Mentalix to commit direct infringement, Suprema violated § 337(a)(1)(B)(i). Cross Match argues that *In the Matter of Certain Electronic Devices*, Inv. No. 337-TA-724, 2012 WL 3246515, at \*8–9 (ITC Dec. 21, 2011), a recent Commission ruling, makes clear that a § 337 violation *can be* predicated on the theory of induced infringement the Commission employed here. Cross Match also relies on our rulings in *Kyocera Wireless Corp. v. International Trade Commission* 545 F.3d 1340 (Fed. Cir. 2008), and *Alloc, Inc. v. International Trade Commission*, 342 F.3d 1361 (Fed. Cir. 2003).

The Commission disputes Suprema's argument regarding the scope of its authority under § 337(a)(1)(B)(i). According to the Commission, "articles that . . . infringe" can involve any type of infringement, be it direct, contributory, or induced. The Commission asserts that Suprema

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began encouraging and aiding and abetting Mentalix's infringement well before importation, indicating that Suprema already was indirectly infringing at the time of importation. The Commission also cites *Certain Electronic Devices*, which, in its view, did not change the law and simply reiterated that all forms of indirect infringement can lead to a violation of § 337(a)(1)(B)(i).

## B.

The Commission's authority to issue exclusion orders in this case must find a basis in statute. *See Kyocera*, 545 F.3d at 1355 ("The ITC is a creature of statute, and must find authority for its actions in its enabling statute."). The question presented is, thus, one of statutory construction. When interpreting a statute which an agency administers, we conduct our statutory analysis under the framework established in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). Under that framework, "a reviewing court must first ask 'whether Congress has directly spoken to the precise question at issue.'" *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 132 (2000) (quoting *Chevron*, 467 U.S. at 842). "If Congress has done so, the inquiry is at an end; the court 'must give effect to the unambiguously expressed intent of Congress.'" *Id.* (quoting *Chevron*, 467 U.S. at 843). If, however, "the statute in question is ambiguous and the agency's interpretation is reasonable," "a court must defer to an agency's construction of a statute governing agency conduct." *Cathedral Candle Co. v. U.S. Int'l Trade Comm'n*, 400 F.3d 1352, 1361 (Fed. Cir. 2005).

All matters of statutory construction, of course, begin with the language of the statute in question. *See Hughes Aircraft Co. v. Jacobson*, 525 U.S. 432, 438 (1999) ("As in any case of statutory construction, our analysis begins

with the language of the statute.”) (internal quotation marks omitted). Section 337 states:

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

...

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of *articles that—*

(i) *infringe* a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

19 U.S.C. § 1337(a) (emphases added). The Commission’s mandate to deal with matters of patent infringement under § 337(a)(1)(B)(i) is thus premised on the “importation,” “sale for importation,” or “sale within the United States after importation” of “articles that . . . infringe.” *Id.* Thus, the Commission’s authority extends to “articles that . . . infringe a valid and enforceable United States patent.” The focus is on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods.

The same focus is evident also from the main remedy it can grant, exclusion orders on the imported articles:

(d) Exclusion of articles from entry

(1) If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that *the articles concerned*, imported by any person violating

the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

19 U.S.C. § 1337 (emphasis added). In the context of this dispute, the “articles concerned” would be, of course, the aforementioned “articles that . . . infringe a valid and enforceable United States patent,” 19 U.S.C. § 1337(a)(1)(B)(i). Exclusion orders based on violations of § 337(a)(1)(B)(i) thus pertain only to the imported goods and are necessarily based on the infringing nature of those goods when imported.<sup>3</sup>

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<sup>3</sup> Certain provisions of § 337 do mention “any person violating the provision of this section,” 19 U.S.C. § 1337(d), and the Commission can issue cease and desist orders to “any person violating this section,” § 1337(f). This language, limits the remedies authorized by those provisions to reach only certain persons. *See Kyocera*, 545 F.3d at 1357. But it does not broaden the Commission’s authority beyond the scope of § 337(a)(1)(B)(i), which prohibits only specified acts involving “articles that . . . infringe.” Section 337(a)(1)(B)(i) does not reach parties’ general culpable conduct that is not specified in the



The Commission has recognized this limitation on its jurisdiction by refusing to investigate complaints premised on allegations of direct infringement of method claims under § 271(a) because patented methods are not infringed until “use” in the United States occurs. *See In the Matter of Certain Electronic Devices*, Inv. No. 337-TA-724, 2012 WL 3246515, at \*12–13 (ITC Dec. 21, 2011).

C.

To determine if imported goods are “articles that . . . infringe,” we turn to the patent laws, specifically, § 271 of Title 35 of the U.S. Code. That provision defines unlawful patent infringement—i.e., the basis for the unfair trade practice regulated in 19 U.S.C. § 1337(a)(1)(B). Section 271 states:

- (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.
- (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
- (c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such

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section, even if that conduct eventually is related to acts of patent infringement following importation.

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patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

35 U.S.C. § 271.

Section 271(a) defines direct patent infringement and makes unlawful conduct tied to an article, namely, the making, using, offering for sale, and selling of a “patented invention.” Section 271(c) defines contributory patent infringement, which again prohibits conduct tied to an article, but here, “a component of a patented machine, manufacture, combination or composition, or a material or apparatuses for use in practicing a patented process, constituting a material part of the invention.” Section 271(b) defines induced patent infringement, and this provision, unlike the other two, declares unlawful conduct which is untied to an article—“actively induc[ing] infringement of a patent.”

Precedent from our court makes evident the nature of § 271(b) and its focus on the conduct of the inducer. *See, e.g., DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc) (“[I]nducement requires evidence of *culpable conduct*, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.” (emphasis added)). We have stated, additionally, that “[t]o succeed [on a theory of induced infringement], a plaintiff must prove that the *defendants’ actions* induced infringing acts and that they knew or should have known their actions would induce actual infringement.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003) (emphasis added) (internal quotation marks and alterations omitted). For this reason, a large part of the inducement analysis and our case law dealing with the theory focuses on the intent of the inducer in performing the proscribed act. *See DSU*, 471 F.3d at 1304–06. Our

most recent en banc decision dealing with induced infringement likewise makes clear the nature of the offense: “[S]ection 271(b) extends liability to a party who advises, encourages, or otherwise induces others to engage in infringing conduct. . . .” *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307–08 (Fed. Cir. 2012) (en banc).

But the focus of the inducement analysis is not on the conduct of the alleged inducer alone. “To prevail on inducement, ‘the patentee must show, first that there has been direct infringement . . . .’” *Kyocera*, 545 F.3d at 1353–54 (quoting *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1304–05 (Fed. Cir. 2002)). Under that longstanding law, while the inducing act must of course precede the infringement it induces, it is not a completed inducement under § 271(b) until there has been a direct infringement.

#### D.

Given the nature of the conduct proscribed in § 271(b) and the nature of the authority granted to the Commission in § 337, we hold that the statutory grant of authority in § 337 cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation. Section 337(a)(1)(B)(i) grants the Commission authority to deal with the “importation,” “sale for importation,” or “sale within the United States after importation” of “articles that . . . infringe a valid and enforceable U.S patent.” The patent laws essentially define articles that infringe in § 271(a) and (c), and those provisions’ standards for infringement (aside from the “United States” requirements, of course) must be met at or before importation in order for the articles to be infringing when imported. Section 271(b) makes unlawful certain conduct (inducing infringement) that becomes tied to an article only through the underlying direct infringe-

ment. Prior to the commission of any direct infringement, for purposes of inducement of infringement, there are no “articles that . . . infringe”—a prerequisite to the Commission’s exercise of authority based on § 337(a)(1)(B)(i). Consequently, we hold that the Commission lacked the authority to enter an exclusion order directed to Suprema’s scanners premised on Suprema’s purported induced infringement of the method claimed in the ’344 patent.<sup>4</sup>

#### E.

Cross Match points to a number of cases from our court and the Commission to argue that the Commission has the authority to entertain induced infringement claims. But the cases on which Cross Match relies do not squarely address the issue or are distinguishable. In *Kyocera Wireless Corp. v. International Trade Commission*, we reversed a finding of induced infringement by the Commission—because it failed to apply the “specific intent” requirement which, subsequent to the Commission’s determination, we clarified in *DSU*—and remanded for reassessment under the correct legal standard. 545 F.3d at 1354. We assumed without deciding that the Commission had the authority to predicate a § 337 exclusion order on its finding of induced infringement by Qualcomm. There was no challenge to the Commission’s

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<sup>4</sup> We do not agree with the dissent that today’s holding will materially impact the ITC’s ability to carry out its mandate. Our holding is far narrower than the dissent asserts; as we explain, virtually all of the mischief the dissent fears can be addressed by the ITC via resort to § 271(a) or § 271(c), or even to § 271(b) where the direct infringement occurs pre-importation.

authority to predicate a violation on the theories urged. Our holding was limited to the following:

Because the Commission based its finding on an approach overruled by *DSU*, this court vacates and remands the ITC's determination of induced infringement. On remand, the ITC will have the opportunity to examine whether Qualcomm's conduct satisfies the specific intent requirement set forth in *DSU*.

*Id.* at 1354. It is understandable, moreover, that the parties and court in *Kyocera* did not focus on the Commission's authority to address inducement in the circumstances presented here (i.e., where no direct infringement occurs until after the articles are imported). The facts in *Kyocera* were very different.

In *Kyocera*, the Commission prohibited the importation of wireless communication devices "which when programmed to enable certain battery-saving features infringe the '983 patent," but the Commission only did so with respect to manufacturers who "purchase[d] and incorporate[d] Qualcomm chips into their mobile wireless devices outside the United States, and then imported them into the United States for sale." *Id.* at 1346. Thus, while the infringement theory the Commission relied upon in *Kyocera* was one of induced infringement, the Commission's exclusion order was directed to articles which, *when imported*, directly infringed the patents at issue. Thus, this case differs significantly from *Kyocera*.

*Alloc, Inc. v. International Trade Commission*, 342 F.3d 1361 (Fed. Cir. 2003), also does not compel us to reach a different conclusion here. In *Alloc*, in a brief discussion we affirmed a Commission finding of no induced infringement. But there was no challenge in that case to the Commission's authority over inducement

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claims, and we premised our holding on the fact that there simply was no evidence of either direct infringement—by anyone—or of an intent to induce by the importers:

Here, the administrative judge found no evidence that the Intervenor intended to induce others to infringe the asserted patents. More importantly, the administrative judge found no evidence of direct infringement, which is a prerequisite to indirect infringement. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) (“Because this court upholds the verdict that claim 28 of the ’494 patent is not directly infringed, the trial court correctly determined that FPS does not indirectly infringe that claim.”); *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986) (“[T]here can be no inducement of infringement without direct infringement by some party.”). This court finds no reason to disturb the administrative judge’s conclusion on inducement.

*Alloc*, 342 F.3d at 1374. Thus, *Alloc* is uninformative with respect to the question presented here.

Simply put, the issue we address today has never been presented to or decided by us. We are unpersuaded by either Cross Match’s or the Commission’s efforts to read more into *Kyocera* and *Alloc* than is there. See *United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 38 (1952) (“[T]his Court is not bound by a prior exercise of jurisdiction in a case where it was not questioned and it was passed sub silentio.”); *Beacon Oil Co. v. O’Leary*, 71 F.3d 391, 395 (Fed. Cir. 1995) (“Stare decisis applies only to legal issues that were actually decided in a prior action.”)

