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The Scope of § 337 Post-Suprema, Inc. v. International Trade Commission

Matthew Davis

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NOTE

The Scope of § 337 Post-*Suprema*, Inc. v. International Trade Commission

Suprema, Inc. v. International Trade Commission, 796 F.3d 1338 (Fed. Cir. 2015) (en banc).

*Matthew Davis**

I. INTRODUCTION

Imagine that a statute prohibits the distribution of murder weapons. Now, suppose that Gang A (“A”) sends Gang B (“B”) a shipment of freshly assembled, unused guns, intending to induce B to commit murders. At the moment B receives the shipment, are those guns murder weapons? If not, would you answer differently if A had already shipped B thousands of guns, all of which B ultimately used to commit murder? If not, would your answer change if law enforcement could intervene only after B commits murder?

The Federal Circuit recently grappled with similar questions in a patent law context. In *Suprema, Inc. v. International Trade Commission*,¹ the court was concerned with 19 U.S.C. § 1337 (“§ 337”), a provision of the Tariff Act of 1930 which proscribes the importation of “articles that infringe” a patent.² At issue was whether goods that did not infringe a patent in their own right could be considered “articles that infringe” based on the importer’s intent to use those goods to induce infringement of a patented method.³ One might naturally answer no. Much like a gun distributed with intent to induce murder is not yet a murder weapon at the moment of its distribution, an article imported with intent to induce infringement is not yet an article that infringes at the time of importation.⁴ The Federal Circuit, however, concluded otherwise.⁵ At oral argument, the court appeared to latch on to the fact that all

* B.S., University of Missouri, 2014; J.D. Candidate, University of Missouri School of Law, 2017; Lead Articles Editor, *Missouri Law Review*, 2016–2017. I would like to thank Professor Dennis Crouch for his much-appreciated input and guidance. I would also like to thank the members of the *Missouri Law Review* for improving this Note by offering thoughtful edits and criticism.

1. 796 F.3d 1338 (Fed. Cir. 2015) (en banc).

2. Tariff Act of 1930, 19 U.S.C. § 1337(a)(1)(B)(i) (2012).

3. *Suprema*, 796 F.3d at 1342.

4. *See id.* at 1354 (Dyk, J., dissenting) (“It is a far different matter where . . . inducement is separate from the importation, and the articles . . . may or may not ultimately be used to directly infringe a method claim . . .”).

5. *Id.* at 1352–53 (majority opinion).

imported articles were ultimately used to infringe the patent.⁶ And throughout its opinion, the court was clearly concerned with the prospect that ruling to the contrary would prevent the International Trade Commission (“ITC”) from excluding these articles.⁷

The court began its analysis by examining the ITC’s import-excluding construction under the *Chevron* framework.⁸ After deeming the phrase “articles that infringe” ambiguous, the court concluded that the ITC’s interpretation was reasonable and authorized the agency to exclude non-infringing imports that may or may not be used to induce infringement.⁹ Although this broadens the ITC’s jurisdiction over patents focused on novel methods of use, the court’s attempt to fill a statutory gap may create far more issues.¹⁰

This Note first sets forth the facts and holding of the Federal Circuit’s decision in *Suprema*. Then, it examines the origins of the ITC, the relationship between § 337 and the Patent Act, and the cases that were raised in the majority and dissenting opinions. Next, it details the court’s interpretation of § 337 under the *Chevron* framework. Finally, this Note appraises the court’s construction, addresses the concerns underlying the decision, and assesses the harmful consequences of extending the ITC’s authority to the importation of non-infringing articles intended to induce post-importation infringement.

II. FACTS AND HOLDING

Cross Match Technologies, Inc. (“Cross Match”), a domestic supplier of fingerprint scanners and the intervenor in this action, is the assignee of a patented fingerprint scanning method.¹¹ *Suprema*, Inc. (“Suprema”), a Korean manufacturer of fingerprint scanners, and Mentalix, Inc. (“Mentalix”), a domestic importer of Suprema’s scanners, are the appellants.¹² Suprema’s scanners cannot function until they are loaded with custom-developed software.¹³ After Mentalix imports Suprema’s scanners, it loads them with its own software and then uses and sells the final products.¹⁴ The ITC, the ap-

6. See Oral Argument at 47:26, *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338 (Fed. Cir. 2015) (No. 12-1170), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2012-1170_252015.mp3.

