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IP Newsflash



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FEDERAL CIRCUIT CASES

U.S.I.T.C. May Not Issue Exclusionary Order Due to Induced Infringement When Direct Infringement Occurs Only After Importation

In a panel decision, the Court of Appeals for the Federal Circuit reversed a United States International Trade Commission (ITC) ruling, holding that an exclusionary order based on 35 U.S.C. § 1337(a)(1)(B)(i) may not be issued for indirect infringement when the act of direct infringement only occurs after the importation of the accused articles.

The complainant, Cross Match Techs., Inc. (Cross Match), asserted that respondents Suprema, Inc. (Suprema) and Mentalix, Inc. (Mentalix) infringed three patents directed to biometric scanning technology by importing certain optical scanners. Suprema is a Korean company that manufactures hardware and software for scanning fingerprints. Mentalix, a domestic company, imports Suprema's scanners and adds its own software. The ITC found that Mentalix directly infringed the method claims of one patent after importation by combining its software with Suprema's scanners, and that Suprema induced this infringement. Accordingly, it issued an exclusionary order against Suprema's scanners.

On appeal, Suprema argued that it did not import "articles that infringe" as required by § 337(a)(1)(B)(i). Cross Match conceded that the imported articles do not directly infringe the method claims at the time of importation. However, both Cross Match and the ITC argued that "articles that infringe" can involve any type of infringement, whether direct, induced, or contributory infringement.

The Federal Circuit applied the *Chevron* standard to determine if the scope of the ITC's power was clearly granted by statute. If the scope of power was ambiguous, then the Federal Circuit would determine if the ITC's interpretation of the statute was reasonable. After reviewing § 337(a)(1)(B)(i), the Federal Circuit determined that statutory authority given to the ITC clearly extended only to articles that infringe at the time of importation. Thus, exclusionary orders must be based on the infringing nature of that article when imported. Further, the Federal Circuit noted case law holding that inducement of infringement can only occur if an act of direct infringement occurs. Because the scanners did not infringe by themselves, no direct act of infringement occurred at the time of importation. Further, because direct infringement only occurred when combined with Mentalix's software, any direct infringement was based on the intent of a party post-importation and not inherent to the article itself. Accordingly, the Federal Circuit held that the ITC lacked authority to issue an exclusionary order on the scanners and vacated the order against Suprema.

On May 13, 2014, the Federal Circuit agreed to rehear the appeal *en banc* and vacated its earlier December 13, 2013 decision. Oral arguments are expected to occur this fall.

Suprema, Inc. v. U.S.I.T.C., 742 F.3d 1350 (Fed. Cir. 2013).

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PATENT TRIAL AND APPEAL BOARD

PTAB Declines Institution of Second-Filed Petition Based on New Prior Art, Citing "Substantially Same Argument"

In a decision issued on October 20, 2014, the Patent Trial and Appeal Board (PTAB) declined to institute *inter partes* review based on a petition filed by Conopco, Inc. d/b/a Unilever. According to the board, the petition raised "substantially the same" argument as a petition previously filed by Unilever and rejected by the board. The instant petition was the second petition filed by Unilever against the same claims in the same patent. The first petition filed by Unilever was rejected because the prior art put forth did not make a sufficient showing. In declining to institute based on the instant petition, the board did not squarely address the merits of the newly asserted grounds. Instead, the board acknowledged that Unilever advanced some new prior art, but nevertheless rejected the petition, citing 35 U.S.C. § 325(d), which indicates the board may consider whether "the same or substantially the same prior art or arguments" were previously presented to the office in determining whether to institute a proceeding. The board found that even though the prior art in the instant petition was different, "the two petitions are based on 'substantially the same' argument; namely, that the prior art identifies, with anticipatory specificity, [the claimed element]." In other words, the board was persuaded by the patent owner that the argument was the same across petitions even though the prior art that was relied upon was different.

The PTAB's order does not require that every later-filed petition by the same party on the same claims using different prior art be denied institution. First, Unilever did not address 35 U.S.C. § 325(d) in its petition, and did not attempt to distinguish the instant petition from the first petition. Second, some of the primary references asserted

in the second petition were listed on the face of the patent-at-issue, which, according to the board, implicated other language of 35 U.S.C. § 325(d), i.e., that some of the prior art was “the same or substantially the same prior art [] previously presented to the office.” Third, the board also indicated that Unilever did not explain why the references asserted in the later petition could not have been filed in the first petition. Thus, according to the board, the “interests of fairness, economy, and efficiency support declining review—a result that discourages the filing of a first petition that holds back prior art for use in successive attacks.”

Conopco, Inc. d/b/a Unilever v. The Procter & Gamble Company, Case IPR2014-00628 (PTAB Oct. 20, 2014).

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