The parties also focus on a recent Commission ruling, *In the Matter of Certain Electronic Devices*, Inv. No. 337-TA-724 2012 WL 3246515, at \*8–9 (ITC Dec. 21, 2011). There, the pertinent issue *was* raised. The Commission analyzed the statutory provisions we discussed above and concluded it has the authority generally to entertain indirect infringement claims:

The plain language of [19 U.S.C. § 1337(a)(1)(B)] first identifies three specific acts that may form the basis of a violation of section 337: importation, selling for importation, and selling after importation. The statute then specifies, in list form, categories of articles that must be involved in the proscribed acts. First on the list are “articles that – infringe” a U.S. patent. *Id.* § 1337(a)(1)(B)(i). Because the statute specifies that the articles in question must “infringe,” an importation analysis that ignores the question of infringement would be incomplete.

The word “infringe” in section 337 derives its legal meaning from 35 U.S.C. § 271, the section of the Patent Act that defines patent infringement. Section 271 defines infringement to include direct infringement (35 U.S.C. § 271(a)) and the two varieties of indirect infringement, active inducement of infringement and contributory infringement (35 U.S.C. § 271(b), (c)). Thus, section 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to “articles that – infringe.” We also interpret the phrase “articles that – infringe” to reference the status of the articles at the time of importation. Thus, infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.

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*Certain Electronic Devices*, 2012 WL 3246515, at \*8–9. Despite this general discussion, on the merits, the Commission ultimately found no infringement:

Thus, S3G might have proved a violation of section 337 if it had proved indirect infringement of method claim 16. S3G failed to do so, however, and we adopt the ALJ’s findings to that effect. Because S3G has not shown importation, sale for importation, or sale after importation of articles that infringe method claim 16, directly or indirectly, S3G has not shown a violation of section 337 based on infringement of method claim 16.

*Id.* at \*12–13; *see also id.* at \*16 (“Because S3G has failed to prove indirect infringement of any asserted method claim, we reiterate that S3G has not shown a violation of section 337 with respect to claim 16 of the ’146 patent.”). We are not persuaded that the decision in *Certain Electronic Devices* counsels against the conclusion we reach today.

First, while the Commission spoke in terms of its authority to ban articles that infringe either directly or indirectly, it emphasized that the “articles” must infringe “at the time of importation.” *Id.* at \*9. For inducement, the only pertinent articles are those which directly infringe—at the time of importation. Hence, while the Commission may ban articles imported by an “inducer” where the article itself directly infringes when imported (as it attempted to do in *Kyocera*), it may not invoke inducement to ban importation of articles which may or may not later give rise to direct infringement of Cross Match’s patented method *based solely on the alleged intent of the importer*. Second, the Commission’s discussion of its authority to predicate a § 337 finding on an inducement claim in *Certain Electronic Devices* was dicta; ultimately, it did not resort to its purported authority



over such claims to fashion a remedy. And, the Commission's ruling, even if not dicta, would not be binding on us. Instead, we are bound by congressional intent, which is evident from the statutory language.<sup>5</sup>

#### F.

Because we find the Commission had no authority to premise an exclusion order addressed to Suprema's scanners on the infringement theory it employed, we do not address the Commission's other findings on the '344 patent. Whether Mentalix directly infringes claim 19 of the '344 patent and whether Suprema induces that infringement are issues to be addressed by the only tribunal with authority to do so—the applicable federal court forum.

### III.

We turn next to Suprema's challenge to the Commission's finding that certain products Suprema imports (RealScan-10 and RealScan-10F) infringe claims 10, 12, and 15 of the '993 patent. The Commission adopted the ALJ's initial determination on these claims as its own. On appeal, Suprema challenges the ALJ's claim construction of a term appearing in the asserted claims, the infringement finding based on that claim interpretation, and the holding that Suprema failed to prove that the '993 patent would have been obvious.

#### A.

The claim construction dispute involves the phrase "said second lens unit being on the image side of the first

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<sup>5</sup> Because we find congressional intent unambiguous, we decline to afford deference to the Commission's views on the precise question presented.

lens unit,” as it appears in step (d) of claim 10 of the ’993 patent, and the two other asserted claims, which both depend from claim 10. Specifically, Suprema argues that the claimed lens system<sup>6</sup> excludes “non-lens elements” and “off-axis optics” because those were disavowed in the written description of the ’993 patent. So there can be no non-lens elements between the “lens units,” Suprema believes, and the ALJ erred by not limiting the claims in this manner.

The ALJ did not separately analyze the language of step (d) but did construe the term “optical system,” which appears in the preamble of claim 10 and the dependent claims. In its analysis of “optical system,” the ALJ first found the preamble of claim 10 to be a limitation, *In the Matter of Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same*, Final Initial and Recommended Determinations, Inv. No. 337-TA-720, USITC Pub. 4366, at 24 (June 17, 2011) [hereinafter “Initial Determination”], and then held that “optical system” “could include non-lens elements, distortion correction prisms, holographic optical elements and off-axis optics,” *id.* at 25. The ALJ looked to the written description for a disavowal related to the presence of non-lens elements in the “optical system,” ultimately finding none. *Id.* at 26. Then, he stated the following:

Based on said construction of “optical system” supra, the administrative law judge rejects respondents’ arguments regarding the disavowal of non-lens elements and off-axis optics with respect to the other elements of claim 10 of the ’993 patent.

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<sup>6</sup> Suprema uses “lens system” to refer to the three lens units and aperture stop recited in claim 10.

(RBr at 195-196.) Thus, he finds that the claim terms “first lens unit having a positive power,” “between the aperture stop and the prism,” “said second lens unit being on the image side of the first lens unit,” and “third lens unit” are not precluded from containing non-lens elements, distortion correcting prisms, holographic optical elements, or off-axis optics.

*Id.* at 27. The ALJ again rejected Suprema’s arguments for disclaimer, first distinguishing case law which Suprema cited and then rejecting its arguments based on the written description. *Id.* at 28–32. The ALJ relied on, among other things, Suprema’s concession that the “optical system” could include the purportedly excluded items and only the lens system could not; Suprema stands by that concession here. Ultimately, Suprema seeks a limitation excluding non-lens elements within the lens system because its products contain mirrors (i.e., non-lens elements) along with the lenses, so such a construction would lead to a finding of non-infringement.

Thus, Suprema concedes that non-lens elements can be included in the “optical system,” as long as they are not located within the lens system. Suprema also seems to concede that the claim language does not exclude non-lens elements from being present in the lens system, i.e., between the first and second “lens units.” Instead, Suprema relies on two passages in the written description to argue that non-lens elements cannot be present at that location. First, Suprema points to the patent’s statements regarding the objects of the invention:

In view of the foregoing, it is an object of the invention to provide improved lens systems for use in fingerprint detection. In particular, it is an object of the invention to provide lens systems which employ only lens elements and do not employ dis-

tortion correcting prisms, holographic optical elements, or off-axis optics.

A further object of the invention is to provide inexpensive lens systems for use in fingerprint detection systems. In particular, it is an object of the invention to provide lens systems for use in fingerprint detection which comprise molded lens elements which can be produced in large quantities at low cost.

'993 patent col. 1 ll. 46–57. The “foregoing” language referred to is the “BACKGROUND OF THE INVENTION SECTION,” on which Suprema also relies. That passage states:

A description of some of the problems involved in fingerprint detection using frustrated total internal refraction can be found in Stoltzmann et al., “Versatile anamorphic electronic fingerprinting: design and manufacturing considerations,” *SPIE*, Vol. 2537, pages 105–116, August 1995. These authors conclude that the optical system used to form the image of the fingerprint ridges should include prisms for correcting optical distortion. In practice, an optical system employing prisms is expensive to manufacture compared to an optical system employing only lens elements, both because prisms themselves are expensive and because collimating optics are required to avoid introducing aberrations.

Significantly with regard to the present invention, Stoltzmann et al. specifically teach away from the use of an optical system employing only lens elements to produce an image of fingerprint ridges. In particular, they state that a system employing cylindrical lenses cannot successfully

correct for high levels of horizontal/vertical compression.

As an alternative to distortion correcting prisms, Bahuguna et al., “Prism fingerprint sensor that uses a holographic optical element,” *Applied Optics*, Vol. 35, pages 5242–5245, September 1996, describes using a holographic optical element to achieve total internal reflection without tilting the object (fingerprint ridges), thus allowing a rectilinear image of the object to be produced using only lens elements. The use of a holographic optical element, of course, increases the cost and complexity of the optical system.

Hebert, Robert T., “Off-axis optical elements in integrated, injection-molded assemblies,” *SPIE*, Vol. 2600, pages 129–134, December 1995, describes another approach to the fingerprint detection problem, namely, the use of off-axis optics to avoid tilting the object. This approach requires the use of complex optical surfaces which are difficult to manufacture economically.

*Id.* col. 1 ll. 10–44.

Reading both passages together, it becomes evident that the concern which the patented invention addresses, and which is described in the first quoted passage above, is the use of costly means for correcting optical distortion. The prior art, according to the patent, achieves this correction with three alternatives, all of which are costly: prisms, holographic optical elements, and off-axis optics. The stated purpose of the invention, which forms the strongest basis for Suprema’s arguments, says “it is an object of the invention to provide lens systems which employ only lens elements and do not employ distortion correcting prisms, holographic optical elements, or off-axis

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optics.” *Id.* col. 1 ll. 48–51. If anything is disclaimed by this statement, it is prisms, holographic optical elements, and off-axis optics, when either is used *as the means to correct distortion*.

We need not decide if this statement amounts to a clear disavowal of claim scope with respect to distortion correcting optics, however, a result that would require holding Suprema to a high burden. *See Bell Atl. Network Servs., Inc. v. Covad Commc’ns Grp., Inc.*, 262 F.3d 1258, 1268 (Fed. Cir. 2001) (“We have previously held that, in redefining the meaning of particular claim terms away from the ordinary meaning, the intrinsic evidence must clearly set forth or clearly redefine a claim term so as to put one reasonably skilled in the art on notice that the patentee intended to so redefine the claim term. We have also stated that the specification must exhibit an express intent to impart a novel meaning to claim terms.”) (citations and internal quotation marks omitted). Suprema’s only non-infringement argument based on the disputed claim term is its assertion that *mirrors between the lens elements* in its products preclude a finding of infringement. But Suprema never contends that the mirrors correct distortion and it is unlikely that they serve this purpose; the mirrors seem instead to fold the optical axis to make the systems fit within their cases.

Accordingly, we conclude that the ALJ’s infringement finding was supported by substantial evidence, as was the Commission’s adoption thereof. Even assuming certain costly distortion-correcting devices were disclaimed and cannot be present in between “lens units,” mirrors that do not correct distortion were not clearly disclaimed.