7. *Suprema*, 796 F.3d at 1351–52.

8. *Id.* at 1346–53.

9. See *id.* at 1369 (O’Malley, J., dissenting).

10. See *id.* (“The majority’s attempt to shoehorn the language of § 1337(a)(1)(B)(i) into a strained interpretation of the statute under the guise of deferring to the Commission’s interpretation may prevent some rare potential abuses of our patent system, but [it] also opens Pandora’s Box.”).

11. See *Suprema Inc. v. Int’l Trade Comm’n*, 742 F.3d 1350, 1357 (Fed. Cir. 2013), *vacated*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc); U.S. Patent No. 7,203,344 (filed Jan. 16, 2003).

12. *Suprema*, 796 F.3d at 1355.

13. *Id.* at 1341–42.

14. *Id.* at 1342.

pellee in this action, is a quasi-judicial federal agency authorized by § 337 to investigate the importation of articles that infringe a patent.¹⁵

In May 2010, Cross Match filed a § 337 complaint with the ITC, alleging that Mentalix directly infringed its patent and that Suprema induced that infringement.¹⁶ The ITC concluded that Mentalix directly infringed Cross Match's patent by integrating its software with Suprema's scanners and using the final product within the United States.¹⁷ The ITC also found that Suprema had induced this infringement.¹⁸ Based on these findings, the ITC issued an exclusion order blocking the importation of Suprema's scanners and a cease-and-desist order enjoining Mentalix's distribution of the scanners.¹⁹ Suprema and Mentalix subsequently appealed the ITC's findings to the Court of Appeals for the Federal Circuit.²⁰

On appeal, Suprema and Mentalix argued that the ITC had no authority to issue the exclusion order because the scanners could not be used to infringe until after importation.²¹ A panel of the Federal Circuit agreed and vacated the ITC's ruling.²² Because the statutory phrase "articles that infringe" references the status of the articles at the time of importation, the court reasoned that an exclusion order could not be based on induced infringement if direct infringement only occurred after importation.²³

After the ITC and Cross Match successfully petitioned for rehearing en banc,²⁴ the Federal Circuit began its analysis by examining the ITC's construction of § 337 under the *Chevron* framework.²⁵ Under the first step of

15. See Tariff Act of 1930, 19 U.S.C. § 1337(b) (2012).

16. *Suprema*, 796 F.3d at 1341–42.

17. *Id.* at 1343.

18. *Id.*

19. See generally *Suprema Inc. v. Int'l Trade Comm'n*, 626 F. App'x 273 (Fed. Cir. 2015); see *Certain Biometric Scanning Devices, Components Thereof, Associated Software, & Prods. Containing the Same*, Inv. No. 337-TA-720, USITC Pub. 4366, 2011 WL 8883591 (Nov. 10, 2011) (Final).

20. *Suprema*, 796 F.3d at 1344.

21. *Id.*

22. *Suprema, Inc. v. Int'l Trade Comm'n*, 742 F.3d 1350, 1357 (Fed. Cir. 2013), vacated, 796 F.3d 1338 (Fed. Cir. 2015) (en banc).

23. *Id.* at 1357 ("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.").

24. *Suprema*, 796 F.3d at 1345.

25. *Id.* at 1346. In *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, the Supreme Court set forth a two-part test for determining whether judicial deference is granted to an agency's interpretation of a statute which it administers. 467 U.S. 837, 842–43 (1984). A court must first ask whether the statutory language directly answers the precise question at issue. *Id.* at 842. If yes, the court must give effect to Congress's unambiguous intent. *Id.* at 842–43. If no, the court must next ask "whether the agency's answer is based on a permissible construction of the statute." *Id.* at 843. The agency's interpretation will prevail if it is not unreasonable,

Chevron, the court concluded that § 337 did not clearly address whether the ITC could base an exclusion order on the inducement of post-importation infringement.²⁶ In reaching this conclusion, the court cited the disparity between § 337's reference to infringing "articles" and the Patent Act's reference to infringing "conduct."²⁷ The court then proceeded to the second step of *Chevron*, under which it determined that the ITC's construction was reasonable.²⁸ In particular, the court explained that the ITC's construction was consistent with its congressional mandate "to safeguard United States commercial interests at the border" and supported by "the statutory text, policy, and legislative history of Section 337."²⁹ Accordingly, the court reversed the panel's decision and reinstated the ITC's ruling that non-infringing articles used to induce post-importation infringement are "articles that infringe."³⁰

III. LEGAL BACKGROUND

Part A discusses the origins of the ITC and the expansion of the agency's authority following amendments to its governing statute, § 337. Part B examines cases concerning induced infringement that purportedly lend support to the instant decision. Lastly, Part C discusses ITC practice consistent with the view that non-infringing imports used to induce post-importation infringement are not "articles that infringe."

