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An Important ITC Lesson For Tech Companies

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The U.S. International Trade Commission has become an increasingly appealing venue post-eBay,[1] in part, because it offers injunctive relief. But this relief is not easily obtained. To secure an exclusion order or a cease-and-desist order at the commission, a patent owner must prove not only patent infringement under 35 U.S.C. § 271, but also a violation of 19 U.S.C. § 1337.


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The difference between a Section 337 violation and patent infringement has important consequences for software and hardware companies who find themselves at the commission. For example, in order to obtain an exclusion order against a device that includes both hardware and software, a patent owner should always allege both direct and indirect infringement. If the patent owner fails to do so, a respondent who infringes a valid and enforceable patent can potentially avoid a Section 337 violation — and the exclusion of its infringing device — by simply importing the hardware and software components of that device separately. This article explores why.

At the Commission, a Section 337 Violation Can Be Found Only for "Articles That Infringe"

"The Commission 'is a creature of statute, and must find authority for its actions in its enabling statute.'"[2] This enabling statute, 19 U.S.C. § 1337, "addresses the importation of articles into the United States."[3]

In particular, Section 337 provides in relevant part:[4]

[T]he 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:

* * *

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, United States Code; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable patent.

By its text, this statute lists three acts that may give rise to a Section 337 violation: (1) importation; (2) sale for importation; and (3) sale after importation.[5] But these acts are unlawful only if tied to "articles that ... infringe."[6]

Patent Owners Should Always Allege Both Direct and Indirect Infringement

The Federal Circuit recently confirmed, in Suprema Inc. v. International Trade Commission, that Section 337 grants the commission authority to prevent the importation of articles that infringe either directly or indirectly.[7] In particular, the Suprema case illustrates how a patent owner can rely on indirect infringement to exclude a hardware device that does not include the infringing software at the time of importation.

In that case, Suprema manufactured the accused biometric scanners overseas, and Mentalix imported the scanners into the U.S. and then installed software that it developed by using Suprema's software development kits.[8] The commission found that the combination of Suprema's scanners and Mentalix's software infringed certain asserted claims.[9] Based on these findings, the commission issued (1) a limited exclusion order directed to biometric scanners manufactured or imported by Suprema or Mentalix and (2) a cease-and-desist order prohibiting Mentalix from importing or selling these scanners. To reach this result, the commission interpreted Section 337 to grant it authority to exclude goods that were used by an importer (e.g., Mentalix) to directly infringe post-importation as a result of the seller's (e.g., Suprema's) inducement. This interpretation and the exclusion order that stemmed from it were eventually affirmed by the Federal Circuit.[10], [11] So Suprema illustrates one way in which indirect infringement is used at the commission.

Indirect infringement is also required at the commission when relying on method claims. This is illustrated in Electronic Devices.[12] There, the accused products included certain Apple laptops and desktops that used a specific compression software.[13] The commission found that "Apple d[id] not directly infringe the patented method when it import[ed] the accused computers because the act of importation is not an act that practices the steps of the asserted method claim."[14] Further, neither Apple's domestic testing of the accused computers nor its sale of domestically developed software constituted a Section 337 violation.[15] For a method claim, the commission has consistently held that a Section 337 violation can only be based on indirect — not direct — infringement.[16] Because the patent owner in Electronic Devices proved only direct infringement of the accused method — and not indirect infringement by the imported computers — the patent owner failed to establish the existence of a Section 337 violation.[17]

But the commission's rationale for this result may no longer be valid post-Suprema. According to Electronic Devices, the commission relies on indirect infringement when analyzing whether a patented method can lead to a Section 337 violation. The commission explained:

"Use" of a patented method may constitute infringement under 35 U.S.C. § 271(a), but domestic use of such a method, without more, is not a sufficient basis for a violation of section 337(a)(1)(B)(i), which concerns the "importation" or "sale" of articles that infringe a U.S. patent.[18]

According to Electronic Devices, the commission "interpret[s] the phrase 'articles that — infringe' to reference the status of the articles at the time of importation."[19] But the Federal Circuit recently said in its en banc decision in Suprema that Section 337 cannot be read to "unambiguously ... require that infringement occur at the time of importation."[20] So it's unclear after Suprema how much of the commission's rationale in Electronic Devices is still valid.