## B.

Suprema also challenges the ALJ’s holding on its obviousness defense to the asserted claims of the ’993 pa-

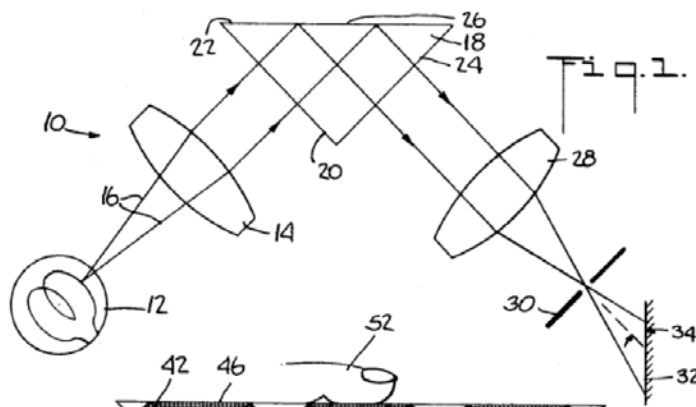
tent. Suprema argues that, in light of prior art U.S. Patent No. 3,619,060 (“the ’060 patent”) combined with prior art U.S. Patent No. 5,615,051 (“the ’051 patent”), the asserted claims of the ’993 patent would have been obvious to a person of skill in the art. The ALJ rejected this argument, first finding the ’061 patent failed to disclose a three-lens unit as required by claim 10 of the ’993 patent or a telecentric condition “in a lens located between the prism and the aperture stop as required by element c) of claim 10 of the ’993 patent.” Initial Determination at 116. The ALJ also rejected Suprema’s argument that it would have been obvious to combine the triplet lens disclosed in the ’051 patent into the device disclosed in the ’060 patent, in order to render the asserted claims obvious, because the ’051 patent, in the ALJ’s view, also failed to disclose the required telecentric condition and Suprema adduced insufficient evidence regarding motivation to combine. *Id.* at 117–18. Accordingly, the ALJ found, among other things, that Suprema “failed to prove, by clear and convincing evidence, . . . that one of ordinary skill in the art would have been motivated to combine the asserted references.” *Id.* at 118. That finding, we hold, was supported by substantial evidence. Accordingly, we affirm the ALJ’s legal conclusion that Suprema “failed to establish, by clear and convincing evidence, that claim 10 of the ’993 patent is obvious in view of the ’060 patent in combination with the ’051 patent.” *Id.*

The ’060 patent, entitled “Identification Device,” issued on November 9, 1971. It generally discloses “identification devices and more particularly . . . a device which employs optical apparatus for comparing an object to be identified with a preselected image.” ’060 patent col. 1 ll. 3–5. One disclosed embodiment of the “identification device” is a finger print scanner comprising a light source, a prism, two lenses, a diaphragm, and a focal plane. *Id.*

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col. 2 l. 74 – col. 3 l. 31. This device is depicted in Figure 1 of the patent:



*Id.*  
Fig.  
1.

The device is described as follows:

The object to be identified, which may be a human finger on the hand of a person to be identified is positioned on the second face **22**, as at **26**. The light beams **16** pass into the prism **18** perpendicularly to the face **20**, and an image is formed of the fingerprint because the light is reflected between points of contact between the finger and the second face. The reflected light comes out through face **24** of the prism and is focused with an achromatic lens **28** through a diaphragm **30** onto an inclined focal plane **32**.

*Id.* col. 3 ll. 32–40.

“Achromatic lens **28**” is the focus of the parties’ argument, and the above-quoted passage is the only description of that lens contained in the ’060 patent. That is, no details regarding the “achromatic lens **28**” are given, such as its structure or makeup. This failure to provide “constructional data” for the achromatic lens, Suprema ar-



gues, provides motivation to combine the '060 patent with the lens system disclosed in the '051 patent.

Turning to that second reference, the '051 patent is entitled “Bright Triplet” and was issued on July 20, 1997. It discloses a novel “triplet,” a three-lens triplet lens unit: “The present invention relates to a bright triplet and, more particularly, to a behind-the-stop type triple that has a wide field angle and is bright, so that it is well suited for use on photographic cameras.” '051 patent col. 1 ll. 5–8. The structure of the disclosed triplet is described in detail. *See, e.g., id.* col. 1 l. 63 – col. 2 l. 7 (“According to one aspect of the invention, there is provided a bright triplet which comprises, in order from the object side, a first lens consisting of a positive single lens of glass in a meniscus form convex on the object side, a second lens located with an air separation between it and said first lens and consisting of a negative single lens of glass, a third lens located with an air separation between it and said second lens and consisting of a positive single lens of glass in a double-convex form, and an aperture stop located on the image side of said third lens, and in which at least two of said first to third lenses are provided with aspherical surfaces.”).

We agree with the ALJ that the absence of “constructional data” regarding the achromatic lens disclosed in the '060 patent provides insufficient motivation for a person of skill in the art to seek out that data from the '051 patent, and that Suprema has shown insufficient evidence to substitute the triplet lens disclosed in the '051 patent for the “achromatic lens 28” of the '060 patent. As the ALJ noted, the only pertinent expert testimony provided by Suprema was that of its expert, Dr. Jose Manuel Sasian Alvarado, in which he stated:

Q. Why would they be motivated to do so [combine the '060 patent with the '051 patent]?

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A. Because of the need to, to create a finger print system. The '060 patent doesn't disclose the constructional data for the achromatic lens 28. So a person of ordinary skill would have the need to find what the achromatic lens that could be the triplet of the '051 patent.

Q. Can you explain for me why the lens 28 would need to be replaced in the '060 patent?

A. Because, again, the '060 patent does not disclose the construction of that, so a person needs to put a lens and then that person could very well use the triplet of the '051 patent, because they are well-known lenses.

(Tr. at 1280-81).

That a person of skill in the art “could very well” use the triplet of the '051 patent is insufficient reason for the skilled artisan to specifically seek out the unique lens disclosed in that reference. Moreover, the ALJ found that the '051 patent discloses a lens system that is well suited for “photographic cameras,” not fingerprint scanners. That finding, we hold, was supported by substantial evidence. The '051 patent itself indicates that the lens it discloses “is well suited for use on photographic cameras.” '051 patent col. 1. ll. 7–8. Thus, Suprema adduced insufficient evidence of motivation to substitute the photographic camera triplet lens of the '051 patent for the fingerprint scanner achromatic lens of the '060 patent. Moreover, since it gives no description of the achromatic lens' structure, there is no indication that the achromatic lens of the '060 patent is a triplet lens or that a triplet lens would be suitable in its place.

Accordingly, we affirm the Commission's holding that Suprema failed to adduce clear and convincing evidence

that the asserted claims of the '993 patent would have been obvious to a person of skill in the art.

#### IV.

For the reasons explained, we vacate the Commission's judgment regarding infringement of the '344 patent and vacate the limited exclusion order to the extent it was predicated on that finding. We affirm the Commission's holding that Suprema directly infringes the '993 patent, however, and leave intact the exclusion order regarding the RealScan-10 and RealScan-10F optical systems.

The scope of the exclusion order must thus be adjusted accordingly—it appears that only two of the previously identified products may be subject to the order.<sup>7</sup> Accordingly, we vacate the limited exclusion order and remand for proceedings in accordance with this decision.

#### V.

We turn now to Cross Match's appeal regarding the '562 patent. The Commission fully adopted the ALJ's initial determination regarding this patent; the ALJ found that Cross Match failed to prove by a preponderance of the evidence that any Suprema accused product infringed the asserted claims of that patent. On appeal, Cross Match challenges the ALJ's interpretation of the term "capture" as it appears in the asserted claims of this patent and claims that the ALJ's improper construction of that term led to an incorrect non-infringement finding.

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<sup>7</sup> The products found to infringe the '993 patent appear to be only RealScan-10 and RealScan-10F. Initial Determination at 168. But the products found to infringe the '344 patent are RealScan-10, RealScan-10F, RealScan-D, and RealScan-DF, when used with Mentalix's FedSubmit software.

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Claim 1 is representative of the asserted claims and states:

A method for reliably capturing print images, comprising:

- (a) initiating camera operation with a scanner
- (b) scanning a biometric object to obtain a scanned image;
- (c) processing the scanned image;
- (d) determining print quality of individual print images in the scanned image;
- (e) detecting prints in the scanned image; and
- (f) determining whether the scanned image is ready for capture based on an expected number of print images detected in step (e) and the quality of the print images determined in step (d).

'562 patent col. 10 l. 59 – col. 11 l. 4.

Cross Match proposed to the ALJ that “capture” as used in the preamble to and step (f) of claim 1 means “acquiring, by the scanner, for processing or storage.” Initial Determination at 59. The ALJ adopted this construction. *Id.* at 60. And, based on this construction, the ALJ concluded that Suprema’s products do not infringe the asserted claims because they do not perform steps (d) and (e) before the image is “acquired . . . for processing or storage”—i.e., before it is deemed “ready for capture” and, ultimately, “captured.”

Cross Match now suggests that the ALJ’s construction of capture was wrong; it claims that “acquiring, by the

scanner, for processing or storage” does not require that the scanner perform all steps of the claimed “capturing” process. Instead, Cross Match argues that the scanner only need be *involved* in that process. Cross Match also contends that the scanner need only “keep” or “save” the image and that any “processing” thereof can be done by a computer. Based on these interpretations of what it means to “capture” an image, Cross Match contends the ALJ and Commission were wrong to conclude that all steps of claim 1 must be performed by a scanner for infringement to occur, and were wrong to conclude that step (f) of claim 1—the “determining whether the scanned image is ready for capture”—must occur after steps (e) and (d) have been performed.

In making these arguments, Cross Match puts itself in the difficult position of challenging a claim construction it proposed. See *Tessera Inc. v. Int’l Trade Comm’n*, 646 F.3d 1357, 1364 (Fed. Cir. 2011); *Key Pharma. v. Hercon Labs. Corp.*, 161 F.3d 709, 714–15 (Fed. Cir. 1998) (“We find highly questionable Hercon’s assertion on appeal that the trial court erred when it adopted the very construction Hercon urged upon the court through the testimony of Dr. Guy. In essence, Hercon asserts that the trial court erred by adopting the position it advocated at trial. Although the function of an appellate court is to correct errors committed at trial, we look with extreme disfavor on Hercon’s assertion that the trial court committed error in its claim construction. Ordinarily, doctrines of estoppel, waiver, invited error, or the like would prohibit a party from asserting as ‘error’ a position that it had advocated at the trial.”). And, Cross Match is in the peculiar situation of asking for a construction of “capture” in the ’562 patent which differs from that which it advocates for the same term in the ’344 patent, even though the ’562 patent incorporates by reference the ’344 patent. Indeed, Suprema and the Commission ask that we resolve Cross

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Match's appeal on these grounds, finding that it either waived any right to seek a different construction of the term "capture" before this court, or at least is estopped from doing so.

Cross Match contends it did not waive its right to make the arguments it develops here because it is not really asking for a new construction; it is simply debating how that construction should itself be construed. While Cross Match's position is a stretch—it really seems to be unhappy with the construction it proposed and to be asking for something directly at odds with that original construction—we need not rely on waiver to affirm the Commission's non-infringement finding on the '562 patent because we conclude that the Commission's finding on the merits was correct.

Specifically, we conclude that the ALJ's construction of the term "capture" is correct and that the ALJ was correct to conclude that the "capture" itself, and the preceding determination of whether the image is "ready for capture," in the claims of the '562 patent must occur before the scanned image is transferred to a computer. We also hold that the ALJ's infringement finding is supported by substantial evidence. The computer of the accused products performs the checks, i.e., steps (e) and (d), with software *at some point after* the computer receives the image from the scanner. So, in the accused products, those checks necessarily occur sometime after the scanner determines whether the image is "ready for capture."

There is no real dispute regarding the construction of "capture" since the ALJ adopted Cross Match's proposed construction. We adopt that construction as well: "capture" means "acquiring, by the scanner, for processing or storage." We also conclude that the ALJ was correct to conclude that, under this construction, step (f) necessarily

requires a determination of whether the “scanned image” is ready for “acquiring, by the scanner,” *based on* the number and quality checks of steps (e) and (d). Given that claim language, as a matter of logic, those quality checks must precede the determination made under step (f), since that step is based on the results from the checks, and, since the scanner ultimately performs the capture, the preceding checks must be performed by the scanner or one of its components. *See Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369 (Fed. Cir. 2003) (“We look to the claim language to determine if, as a matter of logic or grammar, [the steps of a method claim] must be performed in the order written.”).