A. Origins of the ITC and Modern § 337

From its inception until 1974, the ITC's authority was relatively meager. In 1916, Congress established the ITC, then known as the Tariff Commission, through the Revenue Act.³¹ In its infancy, the ITC was a fact-finding agency,³² advising Congress as it set tariff rates and the President as he administered tariff laws.³³ The ITC first acquired the authority to investigate importation when Congress enacted the Tariff Act of 1930.³⁴ Section 337, like its

whether or not the court would have arrived at the same result. *Holder v. Martinez Gutierrez*, 132 S. Ct. 2011, 2017 (2012).

26. *Suprema*, 796 F.3d at 1346.

27. *Id.* at 1347.

28. *Id.* at 1349.

29. *Id.* at 1341, 1349.

30. *Id.* at 1352–53.

31. Pub. L. No. 64-271, 39 Stat. 795 (1916).

32. Daniel K. Tarullo, *Law and Politics in Twentieth Century Tariff History*, 34 UCLA L. REV. 285, 298 (1986).

33. Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529, 541 (2009).

34. Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703–04 (1930) (codified as amended at 19 U.S.C. § 1330 (2012)).

precursor, proscribed “unfair methods of competition and unfair acts in the importation of articles into the United States.”³⁵

The ITC’s authority broadened considerably when Congress amended § 337 through the Trade Act of 1974.³⁶ The amendment not only granted the agency final decision-making authority, but authorized the ITC to issue exclusion orders barring the importation of infringing articles and cease-and-desist orders enjoining the post-importation sale of infringing imports.³⁷ Because this relief allowed patentees to effectively block allegedly infringing imports, the ITC’s popularity as a forum increased.³⁸ In an attempt to limit the scope of its jurisdiction, the ITC subsequently required “some nexus between unfair methods or acts and importation” before it had power to act.³⁹

The Omnibus Foreign Trade and Competitiveness Act of 1988 substantively amended § 337, rendering the nexus requirement obsolete⁴⁰ and creating the statutory scheme at issue.⁴¹ With minor exceptions, § 337 splits unlawful activities into two categories: (1) unfair competition or unfair acts in the importation of articles that do not infringe intellectual property; and (2)

35. Compare Tariff Act of 1922, Pub. L. No. 67-318, § 316(a), 42 Stat. 858, 943 (1922), with Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703–04 (1930) (codified as amended at 19 U.S.C. § 1337 (2012)); *Frischer & Co., Inc. v. Bakelite Corp.*, 39 F.2d 247, 257 (C.C.P.A. 1930) (construing § 316 and holding that “unfair methods of competition and unfair acts” included “the importation and sale of [infringing] articles during the life of [a] patent”); *In re Orion Co.*, 71 F.2d 458, 463 (C.C.P.A. 1934) (noting that § 316 “was the prototype of section 337 . . . and is, in substance, the same”).

36. Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978, 2009 (1975) (codified as amended at 19 U.S.C. § 2231 (2012)) (“The United States Tariff Commission . . . is renamed as the United States International Trade Commission.”).

37. §§ 377(d), (f), 88 Stat. at 2054–55; Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 73 (2008).

38. Chien, *supra* note 37, at 73–74; Kumar, *supra* note 33, at 546 (noting that “75% of all § 337 actions involved patent infringement, 22% involved trademark infringement, and 4% [involved] copyright infringement”). Prior to 1974, few cases brought under § 337 involved patents, in part, because complainants were forced to comply with an unattractive and informal remedial procedure. *Id.* at 544. To obtain relief, a patentee would first submit a complaint to the ITC. *Id.* If convinced of the merits of the case, the ITC would then attempt to persuade the President to exclude the infringing articles. *Id.*

39. *Certain Elec. Devices with Image Processing Sys., Components Thereof, & Associated Software*, Inv. No. 337-TA-724, USITC Pub. 4374, 2012 WL 3246515, at *10 (Dec. 21, 2011) (Final) (quoting *Certain Welded Stainless Steel Pipe & Tube*, Inv. No. 337-TA-29, USITC Pub. 863, 1978 WL 50692, at *11 (Feb. 22, 1978) (Final)).