Recent Case Law Says That the Commission Cannot Exclude Electronic Data Transmissions

ClearCorrect[21] is another example where the accused products were found to infringe, but these products were not excluded because the infringement did not give rise to a Section 337 violation. Specifically, in ClearCorrect, the accused products were digital data sets that ClearCorrect Pakistan transmitted into the U.S.[22] ClearCorrect U.S. used these digital data sets in the U.S. to make 3-D prints of the desired physical models of orthodontic aligners.[23] The commission found a Section 337 violation based on ClearCorrect Pakistan's activities, but not the activities of ClearCorrect U.S.

The Federal Circuit panel reversed the commission's finding of a Section 337 violation — despite the undisputed factual finding that the data transmissions infringed a valid U.S. patent. According to the panel majority, this infringement could not give rise to a Section 337 violation because the term "articles" as used in Section 337 covers only "material things," not electronic data transmissions over the Internet.[14] The Federal Circuit recently decided not to review this panel decision en banc. Although this decision could still be reviewed by the U.S. Supreme Court, for now data transmissions — by themselves — are not actionable under Section 337.

Conclusions

At least for now, the lesson for patent owners is clear: A patent owner should allege both direct and indirect infringement — particularly when accusing component products or when asserting method claims. Often a patent owner will not know whether direct infringement will be sufficient for a Section 337 violation until after detailed discovery regarding the manufacturing, importation, and distribution process — by which time it may be too late to add indirect infringement. When accusing the combination of imported hardware with software that is developed in the U.S. or imported by electronic transmission, the patent owner must show indirect infringement of the imported hardware.

These cases also illustrate that electronics manufacturers and retailers can potentially avoid a Section 337 violation by simply importing their hardware and software components separately. If these components are imported separately, then the patent owner must prove both direct and indirect infringement to show that a Section 337 violation exists — making it more difficult for the patent owner to secure an exclusion order or a cease-and-desist order.

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[1] eBay Inc. v. MercExchange, LLC, 547 U.S. 388 (2006).

[2] In re Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software, Inv. No. 337-TA-724, at 12 (Comm'n Op. Dec. 21, 2011).

[3] Certain Digital Models, Digital Data, and Treatment Plans for Use in Making Incremental Dental Positioning Adjustment Appliances, the Appliances Made Therefrom, and Methods of Making Same, Inv. No. 337-TA-833, Order No. 20 at 26 (Jan. 14, 2013).

[4] 19 U.S.C. § 1337(a)(1)(B) (emphasis added).

[5] Id.

[6] Id.

[7] See, e.g., Suprema, Inc. v. Int'l Trade Comm'n, 796 F.3d 1338 (Fed. Cir. 2015).

[8] In the Matter of Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same, Inv. No. 337-TA-720, at 3-4, 16 (Comm'n Op. Nov. 10, 2011).

[9] Id. at 7.

[10] Suprema, Inc. v. Int'l Trade Comm'n, 796 F.3d 1338 (Fed. Cir. 2015) (en banc).

[11] Suprema, Inc. v. Int'l Trade Comm'n, 2015 U.S. App. LEXIS 16515 (Fed. Cir. Sept. 14, 2015) (non-precedential).

[12] In re Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software, Inv. No. 337-TA-724 (Comm'n Op. Dec. 21, 2011).

[13] Id. at 7-8.

[14] Id. at 17.

[15] Id. at 21-22.

[16] Id. at 18.

[17] Id. at 18-19.

[18] Id. at 19.

[19] Id. at 13-14 (emphasis added).

[20] Suprema, 796 F.3d at 1348 (emphasis added).

[21] Clear Correct Operating, LLC v. Int'l Trade Comm'n, 810 F.3d 1283, 2015 WL 6875205, at *1 (Fed. Cir. 2015).

[22] Id.

[23] Id.

[24] Id.