The claim language here plainly requires this construction. *See, e.g.*, ’562 patent col. 11 ll. 1–4 (“determining whether the scanned image is ready for capture *based on* the number of prints detected in step (e) and the quality of the print image determined in step (d).” (emphasis added)); *id.* col. 11 ll. 24–36 (claim 4 adding to claim 1 steps of “(g) capturing the scanned image to obtain a captured image” and “(i) forwarding the captured image to a computer.”). The written description of the patent also supports the view that “capture” is performed by the scanner and not by a separate computer. *Id.* col. 2 ll. 18–20 (“The method includes capturing the scanned image, processing the captured image, and forwarding the captured image to a computer.”). A component of the scanner, such as software residing on a computer coupled to the scanner—which computer is part of the scanner—can perform the scanner’s functionality, including the step (f) determination step. *See id.* col. 6 ll. 37–57 (“In an embodiment of the present invention, scanner **104** includes . . . a controller **116** [which] includes print capture manager **117**. . . . Control functionality . . . of print cap-

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ture manager 117 [] can be carried out by . . . a computer coupled to the scanner.”).<sup>8</sup>

Because it is undisputed that, in the accused products, the scanner has already transmitted the image to a computer when the purported number and quality checks are performed, the accused products cannot perform the method as claimed. Accordingly, we hold that the ALJ’s non-infringement finding as to the ’562 patent was premised on its correct construction of the term capture and understanding of the scope of claim 1. We affirm the Commission’s ruling finding no violation of § 337 on grounds that no imported articles infringe the asserted claims of the ’562 patent.

**AFFIRMED IN PART, VACATED IN PART, AND  
REMANDED IN PART**

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<sup>8</sup> Cross Match makes a number of other arguments in support of its infringement claim. While we do not address each, we have considered them all and find them unpersuasive.



**United States Court of Appeals  
for the Federal Circuit**

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**SUPREMA, INC. AND MENTALIX, INC.,**  
*Appellants,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND

**CROSS MATCH TECHNOLOGIES, INC.,**  
*Intervenor.*

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2012-1170

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On appeal from the United States International Trade  
Commission in Investigation No. 337-TA-720.

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**CROSS MATCH TECHNOLOGIES, INC.,**  
*Appellant,*

v.

**INTERNATIONAL TRADE COMMISSION,**  
*Appellee,*

AND

**SUPREMA, INC. AND MENTALIX, INC.,**  
*Intervenors.*

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2012-1026, -1124

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On appeal from the United States International Trade Commission in Investigation No. 337-TA-720.

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REYNA, *Circuit Judge*, concurring-in-part, dissenting-in-part.

The majority concludes that the International Trade Commission lacks authority to find a violation of 19 U.S.C. § 1337 (“Section 337”) that is premised on induced infringement where “the acts of underlying direct infringement occur post-importation.” Maj. Op. at 20. While I agree with the majority’s disposition of this case in all other respects, I cannot join my colleagues’ decision to negate the Commission’s statutory authority to stop induced infringement at the border. Accordingly, I respectfully *concur-in-part* and *dissent-in-part*.

I

This appeal arises out of an investigation into alleged violations of Section 337 by Suprema (a Korean company) and Mentalix (located in Plano, Texas). Suprema manufactures fingerprint scanners that it imports and sells for importation<sup>1</sup> into the United States. To function, Su-

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<sup>1</sup> The parties stipulated that Suprema imported and sold for importation at least one unit of each accused scanner, and that Mentalix imported and sold after importation at least one unit of each accused scanner. See *Certain Biometric Scanning Devices, Components Thereof*,

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Suprema's scanners must be connected to a separate computer running special software. Suprema does not make or sell this software, but provides Software Development Kits (SDKs) that allow its customers to create their own software to operate the scanners. The SDKs include utilities that operate various functionalities of the scanners, and also include manuals instructing customers on how to use the SDKs. Mentalix, one of Suprema's customers in the United States, imports Suprema's fingerprint scanners and sells the scanners after importation, along with software to operate the scanners. Mentalix's software uses some of the functions included in Suprema's SDKs.

As relevant here, the Commission found that Suprema's scanners, when used with Mentalix's software, practice a patented method for capturing and processing fingerprints. The Commission found Mentalix liable for direct infringement for integrating its software with Suprema's scanners and using the integrated scanners in the United States. The Commission also found that Suprema actively aided and abetted Mentalix's infringement by collaborating with Mentalix to import the scanners and helping Mentalix adapt its software to work with the imported scanners to practice the patented method. Finding that Suprema willfully blinded itself to the existence of the patent and the infringing nature of the activities it encouraged, the Commission held Suprema liable for induced infringement under 35 U.S.C. § 271(b). Accordingly, the Commission issued a limited exclusion order banning from entry into the United States articles imported by Suprema or Mentalix that infringe the patented method. *See Certain Biometric Scanning Devices,*

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*Associated Software, and Products Containing Same,* USITC Inv. No. 337-TA-720, Order No. 11 (Sep. 16, 2010).

*Components Thereof, Associated Software, and Products Containing Same*, USITC Inv. No. 337-TA-720, Pub. No. 4366, Limited Exclusion Order ¶ 1 (Feb. 2013).

## II

Instead of addressing the merits of the Commission's determination of induced infringement, the majority takes the unnecessary step of addressing the legality of the Commission's authority to conduct a Section 337 investigation that is based on allegations of induced infringement. The majority concludes that the Commission did not have authority to issue an exclusion order in this case because "the statutory grant of authority in § 337 cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation." Maj. Op. at 20. According to the majority, the phrase "articles that – infringe" in Section 337 requires infringement at the time of importation, and because inducement is not "completed" until there has been direct infringement, the Commission may not invoke inducement to ban the importation of articles that are not already in an infringing state at the time of importation. *See id.* at 20, 25.

My problem with the majority's opinion is that it ignores that Section 337 is a trade statute designed to provide relief from specific acts of unfair trade, including acts that lead to the importation of articles that will result in harm to a domestic industry by virtue of infringement of a valid and enforceable patent. To negate both a statutory trade remedy and its intended relief, the majority overlooks the Congressional purpose of Section 337, the long established agency practice by the Commission of conducting unfair trade investigations based on induced patent infringement, and related precedent by this Court confirming this practice. In the end, the majority has created a fissure in the dam of the U.S. border

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through which circumvention of Section 337 will ensue, thereby harming holders of U.S. patents.

## A

For decades, the Commission has entertained complaints and found Section 337 violations where respondents actively induced direct infringement in the United States, infringement that did not occur until after importation of the articles involved.<sup>2</sup> This Court has affirmed

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<sup>2</sup> See, e.g., *Certain Inkjet Ink Cartridges with Print-heads and Components Thereof*, USITC Inv. No. 337-TA-723, Pub. No. 4373 (Feb. 2013), Comm'n Notice at 3 (Oct. 24, 2011), Initial Determination at 79, 2011 WL 3489151, at \*49 (Jun. 10, 2011); *Certain Digital Set-Top Boxes and Components Thereof*, USITC Inv. No. 337-TA-712, Pub. No. 4332 (Jun. 2012), Initial Determination at 132, 146, 2011 WL 2567284, at \*76, \*82 (May 20, 2011) (reconsideration granted on other grounds); *Certain Optoelectronic Devices, Components Thereof, and Prods. Containing Same*, USITC Inv. No. 337-TA-669, Pub. No. 4284 (Nov. 2011), Initial Determination at 51, 2011 WL 7628061, at \*45 (March 12, 2010), *aff'd sub nom. Emcore Corp. v. Int'l Trade Comm'n*, 449 F. App'x 918 (Fed. Cir. 2011) (non-precedential); *Certain Voltage Regulators, Components Thereof and Prods. Containing Same*, USITC Inv. No. 337-TA-564, Pub. No. 4261 (Oct. 2011), Enforcement Initial Determination at 38, 2011 WL 6980817, at \*31 (Mar. 18, 2010) (violation of limited exclusion order based on inducement); *Certain Semiconductor Chips Having Synchronous Dynamic Random Access Memory Controllers and Prods. Containing Same*, USITC Inv. No. 337-TA-661, Pub. No. 4266 (Oct. 2011), Initial Determination at 42, 2011 WL 6017982, at \*85 (Jan. 22, 2010); *Certain Digital Television Prods. and Certain Prods. Containing Same*, USITC Inv. No. 337-TA-617, Comm'n Op. at 10,

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2009 WL 1124461, at \*5 (Apr. 23, 2009), *aff'd in relevant part sub nom. Vizio, Inc. v. Int'l Trade Comm'n*, 605 F.3d 1330 (Fed. Cir. 2010); *Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Prods. Containing Same*, USITC Inv. No. 337-TA-543, Pub. No. 4258 (Oct. 2011), Initial Determination at 151, 2011 WL 6175074, at \*83 (Oct. 10, 2006); *Certain Foam Masking Tape*, USITC Inv. No. 337-TA-528, Pub. No. 3968 (Aug. 2007), Initial Determination at 14-15, 2007 WL 4824257, at \*20 (Jun. 21, 2005); *Certain Automated Mechanical Transmission Sys. for Medium-Duty and Heavy-Duty Trucks and Components Thereof*, USITC Inv. No. 337-TA-503, Pub. No. 3934 (Jul. 2007), Initial Determination at 154, 2007 WL 4473082, at \*101 (Jan. 7, 2005); *Certain Display Controllers and Prods. Containing Same*, USITC Inv. No. 337-TA-491, Initial Determination, 2004 WL 1184745, at \*116 (Apr. 14, 2004); *Certain Hardware Logic Emulation Systems and Components Thereof*, USITC Inv. No. 337-TA-383, Pub. No. 3154 (Jan. 1999), Comm'n Notice at 2 (Mar. 6, 1998), Initial Determination at 179, 1997 WL 665006, at \*101 (Jul. 31, 1997); *Certain Concealed Cabinet Hinges and Mounting Plates*, USITC Inv. No. 337-TA-289, Initial Determination, 1989 WL 608804, at \*48, \*52 (Sep. 28, 1989); *Certain Minoxidil Powder, Salts and Compositions for Use in Hair Treatment*, USITC Inv. No. 337-TA-267, 1988 WL 582867, at \*6-7 (Feb. 16, 1988); *Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation*, USITC Inv. No. 337-TA-99, Pub. No. 1246 (May 1982), Comm'n Op. at 8 (Apr. 9, 1982), *aff'd sub nom. Young Eng'rs, Inc. v. Int'l Trade Comm'n*, 721 F.2d 1305 (Fed. Cir. 1983); *Certain Surveying Devices*, USITC Inv. No. 337-TA-68, Pub. No. 1085 (Jul. 1980), Comm'n Determination at 19, 0080 WL 594364, at \*10 (Jul. 7, 1980).

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Commission determinations of Section 337 violations that are premised on induced infringement.<sup>3</sup> Other decisions of this Court, while not affirming an exclusion order, recognized the Commission's authority to premise a Section 337 violation on a finding of induced infringement.<sup>4</sup> This rich history of longstanding agency practice and legal precedent is fruit borne of law enacted by Congress precisely to address importation of infringing articles by establishing relief at the point of importation, the border.

This Court has long recognized the Congressional purpose of Section 337 is to provide "meaningful relief available to patentees by enabling the ITC to issue exclusion orders to *stop infringement at the border.*" *John Mezzalingua Assoc., Inc. v. Int'l Trade Comm'n*, 660 F.3d 1322, 1340 (Fed. Cir. 2011) (emphasis added). As originally enacted, Section 337 authorized the Commission to investigate unfair acts or practices in the importation of articles, including those related to infringement of U.S.

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<sup>3</sup> See *Vizio*, 605 F.3d 1330 (affirming violation in Inv. No. 337-TA-617 based on induced infringement of method claim); *Emcore*, 449 F. App'x 918 (affirming without opinion violation in Inv. No. 337-TA-669 based on induced infringement of apparatus claim); *Young Eng'rs*, 721 F.2d 1305 (affirming violation in Inv. No. 337-TA-99 based on contributory and induced infringement of process patents).