40. *Id.* at *11 (“Modern section 337(a)(1)(B)(i) eliminated the domestic industry injury requirement, obviating a need to show a nexus between importation and injury . . .”).

41. See Pub. L. No. 100-418, 102 Stat. 1107 (codified at 19 U.S.C. § 1337 (2012)).

the importation, sale for importation, or post-importation sale of articles that infringe intellectual property.⁴² Section 337(a)(1)(B) proscribes the importation, sale for importation, or post-importation sale of articles that infringe a patent or are made using a patented process.⁴³ As used in § 337(a)(1)(B)(i), the word “infringe” derives its meaning from the provision defining patent infringement, 35 U.S.C. § 271.⁴⁴

B. Patent Infringement Under § 271

Patent infringement may be direct or indirect.⁴⁵ One directly infringes a patent by using, making, offering to sell, selling, or importing a patented invention.⁴⁶ There are two types of indirect infringement, both of which must be predicated on an underlying act of direct infringement.⁴⁷ The first, infringement by inducement, occurs when one actively induces infringement of a patent.⁴⁸ This form of indirect infringement is often analogized to aiding and abetting a crime or tort.⁴⁹ The second, contributory infringement, occurs when one sells, offers to sell, or imports a material component of a patented invention that is substantially incapable of non-infringing use.⁵⁰

In *Suprema*, the majority opinion cited *Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co., Ltd.*⁵¹ in support of its ruling.⁵² There, the issue was whether the laches period for claims of induced infringement began running at the moment of direct infringement or, instead, at the moment of the

42. Tariff Act of 1930, 19 U.S.C. § 1337(a)(1)(A) (2012) (establishing “[u]nfair methods of competition and unfair acts”); §§ 1337(a)(1)(B)–(E) (violation of intellectual property rights).

43. *Id.* § 1337(a)(1)(B).

44. *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1346 (Fed. Cir. 2015) (en banc).

45. *See id.* at 1344.

46. § 271(a).

47. *See, e.g., Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 340–41 (1961); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014).

48. § 271(b). The inducing party must also know that the induced acts constitute infringement. *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 765 (2011). This knowledge may be shown by either actual knowledge or willful blindness. *Id.* at 2069. To prove willful blindness, a plaintiff must show the inducing party subjectively believed in a high probability that the induced acts constituted infringement and took deliberate actions to avoid learning of infringement. *Id.* at 2070.

49. *E.g., Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990) (analogizing the inducement of infringement to aiding and abetting a tort); *Sims v. W. Steel Co.*, 551 F.2d 811, 817 (10th Cir. 1977) (analogizing one who induces infringement to an accessory before the fact).

50. § 271(c).

51. 754 F.2d 345 (Fed Cir. 1985).

52. *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1348 (Fed. Cir. 2015) (en banc).

inducing act.⁵³ A domestic corporation (“Sohio”) claimed that a foreign manufacturer incurred inducement liability by supplying an article used to infringe its patented process but filed suit more than six years after direct infringement occurred.⁵⁴ Writing for the court, Judge Rich concluded that “liability arose as of the time the acts were committed” for purposes of the laches period, which barred Sohio’s recovery.⁵⁵ As a result, *Standard Oil* teaches that Cross Match would have no remedy if it brought suit against Suprema more than six years after the inducing acts were committed.⁵⁶ It is difficult to discern how the case lends support to the majority’s conclusion that the ITC has power to act based on “the indirect infringer’s own acts, including importation that is part of inducement.”⁵⁷

The ITC advanced a similar argument in its appellate brief.⁵⁸ In particular, the ITC argued that, under *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*,⁵⁹ an article supplied with intent to induce infringement is an article that infringes.⁶⁰ In *Grokster*, the issue was whether the proprietor of a peer-to-peer file-sharing program was liable for copyright infringement by virtue of knowingly and intentionally distributing free software that allowed its users to share copyrighted music and videos.⁶¹ The Supreme Court answered in the affirmative, holding that “one who distributes a device with the object of promoting its use to infringe . . . , as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”⁶² In a footnote, the Court clarified that “the culpable act [was] not merely the encouragement of infringement but also the distribution of the tool intended for infringing use.”⁶³ However, a fair reading of the case provides poor support for the ITC’s argument. *Grokster* does not contradict the principle that inducement liability must be predicated on

53. *Id.* at 348.

54. § 286 (“[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . . for infringement in the action.”).

55. *Standard Oil Co.*, 754 F.2d at 348 (emphasis omitted).

56. See Brief of Amicus Curiae Microsoft Corp. in Support of Neither Party at 17 n.9, *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338 (Fed. Cir. 2015) (No. 12-1170), 2014 WL 4312225, at *17; Appellants’ Non-Confidential En Banc Reply Brief at 10, *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338 (Fed. Cir. 2015) (No. 12-1170), 2014 WL 6746882, at *10.

57. *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1348 (Fed. Cir. 2015) (en banc).

58. See Appellants’ Non-Confidential En Banc Reply Brief, *supra* note 56, at 23–25.

59. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

60. See Non-Confidential En Banc Brief of Appellee International Trade Commission at 24, *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338 (Fed. Cir. 2015) (No. 12-1170), 2014 WL 5427827, at *23–24.

61. *Grokster*, 545 U.S. at 920–21.

62. *Id.* at 919.

63. *Id.* at 940 n.13.

direct infringement.⁶⁴ Indeed, the Court later reiterated in its opinion that “the inducement theory of course requires evidence of actual infringement.”⁶⁵

C. ITC Practice

The majority also grounded its decision on the theory that *Young Engineers, Inc. v. U.S. International Trade Commission* evidenced an ITC practice of excluding non-infringing imports intended to induce post-importation infringement.⁶⁶ However, *Young Engineers* may not provide support on this front; there, the infringing party actually imported infringing articles that were integrated with inducing instructions.⁶⁷ On appeal, the Federal Circuit affirmed the ITC’s findings without addressing whether an exclusion order could be based on acts of inducement alone.⁶⁸ Moreover, the ITC’s exclusion order rested on the “nexus” test, a formulation the agency recently rejected in light of the most recent amendment to § 337.⁶⁹

In its appellate brief, the ITC likewise claimed the benefit of agency custom by citing *Alloc, Inc. v. International Trade Commission*⁷⁰ and *Kyocera Wireless Corp. v. International Trade Commission*.⁷¹ But these cases, like *Young Engineers*, do not evidence ITC practice consistent with the majority’s holding. In *Alloc*, the complainant alleged that the importation of flooring materials with installation instructions induced consumers to infringe its patented installation method.⁷² After the ITC upheld the administrative law judge’s determination that there was no evidence of direct infringement or intent to induce infringement,⁷³ the Federal Circuit affirmed the ITC’s findings on grounds that there was no evidence of direct infringement.⁷⁴ And in *Kyocera*, as in *Young Engineers*, the ITC entered an exclusion order barring the importation of articles that directly infringed the patent at the time of importation.⁷⁵ In particular, the ITC found that the respondent induced foreign parties to directly infringe the complainant’s patent before the goods were imported.⁷⁶

These cases are particularly unpersuasive in light of *Certain Electronic Devices*, a recent decision in which the ITC cabined its authority under §

64. Compare *id.*, with *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014).

65. *Grokster*, 545 U.S. at 940.

66. 721 F.2d 1305 (Fed. Cir. 1983).

67. *Id.* at 1308–09.

68. See *id.* at 1317.

69. *Certain Elec. Devices*, *supra* note 39, at *11.

70. 342 F.3d 1361 (Fed. Cir. 2003).

71. 545 F.3d 1340 (Fed. Cir. 2008).

72. *Alloc*, 342 F.3d at 1373–74.

73. *Id.* at 1374.

74. *Id.*

75. *Kyocera*, 545 F.3d at 1345.

76. *Id.* at 1346.