<sup>4</sup> See *ERBE Elektromedizin GmbH v. Int'l Trade Comm'n*, 566 F.3d 1028 (Fed. Cir. 2009) (affirming finding of no direct infringement underlying inducement claims); *Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340 (Fed. Cir. 2008) (reversing violation ruling after finding no intent to induce); *Alloc, Inc. v. Int'l Trade Comm'n*, 342 F.3d 1361 (Fed. Cir. 2003) (affirming finding of no intent to induce).

patents, and placed on the President the authority to exclude such articles at the border. *See* Tariff Act of 1930, ch. 497, Title III, § 337, 46 Stat. 703 (1930).<sup>5</sup> In 1974, Congress expanded the Commission’s authority by amending Section 337 to allow the Commission, itself, to order the exclusion of articles involved in unfair acts and practices. *See* Trade Act of 1974, ch. 4, Title III, § 341, 88 Stat. 1978 (1975). In 1988, with the intention to provide a “more effective remedy for the protection of U.S. intellectual property rights,” Congress eliminated, with respect to investigations involving certain intellectual property rights, the domestic injury requirement contained in the prior version of Section 337. *See* S. Rep. No. 100-71, at 127-29 (1987); H.R. Rep. No. 100-40, pt. 1, at 154-56 (1987). Congress thus strengthened the role of the Commission in preventing unfair foreign competition by providing a more effective enforcement mechanism at the border. At no point in the Congressional development of Section 337 was the Commission’s authority limited to only certain acts or practices that constitute infringement. Stated differently, the statute on its face authorizes the Commission to investigate all unfair acts or practices related to importation that are harmful to U.S. trade via infringement of a U.S. patent. There is no indication that Congress intended to prohibit the Commission from investigating acts of inducement leading to infringement. Had Congress intended such limitation, it would have amended Section 337 to so require. *See generally* *Whitfield v. United States*, 534 U.S. 209, 214 (2005) (“[I]f Congress had intended to create the scheme petitioners envision, it would have done so in clearer terms.”).

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<sup>5</sup> The provenance of Section 337 dates back as early as 1922. *See* Tariff Act of 1922, ch. 356, Title II, § 316, 42 Stat. 943 (1922).



The Commission's broad authority derives from the nature of the relief it is intended to provide. Exclusion at the border (and, in some cases, a cease and desist order directed at infringing articles already imported) is the only form of relief available in a Section 337 investigation. In this manner, Section 337 not only supplements the patent infringement remedies available in federal courts, it also provides a unique form of relief in patent law: preventing unfairly traded articles from entering the U.S. customs territory. Congress provided this broad remedy because it recognized that "[t]he importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest." H.R. Rep. No. 100-40, at 154, 156. In other words, imported articles involved in unfair acts of infringement inflict injury on the U.S. industry and patent holders simply by virtue of importation, apart from any acts occurring after importation. Under Section 337, once the unfairly traded article is imported, the harm is done.

## B

The majority justifies a narrow reading of Section 337 by finding that proceedings at the Commission are focused "on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods." Maj. Op. at 16. The majority misunderstands the *in rem* nature of proceedings at the Commission. Because the Commission has *in rem* jurisdiction over articles sold for importation, imported or sold after importation into the United States, it has the authority to exclude products *intended* to be sold or imported in the future by virtue of Congress's delegation of its power to regulate commerce with foreign nations and exclude unfairly traded merchandise from entry into the United States. See *Buttfield v. Stranahan*, 192 U.S. 470,

492 (1903). Thus, at least one instance of sale for importation, importation or sale after importation is required, and sufficient, to trigger the Commission's jurisdiction to investigate an alleged violation of Section 337. *See, e.g., Certain Trolley Wheel Assemblies*, USITC Inv. No. 337-TA-161, Pub. No. 1605 (Nov. 1984), Comm'n Op. at 8, 0084 WL 951859, at \*4 (Aug. 29, 1984). But the Commission's authority to issue an exclusion order is more than *in rem* in nature because it incorporates an "*in personam* element," *see Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340, 1357 (Fed. Cir. 2008), and is directed at future imported articles. Hence, the Commission's "focus" on articles is perfectly consistent with exclusion orders preventing future importation (and, in the case of inducement, future direct infringement) based on demonstrated instances of inducement and direct infringement in the United States.

Thus, while the Commission examines articles as they are imported to determine which infringement theory applies, it is not constrained by a requirement that the articles be in an infringing state when imported. Section 337 expressly applies not only to the moment of importation, but also, in the alternative, to sales occurring before and after importation that can give rise to infringement liability. An article that is not in an infringing state at the moment of importation can still form the basis of a Section 337 violation if its importation is tied to conduct giving rise to infringement liability.

The majority engages in protracted analysis to arrive at the view that 35 U.S.C. §§ 271(a) and (c) essentially define "articles that infringe" for purposes of Section 337 liability. *See* Maj. Op. at 20. According to the majority, inducing conduct does not "become tied" to an article until the underlying direct infringement happens. *See id.* I disagree. To the extent that the induced direct infringe-

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ment involves an article, the inducing acts are tied to such an article at the time each act of inducement occurs. For purposes of Section 337, as long as the inducing acts include sale for importation, importation or sale after importation of articles involved in direct infringement in the United States, the inducing conduct is tied to “articles – that infringe” and the Commission has authority to investigate such conduct.

Contrary to the majority’s holding, the reference in Section 337 to “articles – that infringe” does nothing to exclude induced infringement from the type of unfair acts Section 337 was designed to remedy. Section 337 is defined, much like § 271, in terms of *conduct* that may occur before and after the precise moment of importation. Because Section 337 is not by its terms confined to a specific time when the imported articles must “infringe,” the majority errs in using § 271(a) and (c) to introduce a strict temporal limitation on the moment on which infringement liability must be “complete” for purposes of the Commission’s authority to remedy violations of Section 337.

### III

I perceive the majority’s holding in this case as enabling circumvention of the legitimate legislative objective of Section 337 to stop, at the border, articles involved in unfair trade. First, the majority’s holding allows importers to circumvent Section 337 liability for indirect infringement. For example, an importer could import disassembled components of a patented machine, or import an article capable of performing almost all of the steps of a patented method, but reserve final assembly of the last part or performance of the last step for the end-user in the United States and, under the majority’s holding, fall outside the Commission’s statutory reach because direct infringement would not have occurred until after

importation. Yet, this Court has recently recognized that “there is no reason to immunize the inducer from liability for indirect infringement simply because the parties have structured their conduct so that no single defendant has committed all the acts necessary to give rise to liability.” *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1309 (Fed. Cir. 2012) (en banc). Likewise, an importer inducing infringement should not be able to escape liability by delaying direct infringement until after importation. The fact remains that “one who aids and abets an infringement is likewise an infringer.” H.R. Rep. No. 82-1923, at 9 (1952). Section 337 should not be interpreted in a manner that enables this form of circumvention.

Second, the majority’s holding allows importers to circumvent Section 337 liability for almost all forms of method patent infringement not involving product-by-process claims.<sup>6</sup> The Commission already declines to entertain complaints based on allegations of direct infringement of method claims under § 271(a), recognizing that a patented method is only infringed by “use” in the United States, which is not one of the types of conduct proscribed in Section 337. *See Certain Electronic Devices*, Inv. No. 337-TA-724, Comm’n Op. at 18-19, 2012 WL 3246515, at \*12-13 (Dec. 21, 2011); 19 U.S.C. § 1337(a)(1)(B)(i) (making unlawful only the “importation,” “sale for importation,” and “sale within the United States after importation” of infringing articles). Given this existing limitation, the ability to file a Section 337 complaint based on theories of indirect infringement becomes even more important for owners of patented processes. But the majority now eliminates § 271(b) as a basis for finding a Section 337 violation, leaving only the

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<sup>6</sup> Violations based on importation of articles manufactured abroad according to a patented process are separately codified in § 337(a)(1)(B)(ii), not at issue here.

possibility of enforcing method patents at the Commission under § 271(c) to the extent that the imported articles are especially made or adapted for use in practicing a patented method and are not capable of substantial noninfringing uses. Whether obtaining a remedy for this form of method patent infringement continues to be viable at the Commission remains to be seen, in light of the majority's broad holding that "there are no 'articles . . . that infringe' at the time of importation when direct infringement has yet to occur." Maj. Op. at 4.<sup>7</sup>

The majority's view also overlooks the practical realities of international trade. A common threat to trade relief in general is the modification of articles to place them outside the scope of relief orders, *e.g.*, exclusion or antidumping orders. These circumvention practices can be sophisticated and elaborate. Here, the majority legalizes the most common and least sophisticated form of circumvention, importation of the article in a disassembled state. The idea is that assembly within the United States removes the article from scrutiny and enforcement at the border. With regard to importation of articles whose assembly in the United States creates "articles – that infringe," while it is true that the patent holder may be able to sue in district court, it would likely face person-

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<sup>7</sup> Although the majority indicates that the § 271(c) "standards for infringement" can be met at the time of importation, it also holds that inducement is not "completed" until there has been direct infringement. *See* Maj. Op. at 20. Like inducement, liability for contributory infringement under § 271(c) requires a showing of direct infringement, which in the case of method claims will not occur until after importation. *See, e.g., ERBE*, 566 F.3d at 1037 (affirming Commission's finding of no contributory or induced infringement where there was no evidence of direct infringement of method claim in the United States).

al jurisdiction and enforcement of judgment hurdles, and would certainly not be able to stop importation of the disassembled articles at the border. If anything, the majority's holding creates a new threat for U.S. patent holders.<sup>8</sup>

In my view, Section 337 was intended to provide distinct relief at the border to stop imports of articles that are used in unfair trade. I see no rational reason why this form of relief to U.S. patent holders should be eliminated when acts of inducement are involved. For purposes of Section 337 liability, I see no distinction between importing an article that meets all limitations of an apparatus claim as it crosses the border, and actively inducing infringement by importing an article and encouraging another to use that article to practice a patented method. In both cases, a patented invention is practiced within the country without authority as a result of importation. The majority is apparently concerned with the possibility that this interpretation could result in overbroad remedial orders that exclude articles that may or may not later give rise to direct infringement depending on the intent of the importer. *See* Maj. Op. at 25. But the Commission regularly includes a "certification provision" in its exclusion orders by which importers may certify that the articles they seek to import do not infringe and are there-

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<sup>8</sup> The majority believes that its holding will not have adverse effects on the Commission's statutory mandate to provide specific relief from unfair trade practices, and points to § 271(a) and § 271(c) as obviating any need for relief, at the border, from induced infringement. *See* Maj. Op. at 21, n.4. As this dissent demonstrates, that is not the case. But even if it were so, it is up to Congress, not this Court, to repeal the Commission's mandate on grounds that sufficient relief is afforded elsewhere in the law.

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fore not covered by the order. For example, the limited exclusion order issued against Suprema and Mentalix provides that “persons seeking to import biometric scanning devices . . . potentially subject to this Order may be required to certify that . . . to the best of their knowledge and belief, the products being imported are not excluded from entry under paragraph 1 of this Order.” *Certain Biometric Scanning Devices*, Limited Exclusion Order ¶ 3. I view the Commission as an international trade agency with the expertise and experience to fashion exclusion orders of appropriate scope.

In an appeal involving trade secret misappropriation, we recently held that the Commission may consider conduct abroad in determining whether imports related to that conduct violate Section 337. *See TianRui Grp. Co. v. Int’l Trade Comm’n*, 661 F.3d 1322, 1331-32 (Fed. Cir. 2011). Just as the panel in *TianRui* deemed it highly unlikely that Congress intended Section 337 not to reach instances in which the accused party was careful to ensure that the actual act of conveying the trade secret occurred outside the United States, I believe it is equally unlikely that Congress intended that Section 337 would not reach instances in which a respondent is careful to ensure that the actual act of direct infringement does not occur until the imports have entered the customs territory of the United States. The majority errs in concluding otherwise. Therefore, I must *dissent-in-part*.