337.⁷⁷ There, the ITC explained that it could not remedy direct infringement of method claims after importation.⁷⁸ Method claims are drawn to conduct – the performance of claimed steps – rather than an article.⁷⁹ To directly infringe a method claim, one must “use” – or perform each step of – that method.⁸⁰ However, § 337(a)(1)(B)(i) only proscribes importing and selling – conduct that cannot practice a patented method.⁸¹ In *Certain Electronic Devices*, the ITC also explained that it was powerless to exclude the articles absent direct infringement at the time of importation because the phrase “articles that infringe” references the status of the articles as imported.⁸²

IV. INSTANT DECISION

Part A sets forth the majority opinion, which had no difficulty concluding that the phrase “articles that infringe” was both ambiguous and could reasonably be construed as applying to articles that do not infringe in their own right but are imported with the intent to induce infringement. Part B examines the dissenting opinion.

A. Judge Reyna’s Majority Opinion

The majority began by analyzing the ITC’s construction under the *Chevron* framework in light of the ITC’s substantive authority to administer and interpret § 337.⁸³ Under the first step of *Chevron*, the majority asked whether the statutory phrase “articles that infringe” unambiguously precluded the ITC from basing an exclusion order on inducement of post-importation infringement.⁸⁴ The majority answered no, reasoning that the term “infringe” encompasses all forms of infringement, and therefore “articles that infringe”

77. *Certain Elec. Devices*, *supra* note 39, at *44.

78. *Id.* at *12–13.

79. *In re Kollar*, 286 F.3d 1326, 1332 (Fed. Cir. 2002) (noting the “distinction between a claim to a product, device, or apparatus, all of which are tangible items, and a claim to a process, which consists of a series of acts or steps”).

80. *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1319 (Fed. Cir. 2005) (“[I]nfringement of method claims under section 271(a) [is] limited to use.”).

81. *Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1335 (Fed. Cir. 2008) (noting that sale cannot infringe a method claim); *Certain Elec. Devices*, *supra* note 39, at *12 (“[I]mportation is not an act that practices the steps of the asserted method claim.”).

82. *Certain Elec. Devices*, *supra* note 39, at *9 (citing *Pass & Seymour, Inc. v. Int’l Trade Comm’n*, 617 F.3d 1319, 1325 (Fed. Cir. 2011)) (finding no statutory violation because the articles lacked limitations of the asserted claims and therefore did not directly infringe at the time of importation).

83. *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1345–46 (Fed. Cir. 2015) (en banc).

84. *Id.* at 1346.

feasibly extends to imported articles used to induce infringement.⁸⁵ After reaching this conclusion, the majority determined that a disparity between the focus on infringing conduct in § 271 and the focus on infringing articles in § 337 rendered the provision ambiguous.⁸⁶ Because of this textual uncertainty, the majority proceeded to the second step of *Chevron*, under which it asked whether the ITC's interpretation was reasonable.⁸⁷

The majority answered yes, finding the ITC's construction consistent with "the statutory text, policy, and legislative history of Section 337."⁸⁸ With respect to the text, the majority found that the prohibition against "sale . . . after importation" plainly authorized the ITC to monitor post-importation conduct to identify infringement induced by another party.⁸⁹ Citing *Standard Oil*, the majority added that the inducing party would be liable at the moment the article was imported with intent to induce infringement.⁹⁰ After examining legislative history⁹¹ and several decisions delivered by the Court of Customs and Patent Appeals,⁹² the majority stressed that § 337 should be broadly construed to achieve its long-standing purpose: protecting patent holders from unfair competition and unfair trade acts.⁹³ As the majority reasoned, a technical interpretation would ignore this purpose, allowing foreign entities to evade § 337 merely by importing articles in piecemeal fashion.⁹⁴ In view of *Young Engineers*, the majority also determined the ITC had previously excluded articles on a theory of induced infringement, lending support to the reasonableness of its current interpretation.⁹⁵ Accordingly, the majority reversed the panel's decision and held that the ITC's interpretation was reasonable and reinstated the ITC's construction that imported articles used to induce post-importation infringement are "articles that infringe."⁹⁶

85. *Id.*

86. *Id.* at 1346–47 (“[T]he phrase ‘articles that infringe’ does not map onto the Patent Act’s definition of infringement. . . . An ‘article’ cannot infringe under any subsection of § 271.”).

87. *Id.* at 1349.

88. *Id.*

89. *Id.*

90. *Id.*

91. *See id.* at 1351 (first citing S. REP. No. 67-595, at 3 (1922) (discussing congressional intent to broadly “prevent every type and form of unfair practice”); then citing H.R. REP. No. 100-40, pt. 1, at 155 (1987) (noting the 1988 amendment was designed to strengthen § 337); then citing H.R. REP. No. 100-576, at 112 (1988) (providing that the 1988 amendment would provide intellectual property owners a more effective remedy under § 337)).

92. *See id.* (first citing *In re Von Clemm*, 229 F.2d 441, 443–44 (C.C.P.A. 1955) (noting the Commission’s broad and inclusive authority to curb unfair methods of competition and unfair acts); then citing *In re Orion Co.*, 71 F.2d 458, 467 (C.C.P.A. 1934) (providing that § 337 extends to “every type and form of unfair practice”)).

93. *See id.* at 1350–52.

94. *Id.* at 1352.

95. *Id.*

96. *Id.* at 1352–53.

B. Judge O'Malley's Dissenting Opinion

Writing in dissent, and joined by Chief Judge Prost and Judges Lourie and Dyk,⁹⁷ Judge O'Malley began by assessing the ITC's interpretation under the *Chevron* framework. Applying *Chevron*'s first step, Judge O'Malley concluded that the language of § 337 unambiguously prevented the ITC from basing an exclusion order on the inducement of post-importation infringement, particularly in instances involving infringing use of a patented method.⁹⁸ As a result, Judge O'Malley contended that the ITC's interpretation was not entitled to deference.⁹⁹ Judge O'Malley then addressed the alleged ambiguity, which led the majority to defer to the ITC's interpretation – under § 271, a person infringes, but under § 337, an article infringes.¹⁰⁰ As Judge O'Malley reasoned, this disparity created no ambiguity; rather, it reinforced the conclusion that Congress tied decision making at the border to tangible, infringing objects, not to an importer's intent.¹⁰¹

Moving beyond the text, Judge O'Malley criticized several other aspects of the majority opinion. Judge O'Malley contested the majority's assertion that the ITC had maintained – and the Federal Circuit had affirmed – a policy of excluding articles solely on a theory of inducement of post-importation infringement.¹⁰² *Young Engineers, Alloc*, and *Kyocera*, Judge O'Malley concluded, all failed to establish that the ITC previously predicated exclusion orders solely on a finding of intent to induce post-importation infringement.¹⁰³ Additionally, Judge O'Malley argued that the majority misread *Standard Oil* as standing for the proposition that infringement occurs at the time of the inducing act.¹⁰⁴ By contrast, Judge O'Malley read *Standard Oil* to hold only that inducement liability attaches at the moment the inducing act is

97. Judge Dyk, though joining Judge O'Malley's dissenting opinion in full, wrote separately to distinguish the ITC's current theory of induced infringement from its past practice. *Id.* at 1353 (Dyk, J., dissenting). In prior cases, Judge Dyk noted the ITC excluded staple articles on an inducement theory only when “inducing instructions were imported alongside” the article. *Id.* As Judge Dyk viewed the matter, the ITC now based its exclusion order solely on intent to induce, which would in practice exclude all imported articles when only some may be used in an infringing manner. *Id.* at 1353–54.

98. *Id.* at 1355–57 (O'Malley, J., dissenting) (“The word [‘article’] connotes a physical object. . . . It is objects which are imported or sold, not methods. . . . [The] focus under the statute must be on the point of importation, and patented methods generally are not directly infringed until their use in the United States after importation. . . . But ‘use’ appears nowhere in § 1337(a)(1)(B)(i).”).

99. *Id.* at 1355.

100. *Id.* at 1358.

101. *Id.* at 1360.

102. *Id.* at 1362–64.

103. *Id.* at 1364–66.

104. *Id.* at 1364.

committed.¹⁰⁵ Third, Judge O'Malley asserted that policy considerations, rather than the text, governed the majority's analysis.¹⁰⁶ As Judge O'Malley reasoned, the majority strained to find any ambiguity that would allow deference to the ITC's interpretation based on its conclusion that a plain reading of § 337 would create a border hospitable to infringers, while simultaneously withholding relief from patent owners.¹⁰⁷ However, because district courts could still enjoin infringing use, block infringing imports, and award damages, Judge O'Malley concluded that the majority's concerns were overstated.¹⁰⁸

V. COMMENT

Judge O'Malley rightly observed that the majority erred in holding the ITC may exclude non-infringing imports intended to induce post-importation infringement of a patented method. Guided by policy considerations rather than the text, the court sought to fill a statutory gap where none existed and ignored other means of addressing the conduct at issue. Although the court's holding may provide a windfall to patent owners, it complicates the administrability of exclusion orders, runs the risk that businesses and consumers will be deprived of imported products, and extends the ITC's jurisdiction beyond the plain language of the statute into territory reserved for district courts.