**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

**2012-1170**

SUPREMA, INC. and MENTALIX, INC.,

*Appellants,*

v.

INTERNATIONAL TRADE COMMISSION,

*Appellee,*

and

CROSS MATCH TECHNOLOGIES, INC.,

*Intervenor.*

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On Appeal from the United States International Trade Commission in  
Investigation No. 337-TA-720

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**APPELLANTS' COMBINED RESPONSE TO JOINT PETITIONS FOR  
PANEL REHEARING AND REHEARING EN BANC**

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**CERTIFICATE OF INTEREST**

Counsel for the Appellants, Suprema, Inc. and Mentalix, Inc., certifies the following:

1. The full name of every party or amicus represented by me is:

Suprema, Inc.  
Mentalix, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

As indicated in item 1

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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Dated: March 25, 2014

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## INTRODUCTION

On December 13, 2013, a Panel of this Court held that Congress meant what it said in Section 337(a)(1)(B) of the Tariff Act, 19 U.S.C. § 1337(a)(1)(B), which makes unlawful the sale for importation, importation, or sale after importation of “articles . . . that infringe” a valid and enforceable U.S. patent. The Panel majority ruled that, based on the unambiguous statutory language, a violation of Section 337(a)(1)(B) cannot be based on inducement of patent infringement where, as in this case, the only imported “article” is a staple article of commerce and any direct infringement occurs only after the article is in the United States combined with another party’s domestically developed software. *See* Panel Op. at 13-26.

Appellee International Trade Commission (the “Commission”) and Intervenor Cross Match Technologies, Inc. (“Cross Match”) (collectively, “Appellees”) now seek rehearing, contending that the Panel’s holding is inconsistent with the statute’s text and history, as well as with the Commission’s supposedly longstanding interpretation of the statute. Appellees also argue that the Panel’s holding conflicts with various precedents of this Court, and that it will curtail the Commission’s ability to police imports and permit infringers to circumvent the Commission’s statutory authority.

Appellees’ arguments provide no basis for rehearing of the Panel’s modest, straightforward application of the plain language of Section 337. First, the Panel’s



determination that a party violates Section 337 only where an “article” infringes at the time of importation is dictated by the unambiguous statutory language (a point the Commission accepts). That determination recognizes and gives effect to the *in rem* character of Section 337 proceedings, Section 271(b)’s nature, and the nature of the Commission’s principal remedy of exclusion enforced by Customs.

Second, the Panel correctly held that a finding that an importer induced infringement does not establish that there are “articles . . . that infringe,” for purposes of Section 337(a)(1)(B). Inducement under 35 U.S.C. § 271(b) is unique in that unlike direct or contributory infringement, liability for inducement is based on intent and conduct that causes another’s infringement. The inducer may be held liable without having made, used, sold, offered, or imported any infringing article, and Section 271(b) inducement alone thus does not run afoul of Section 337(a)(1)(B)’s proscription of “articles ... that infringe.” The inapposite cases cited by Appellees are not to the contrary and not in conflict with the Panel’s holding.

Third, the Commission’s view—that inducement necessarily involves importation of “articles . . . that infringe”—is foreclosed by the plain language of both Section 337 and Section 271, and is not entitled to deference. In enacting the language at issue, Congress did not “endorse” the Commission’s proffered interpretation of the statute, and because the statutory language is unambiguous, the Panel owed the Commission’s interpretation no deference.

Fourth, the Panel's decision will not impair the Commission's ability to enforce Section 337. Section 337 regulates the importation of articles, not mere intent. The Commission has ample ability to prevent the importation of infringing articles through direct and contributory infringement. But the Commission is not, and should not be, the default venue for all patent infringement claims with some international connection. Where there is no importation of an infringing article, Congress has dictated that the federal courts are the proper venue in which to seek a remedy. Appellees' interpretation of Section 337 would impermissibly expand the Commission's statutory authority to be nearly coextensive with the courts.

The Panel correctly applied Section 337, rehearing en banc is not necessary to ensure uniformity of the Court's decisions, and this matter does not otherwise warrant any rehearing. Accordingly, the Court should deny Appellees' petitions.<sup>1</sup>

### **BACKGROUND**

This appeal arose out of a Commission investigation wherein Cross Match alleged, *inter alia*, that Texas-based fingerprint systems provider Mentalix and Korean hardware manufacturer Suprema each violated Section 337 of the Tariff Act by infringing Cross Match's U.S. Patent No. 7,203,344 (the "'344 Patent").

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<sup>1</sup> If rehearing is granted, Appellants respectfully request that the Court consider also the alternative grounds for reversal of the Commission's underlying decision left unaddressed as moot by the Panel; namely, that the Commission's findings do not show willful blindness as a matter of law, and that the correct construction of claim 19 of the '344 Patent requires detection of a fingerprint's oval-like shape.

Suprema imports and sells fingerprint scanning devices and software development kits (“SDKs”) to several customers in the United States, including Mentalix. (A000227-230.) Using Suprema’s SDK, Mentalix adapted its domestically-created software, FedSubmit, for use with Suprema’s scanners. (A000212.) Cross Match accused this and other combinations, as well as Suprema’s SDK alone, of infringement. (A000212.) Notably, Mentalix’s FedSubmit software does not work exclusively with Suprema scanners, but can also be used with fingerprint scanners manufactured by other companies. (A000211-212.) As well, Suprema’s scanners can be, and are, used with software written by companies other than Mentalix. (A000229.)

On June 17, 2011, the presiding administrative law judge (“ALJ”) found, *inter alia*, a violation of Section 337 based on infringement of method claim 19 of the ’344 Patent, by the combination of Suprema’s scanners with Mentalix’s FedSubmit software, which software was developed by Mentalix within the United States using free public software supplied by the U.S. Government through the National Institute of Standards and Technology. (A000120-133, A000238.)

The Commission reviewed the ALJ’s findings and determination. In its October 24, 2011 opinion, the Commission ruled that Suprema’s scanners and SDKs did not, standing alone or when combined with third-party software, infringe claim 19. (A000220, A000229.) The Commission also ruled that Suprema’s

accused scanners and SDKs do not contributorily infringe. (A000227-229.) The Commission further found that the other accused combinations—Suprema scanners and SDKs with the software of other Suprema customers—did not infringe. (A000227-229.) The Commission thus found that the Suprema scanners and SDKs, the only articles actually imported, are capable of substantial non-infringing uses and, by definition, staple articles of commerce.

Despite finding the other combinations non-infringing, the Commission concluded that Mentalix directly infringed claim 19 of the '344 Patent by combining its FedSubmit software in the U.S. with the imported staple article scanners, and that Suprema somehow induced such infringement. (A000220-227.) Notably, the Commission did not find that Suprema had actual knowledge of the '344 Patent. Rather, the Commission found that Suprema was “willfully blind” to the '344 patent based on its failure to research references in another patent that Cross Match accused Suprema of infringing (which patent Suprema believed, and the Commission found, it did not infringe), and on Suprema’s failure to obtain an opinion of counsel as to that other patent. (A000221-225.) The Commission found Suprema’s inducement violated Section 337 because there was a “nexus” to importation of Suprema’s non-infringing staple article scanners. (A000220-221.)

Having concluded that (1) Mentalix directly infringed claim 19 in the U.S.; and (2) Suprema induced such infringement, the Commission issued an order for

the exclusion of Suprema's staple article scanners where used to infringe claim 19, whether or not sold to or imported by Mentalix. *See* Dkt. No. 75, ¶ 1.

### **THE PANEL OPINION**

As relevant here, the Panel held that the Commission's authority reaches only "articles . . . that infringe" a U.S. patent at the time of importation, *i.e.*, it reaches only the importation of infringing articles. Because there can be no inducement of infringement unless there has been an act of direct infringement, the Panel reasoned, where there is no direct infringement until after importation, there are no "articles . . . that infringe" at the time of importation. As such, the Panel held that an exclusion order based on a violation of Section 337(a)(1)(B)(i) may not be predicated on a theory of inducement of infringement where no direct infringement occurs until post-importation. *See* Panel Op. at 4, 6.

The Panel first examined the statutory language of Sections 337(a)(1)(B) and (d) of the Tariff Act, which together authorize the Commission to exclude articles from entry into the United States based on patent infringement. *See* Panel Op. at 15-16. The Panel explained that "[t]he focus" of Section 337(a)(1)(B) "is on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods," and that "[t]he same focus is evident also from the main remedy [the Commission] can grant, exclusion orders on the imported articles." *Id.* at 16. Based on its examination of the statutory

language, the Panel then concluded that “[e]xclusion orders based on violations of § 337(a)(1)(B)(i) thus pertain only to the imported goods and are necessarily based on the infringing nature of those goods when imported.” *Id.* at 17.

The Panel next considered the relationship between Section 337 and 35 U.S.C. § 271, which defines unlawful patent infringement and provides the basis for finding any violation of Section 337(a)(1)(B). *See* Panel Op. at 18. The Panel observed that while Section 271 establishes three distinct bases under which a person may be liable for patent infringement, only two of those theories—direct infringement (Section 271(a)) and contributory infringement (Section 271(c))—are expressly defined by reference to an “article.” *See id.* at 19. The third—inducement of infringement (Section 271(b))—is defined solely by reference to the conduct of the alleged inducer. *See id.*

Based on that fundamental distinction, the Panel concluded that “the statutory grant of authority in § 337 cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation.”

Panel Op. at 20. The Panel explained:

The patent laws essentially define articles that infringe in § 271(a) and (c), and those provisions’ standards for infringement . . . must be met at or before importation in order for the articles to be infringing when imported. Section 271(b) makes unlawful certain conduct (inducing infringement) that becomes tied to an article only through the underlying direct infringement. Prior to the commission of any direct infringement, for purposes of inducement of infringement, there are no “articles . . . that infringe”—a prerequisite to the Commission’s

exercise of authority based on § 337(a)(1)(B)(i). Consequently, we hold that the Commission lacked the authority to enter an exclusion order directed to Suprema's scanners premised on Suprema's purported induced infringement . . . .

*Id.* at 20-21. In reaching that conclusion, the Panel rejected Appellees' arguments that this Court or the Commission had ever previously addressed or considered the issue presented to the Panel. *Id.* at 23. The Panel also rejected the argument that the Commission's interpretation of Section 337(a)(1)(B) was entitled to *Chevron* deference, based on its determination that Congress's intent was clear from the statutory language. *See id.* at 26 & n.5.

Finally, the Panel's holding was limited to the specific question presented: whether inducement can establish a violation of Section 337(a)(1)(B) where direct infringement occurs only after importation. *See Panel Op.* at 6, 21 n.4.

Significantly, the Panel did not hold that inducement can never support a violation of Section 337(a)(1)(B). The Panel's decision also does not (and does not purport to) affect the application of Section 337 in cases of contributory infringement. *See id.* at 20-21 & n.4.

Given its conclusion as to Section 337, the Panel did not reach the issue of "willful blindness" or the proper construction of the '344 Patent, both of which supplied alternative bases for overturning the Commission's exclusion order. *See Panel Op.* at 6, 26.

Judge Reyna dissented from the relevant portion of the Panel's opinion. In his view, despite Section 337(a)(1)(B)'s statutory limitation to "articles . . . that infringe," the Commission may exclude articles "tied to conduct giving rise to infringement liability," even if the imported articles themselves are non-infringing. Dissenting Op. at 10. According to Judge Reyna, it is sufficient that the articles be "tied to conduct giving rise to infringement liability" even where, as here, the articles are non-infringing staple articles and the putative direct infringement only takes place in the U.S. after importation. *See id.*<sup>2</sup>

### **ARGUMENT**

Petitions for rehearing en banc are disfavored and ordinarily will not be granted unless the petitioner shows that (1) en banc hearing is necessary to secure or maintain uniformity of the Court's decisions; or (2) the matter involves a question of "exceptional importance." Fed. R. App. P. 35(a).

Appellees have not shown that panel rehearing or rehearing en banc is necessary or appropriate in this case. As explained below, Appellees have failed to demonstrate that the Panel made any factual or legal error, that the Panel's opinion

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<sup>2</sup> Judge Reyna's dissent also stated that "the majority takes the unnecessary step of addressing the legality of the Commission's authority to conduct a Section 337 investigation that is based on allegations of induced infringement." Dissenting Op. at 4. The majority, however, expressly stated that its ruling did not affect the Commission's authority to initiate or conduct investigations; rather, it limited only its ability to find a violation based on inducement where the direct infringement takes place after importation. Panel Op. at 13 n.2.



conflicts with binding precedent, or that en banc review is otherwise necessary.

Accordingly, the Court should deny the Rehearing Petitions in their entirety.

**I. THE PANEL CORRECTLY HELD THAT SECTION 337(a)(1)(B) REACHES ONLY “ARTICLES . . . THAT INFRINGE”**

As noted above, the Panel began its analysis with the statutory language of Section 337(a)(1)(B), and correctly concluded that a violation of Section 337(a)(1)(B) requires the existence of “articles . . . that infringe” a valid U.S. patent “at the time of importation.” *See* Panel Op. at 15-16; *Res-Care, Inc. v. United States*, 735 F.3d 1384, 1388 (Fed. Cir. 2013).

Cross Match asserts that the statutory text “expressly repudiates” the Panel’s interpretation of Section 337(a)(1)(B). Cross Match Petition at 5. It asserts that because Section 337 can be violated by post-importation conduct—*i.e.*, the sale after importation of an infringing article—Section 337 cannot require that the subject article infringe at the time of importation. *See id.*

Notably, the Commission does not join Cross Match on this argument. To the contrary, the Commission, like the Panel, concluded that Section 337 unambiguously requires that to establish a violation of the statute, infringement “must be based on the articles as imported.” *Certain Elec. Devices*, Inv. No. 337-TA-724, 2012 WL 3246515, at \*9 (Dec. 21, 2011).

Cross Match’s argument fails for two more reasons. First, Cross Match’s interpretation is contrary to the plain language of the statute. Section 337(a)(1)(B)

prohibits three distinct acts, but for all three, the statute inextricably links the infringing articles with the act of importation itself: (1) the sale *for importation* of articles that infringe a valid U.S. patent; (2) the *importation* of infringing articles; and (3) the sale within the United States *after importation* of infringing articles. *See* 19 U.S.C. § 1337(a)(1)(B). By directly linking each prohibited act to the importation of an infringing article, Congress made clear that in every instance, a violation of Section 337(a)(1)(B) must be based on the status of that article as imported. *See Certain Elec. Devices*, 2012 WL 3246515, at \*9. Thus, the language on which Cross Match relies—“sale within the United States after importation . . . of articles . . . that infringe”—actually forecloses Cross Match’s argument, because it necessarily requires that article sold be the same as the article imported, *i.e.*, an article that infringes a valid U.S. Patent.

Second, the Panel’s plain language interpretation is consistent with the nature of the Commission’s authority under Section 337 and the “main remedy” of exclusion (by U.S. Customs and Border Protection). *See* Panel Op. at 16-17. As this Court recognized, “[t]he focus of section 337 is on an inherently international transaction—importation,” and Section 337 accordingly “only sets the conditions under which products may be imported into the United States.” *TianRui Group Co. v. Int’l Trade Comm’n*, 661 F.3d 1322, 1329, 1330 (Fed. Cir. 2011). Cross Match’s interpretation would sever the link between the infringing article and

importation, and thus improperly expand the scope of Section 337 to bar importation of all manner of staple articles that might, or might not, infringe when later combined in the U.S. with something else. No authority supports such a sweeping interpretation of Section 337.

**II. THE PANEL CORRECTLY HELD THAT INDUCEMENT DOES NOT INVOLVE “ARTICLES . . . THAT INFRINGE” WHERE DIRECT INFRINGEMENT OCCURS ONLY AFTER IMPORTATION**

The Panel recognized that, unlike direct and contributory infringement, inducement of infringement is not defined by reference to an infringing article: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). Based on the clear statutory authority, the Panel concluded that where direct infringement occurs only after importation, a finding of inducement cannot sustain a violation of Section 337, because inducement alone does not create an article that infringes at the time of importation.

Cross Match and the Commission challenge that conclusion on several grounds. As explained below, each of those challenges is meritless.

**A. The Panel Correctly Held that Inducement under 35 U.S.C. § 271(b) Is “Untied to an Article”**

Cross Match asserts that, because Sections 271(a), (b), and (c) all prohibit *conduct*, and because infringement liability under each of those sections ultimately depends on an article practicing the patented invention, the Panel erred by

distinguishing between infringement that is tied to a specific article and infringement that is not tied to an article. Cross Match Petition at 7.

Cross Match misreads the Panel’s opinion. The critical distinction identified by the Panel is that both direct infringement and contributory infringement are *defined by the infringer’s conduct with respect to a specific article*, while inducement is not. *See* Panel Op. at 19. Section 271(a) imposes liability for direct infringement on anyone who “*makes, uses, offers to sell, or sells **any patented invention***” without authority. (Emphasis added.) Thus, direct infringement is defined exclusively by conduct with respect to an article that meets all of the claims of a patented invention (*i.e.*, an infringing article).<sup>3</sup> Similarly, Section 271(c) defines contributory infringement as any offer to sell or sale of a material, non-staple component of a patented invention. As with direct infringement, contributory infringement is thus defined by conduct (the sale or offer to sell) with respect to a specific article (the material, non-staple component).

Inducement, by contrast, is defined *only* by the alleged inducer’s conduct

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<sup>3</sup> Cross Match also asserts that, because Section 271(a) prohibits conduct, it does not define an infringing article. Cross Match Petition at 7. Because of the *in rem* nature of the Commission’s jurisdiction under Section 337, it is common in the importation context to refer to a good that infringes a patent, rather than to conduct that infringes a patent. For example, well before the 1988 amendments to the Tariff Act added the language concerning “articles that . . . infringe,” this Court’s predecessor employed that formulation, referring to instances in which “the imported product is alleged to infringe” a patent. *See Sealed Air Corp. v. U.S. Int’l Trade Comm’n*, 645 F.2d 976, 986 (C.C.P.A. 1981).

and intent. Section 271(b) provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer”; it does not require the inducer to engage in any act with respect to a patented invention, a non-staple component of a patented invention, or any other article. As the Panel recognized, inducement is thus unique because the necessary, direct connection between conduct and an article that defines direct infringement and contributory infringement is wholly absent from Section 271(b). Thus, the Panel did not err in holding inducement under Section 271(b) is “untied” to an article.

The Commission asserts that the Panel’s holding conflicts with *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 940 n.13 (2005), *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001), and *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001), because it supposedly fails to acknowledge “that infringement under § 271(b) may be, and often is, directly tied to articles.” Commission Petition at 8-9. But the Panel plainly did not state or conclude that inducement *cannot* be based on conduct involving an infringing article. The Panel merely found that inducement *is not defined by* conduct with respect to a specific article. The cases cited by the Commission simply involved factual situations in which the inducing acts involved distribution of a product later used to infringe. None of those cases stands for the proposition that inducement

must involve an infringing article, and nothing in those cases conflicts with the Panel's holding.

**B. The Panel Correctly Distinguished Inducement from Contributory Infringement**

Cross Match next argues that, because an underlying act of infringement is a prerequisite for civil liability for both inducement and contributory infringement, there is no basis for treating the two differently for purposes of Section 337. Cross Match Petition at 9.

Cross Match again ignores the statutory distinction between inducement and contributory infringement, and the language of Section 337(a)(1)(B), which depends not on whether the elements of a civil claim under 35 U.S.C. § 271 are satisfied at importation, but on whether there are “articles . . . that infringe” at the time of importation. As inducement is not defined by conduct with respect to an infringing article, a finding of inducement does not establish that the infringer imported any article, let alone one that infringed at the time of importation.

Contributory infringement is materially different, as it involves the infringer's sale, importation, or other act with respect to a non-staple, material component of a patented invention that has no non-infringing uses. The patent holder has the same limited monopoly over the distribution of such components as she does over the distribution of the patented invention itself. *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 201 (1980) (“[A]s a lawful adjunct of his

patent rights, a [patent holder has] limited power to exclude others from competition in nonstaple goods.”); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441 (1984) (“A finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.”). Accordingly, contributory infringement necessarily involves the infringer’s actions regarding an article that infringes, even where the predicate direct infringement may occur only after importation. The Panel’s distinction between contributory infringement and inducement is thus consistent with, and mandated by, the relevant statutory language.<sup>4</sup>

**C. The Panel’s Decision Does Not Depend on When “Liability Attaches” for Inducement**

The Commission asserts that the Panel *implicitly* held that liability for inducement does not attach at the time of the inducing party’s culpable act. *See* Commission Petition at 9-10. The Commission then claims that implied holding conflicts with the Supreme Court’s decision in *Grokster* and with *Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345, 348 (Fed. Cir. 1985), where this Court held that, in cases of inducement, 35 U.S.C. § 286’s six-year limitation on suits for damages runs from the date of the inducer’s culpable acts, not from the

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<sup>4</sup> Cross Match’s reliance on *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331 (Fed. Cir. 2010), is misplaced. *Spansion*, a contributory infringement case, involved the importation of an infringing article: a nonstaple, material component of the patented invention; nothing in *Spansion* conflicts with the Panel’s decision. *See id.* at 1353-54.

time of direct infringement. *See* Commission Petition at 10.

As the Commission tacitly acknowledges, nothing in the Panel's opinion actually purports to determine when personal liability "attaches" for inducement of infringement.<sup>5</sup> Nor is any such conclusion implicit in the Panel's holding. The Commission's argument is based on the flawed strawman premise that a Section 337 violation is triggered by the timing of a party's "culpable act." But the plain language of Section 337 forecloses that argument. As the Panel held, a violation of Section 337(a)(1)(B) is triggered by the status of an *article* at the time of importation, *i.e.*, importation of an infringing article. *See* Panel Op. at 17. The timing of when a party's personal liability "attaches" is irrelevant.

**D. Section 337(d) Does Not Permit the Commission to Bar Future Imports of Non-Infringing Staple Articles based on Post-Importation Direct Infringement**

Appellees also contend that, once the Commission found a completed act of direct infringement of the '344 Patent by Mentalix, and inducement by Suprema, the Commission was then empowered by Section 337(d) to exclude future imports of Suprema's staple, non-infringing scanners to prevent future acts of domestic infringement. *See* Cross Match Petition at 7-8; Commission Petition at 14-15.

Appellees' argument based on Section 337(d) is entirely circular. The

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<sup>5</sup> Rather, the Panel merely made the unassailable factual observation that, where direct infringement has not yet occurred, there can be no liability for inducement under Section 271(b). Panel Op. at 20.



Commission's authority to exclude articles under Section 337(d) requires an underlying violation of Section 337(a)(1)(B). *See* 19 U.S.C. § 1337(d) ("If the Commission determines . . . that there is a violation of this section, it shall direct that the articles concerned . . . be excluded from entry into the United States . . ."). As the Panel held, however, there was no underlying violation of Section 337 in this case, because there is no infringing article imported; Suprema does not import infringing scanners. *See* Panel Op. at 21.<sup>6</sup> Nor were those scanners found to infringe after importation when combined with software other than Mentalix's. Contrary to Appellees' arguments, nothing in Section 337 permits the Commission to use post-importation domestic infringement to justify the future exclusion of staple articles to prevent possible future domestic infringement.<sup>7</sup>

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<sup>6</sup> The Commission's reliance on 35 U.S.C. § 283 and *Braintree Labs., Inc. v. Nephro-Tech, Inc.*, 81 F. Supp. 2d 1122 (D. Kan. 2000), is misplaced. Section 283 expressly grants district courts the authority to issue injunctions in accordance with equitable principles to *prevent* patent infringement. The Commission's authority under Section 337(d) of the Tariff Act, by contrast, is limited to excluding articles that infringe a valid U.S. patent. The Commission also claims that a provision in the exclusion order giving U.S. Customs and Border Protection ("CBP") discretion to admit scanners if Appellants certify that they are not covered by the order should "alleviate" the Panel's concerns about the order. Commission Petition at 14-15. But the Commission cannot cure its failure to establish a violation of Section 337 by tempering its exclusion order to give CBP discretion to admit Suprema's scanners. Nor should Suprema be required to make a certification concerning what third parties will or will not do with its scanners post-importation.

<sup>7</sup> *See* Nonconfidential Brief of Appellee Int'l Trade Comm'n, *S3 Graphics Co. v. Int'l Trade Comm'n*, No. 12-1127, 2012 WL 2885851, at \*28 (June 12, 2012) ("The plain language of section 337 does not make it unlawful to import articles

### **III. THE PANEL PROPERLY REJECTED THE COMMISSION'S INTERPRETATION OF SECTION 337(a)(1)(B)**

#### **A. Congress Did Not “Endorse” the Commission’s Current Interpretation when It Amended Section 337 in 1988**

Section 337 made no express mention of patent infringement prior to 1988, when Congress amended the Tariff Act to include the language at issue prohibiting the importation “of articles . . . that infringe” a U.S. patent. 19 U.S.C. § 1337(a)(1)(B). Based on an isolated statement in a conference report and several pre-1988 cases and Commission decisions, Appellees contend that Congress “endorsed” the Commission’s view that it may exclude articles based on inducement of infringement where the direct infringement occurs only post-importation. Commission Petition at 11-12; Cross Match Petition at 11-14.

Appellees’ “endorsement” argument fails for at least two reasons. First, the authorities cited by Appellees do not show a Commission practice of excluding articles based on inducement alone. The Commission cites *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247 (C.C.P.A. 1930), and *Young Engineers, Inc. v. U.S. International Trade Commission*, 721 F.2d 1305 (Fed. Cir. 1983), but both cases involved determinations that the products being imported into the United States themselves directly infringed the patents at issue, and so neither decision stands for the proposition advanced. *See Frischer*, 39 F.2d at 259 (“The appellants were

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that *do not infringe*, nor does it prohibit importing general purpose articles that may *later* be used to infringe . . .”).

importing material which constituted an infringement . . . .”); *Young Eng’rs*, 721 F.2d at 1308-09 (underlying Commission order prohibited importation of products that directly infringed patent).<sup>8</sup> Cross Match’s citation to *Certain Minoxidil Powder, Salts & Compositions for Use in Hair Treatment*, Inv. No. 337-TA-367, 1988 WL 582867 (Feb. 16, 1988), is similarly unavailing, as each entity there found to violate Section 337 also either directly or contributorily infringed.

Second, even if those authorities did support the Commission’s view, Appellees have provided no evidence that Congress knew of the Commission’s supposed interpretation when it amended Section 337 in 1988. *Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1311-12 (Fed. Cir. 2001) (finding no implied Congressional ratification where party “presented no evidence” that Congress knew of particular agency interpretation). Appellees cite to a single statement from the Conference Report for the 1988 Tariff Act amendments, merely stating that “[i]n changing the wording with respect to importation or sale, the conferees do not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights.” Cross Match Petition at 13 (quoting H.R. Rep. No. 100-576, at

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<sup>8</sup> The underlying Commission decision in *Young Engineers* further makes clear that the imported products at issue directly infringed. See *Certain Molded-In Sandwich Panel Inserts & Methods for their Installation*, Inv. No. 337-TA-99, 1982 WL 61887 (Apr. 9, 1982).

633 (1988) (Conf. Rep.); Commission Petition at 12 (same). But a single, ambiguous reference to “current law” in a committee report, with no mention of the specific agency interpretation at issue—or even any reference to the issue for which Congress supposedly adopted the Commission’s interpretation—is manifestly insufficient to show that Congress adopted the Commission’s interpretation of Section 337. *See Micron Tech., Inc.*, 243 F.3d at 1312 (ambiguous references to “current practice” in congressional report “fall far short of demonstrating that Congress was aware of [an agency’s] interpretation, or that it endorsed it”).<sup>9</sup>

For the same reasons, Cross Match’s suggestion that Congress endorsed the Commission’s post-1988 interpretation of Section 337 by failing to amend the language in question is also meritless. Cross Match has provided no evidence of either a settled agency practice of finding violations of Section 337 based solely on inducement of post-importation domestic infringement, or of Congressional awareness of any such practice.

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<sup>9</sup> *Disabled American Veterans v. Secretary of Veterans Affairs*, 419 F.3d 1317, 1322-23 (Fed. Cir. 2005), on which Cross Match relies, is readily distinguishable. In that case, unlike here, Congress was aware of the agency regulation in question, and it “explicitly recognized and endorsed that practice in both the legislative history and the statutory text.” *Id.* at 1323.

**B. The Panel Correctly Concluded that Congressional Intent Is Clear from the Unambiguous Statutory Language**

Appellees also argue that the Panel erred in failing to give *Chevron* deference to the Commission's supposed longstanding interpretation of Section 337 as authorizing the Commission to exclude articles based on inducement even where direct infringement occurs only post-importation. *See* Commission Petition at 11-13; Cross Match Petition at 8-11.

Because the Panel found that the unambiguous statutory language speaks directly to the requirements for a violation of Section 337(a)(1)(B), the Panel properly refused to give *Chevron* deference to the Commission's interpretation of Section 337.<sup>10</sup> Panel Op. at 15-18, 26 & n.5; *see Kyocera Wireless Corp. v. Int'l Trade Comm'n*, 545 F.3d 1340, 1355 (Fed. Cir. 2008) (where Congress has directly spoken to issue, "the court must give effect to the unambiguously expressed intent of Congress") (internal quotation marks omitted).

Significantly, Appellees do not explain how the statutory language at issue is ambiguous, such that *Chevron* deference would be warranted. Appellees instead simply cite a series of cases and Commission decisions that Appellees contend show that the Commission's interpretation of the statute is "reasonable" and has

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<sup>10</sup> Insofar as this case also involves the interpretation of 35 U.S.C. § 271, this Court also owes no deference to the Commission's interpretation of that statute. *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 1565 n.5 (Fed. Cir. 1986) (court owes no deference to Commission's interpretation of patent statutes).

been affirmed by this Court. But none of the decisions cited by Appellees actually presented this Court with the question involved in this case. In addition, all of the opinions cited by Appellees involving inducement of infringement also involved findings of either direct or contributory infringement (or no infringement at all), and so inducement was not necessary to support those decisions.<sup>11</sup> Appellees do not point to a single case in which inducement of post-importation direct infringement provided the sole basis for the exclusion of products under Section 337. Accordingly, this Court has not previously affirmed or deferred to the Commission's interpretation of Section 337(a)(1)(B).

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<sup>11</sup> See *Spansion*, 629 F.3d at 1353-55 (contributory infringement); *Vizio, Inc. v. Int'l Trade Comm'n*, 605 F.3d 1330, 1335, 1343 (Fed. Cir. 2010) (direct infringement); *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1323, 1331 (Fed. Cir. 2010) (direct infringement); *ERBE Elektromedizin GmbH v. Int'l Trade Comm'n*, 566 F.3d 1028, 1033, 1037 (Fed. Cir. 2009) (no direct or indirect infringement); *Certain Digital Set-Top Boxes & Components Thereof*, Inv. No. 337-TA-712, 2011 WL 2567284, at \*136 (May 20, 2011) (direct and contributory infringement); *Certain Optoelectronic Devices*, Inv. No. 337-TA-669, 2011 WL 7628061, at \*79 (Mar. 12, 2010) (direct and contributory infringement); *Alloc, Inc. v. Int'l Trade Comm'n*, 342 F.3d 1361, 1374 (Fed. Cir. 2003) (no infringement); *Certain Elec. Devices*, 2012 WL 3246515, at \*12-13 (finding no indirect infringement). *Kyocera Wireless Corp.* involved an exclusion order based only on inducement, but the facts of that case involved direct infringement at the time of importation. See 545 F.3d at 1345-46. *Broadcom Corp. v. International Trade Commission*, 542 F.3d 894, 896, 898-900 (Fed. Cir. 2008), involved the same underlying facts and a finding of no direct infringement or inducement.

**IV. THE PANEL'S DECISION WILL NOT IMPAIR THE COMMISSION'S ABILITY TO ENFORCE SECTION 337**

Appellees finally argue that the Panel's decision will negatively impact the Commission's ability to fulfill its statutory function. Cross Match asserts that, because the Panel's decision limits the circumstances under which the Commission can find a violation of Section 337(a)(1)(B), the decision will "allow[] importers to circumvent the statute's critical protections against unfair trade practices." Cross Match Petition at 14. The Commission (along with *amici* Nokia Corporation and Nokia USA) suggests that the Panel's decision may also foretell the demise of Section 337 violations based on contributory infringement. Commission Petition at 4 n.3. Neither concern provides a basis for rehearing.

Cross Match's speculative claim that the Panel's decision will permit importers to circumvent Section 337 with impunity is dramatically overblown. Indeed, that Cross Match could not identify a single case in which a Commission exclusion order was based *solely* on a party's inducement of post-importation direct infringement suggests that the actual impact of the Panel's decision on the Commission's practice will be minimal. Moreover, even in cases that are outside the reach of Section 337, the patent holder may still seek relief for all forms of patent infringement via a civil action in the district court. Finally, and most importantly, the Panel properly decided only the case before it. This case simply does not involve the hypothetical "circumvention" feared by Cross Match, and the

Panel had no occasion to recommend a response to such a hypothetical case. This case involved the exclusion of staple articles (found by the Commission to have substantial non-infringing uses) merely because those articles could be combined post-importation with domestically developed software in a manner that infringes a U.S. patent. The Panel applied Section 337(a)(1)(B) to those facts, and it reached the correct result based on the plain language of the statute. Indeed, any contrary decision would have opened a Pandora's Box of conduct-based litigation untethered to articles or the *in rem* nature of jurisdiction under Section 337.

Finally, the Commission's and *amici*'s concerns that the Panel's opinion also precludes violations of Section 337 based on contributory infringement are also meritless. The Panel's opinion on its face does not purport to extend to contributory infringement, and, in fact, the Panel's reasoning affirmatively demonstrates that contributory infringement can be used to establish a Section 337 violation, even where direct infringement occurs only after importation. *See* Panel Op. at 18-21 & n.4. Rehearing is thus neither necessary nor warranted to clarify the Panel's opinion.

### **CONCLUSION**

For the foregoing reasons, the Court should deny the rehearing petitions in their entirety.



Dated: March 25, 2014

Respectfully submitted,

*/s/ Darryl M. Woo*

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**CERTIFICATE OF SERVICE**

I, Darryl M. Woo, hereby certify that on March 25, 2014, caused the foregoing **APPELLANTS' COMBINED RESPONSE TO JOINT PETITIONS FOR PANEL REHEARING AND REHEARING EN BANC** to be served on the following parties as indicated below:

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Dated: March 25, 2014

By: /s/ Darryl M. Woo  
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