A. *The Text of § 337 Is Unambiguous*

The court's construction seems to conflict with the plain language of § 337 in two respects. First, holding that the ITC may exclude non-infringing imports intended to induce post-importation infringement ignores that Congress tied the ITC's authority to the importation of "articles that infringe."¹⁰⁹ So does suggesting the ITC may exclude non-infringing imports accompanied by inducing instructions or non-staple articles.¹¹⁰ Contributory infringement, like inducement liability, must be predicated on an underlying act of direct

105. *Id.*

106. *Id.* at 1366.

107. *Id.* at 1367.

108. *Id.* at 1367–68.

109. *See id.* at 1356 ("[I]nfringement is tied, not just to a physical object, but to the date of importation.").

110. *E.g., id.* at 1353–54 (Dyk, J., dissenting); Oral Argument, *supra* note 6, at 25:46–26:22 ("I'm struck by your claim that this is consistent with what the Commission has done in the past. . . . I do see the Commission in past cases having issued exclusion orders based on products that have no substantial non-infringing uses. I see cases where the Commission has said . . . [a product] imported with the instructions telling you to infringe . . . can be the subject of an exclusion order. I do not see any cases that go beyond that."); *Suprema*, 796 F.3d at 1367 (O'Malley, J., dissenting).

infringement.¹¹¹ Thus, where direct infringement occurs after importation, the plain language of the statute dictates that the ITC has no authority to issue an exclusion order. This is true whether directed toward articles intended to induce infringement, articles accompanied by inducing instructions, or non-staple articles.¹¹²

Second, holding that the ITC may remedy direct infringement of method claims ignores that Congress expressly confined the ITC's authority under § 337(a)(1)(B)(i) to "articles."¹¹³ As noted, method claims are tied to conduct, not articles.¹¹⁴ Although "use" of an article may practice a patented method, such "use" will virtually always occur after importation.¹¹⁵ Congress's omission of "use" in § 337(a)(1)(B)(i) is entirely consistent with the ITC's unique *in rem* jurisdiction over articles, not conduct.¹¹⁶ Further, including a particular form of infringement of method claims in § 337(a)(1)(B)(ii) demonstrates that Congress limited § 337(a)(1)(B)(i) to tangible items, not intangible methods.¹¹⁷ Because § 337(a)(1)(B)(ii) proscribes the importation of *articles* made using a patented process, construing § 337(a)(1)(B) to encompass all *forms* of infringement would render subsection (ii) surplusage.¹¹⁸

B. The Majority's Analysis

As Judge O'Malley rightly notes, the majority's analysis under *Chevron* was an entirely outcome-oriented process.¹¹⁹ Underlying the majority's holding was the concern that a straightforward interpretation of the statute would

111. See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) ("[I]f there is no direct infringement of a patent there can be no contributory infringement."); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014) ("[I]nducement liability may arise if, but only if, [there is] . . . direct infringement.") (internal citations omitted).

112. See Brief of Amicus Curiae Microsoft Corp. in Support of Neither Party, *supra* note 56, at *4.

113. See *Certain Elec. Devices*, *supra* note 39, at *6, *12–13.

114. See *In re Kollar*, 286 F.3d 1326, 1332 (Fed. Cir. 2002) (discussing the "distinction between a claim to a product, device, or apparatus, all of which are tangible items, and a claim to a process, which consists of a series of acts").

115. See *Suprema*, 796 F.3d at 1357 ("[T]here is no actual harm to a patentee until an infringing use, and that harm only occurs after importation for method claims . . .") (O'Malley, J., dissenting).

116. See *Sealed Air Corp. v. U.S. Int'l Trade Comm'n*, 645 F.2d 976, 985 (C.C.P.A. 1981) ("An exclusion order operates against goods, not parties.").

117. See *Suprema*, 796 F.3d at 1356 (O'Malley, J., dissenting); Brief of Amicus Curiae Microsoft Corp. in Support of Neither Party, *supra* note 56, at *6.

118. See ANTONIN SCALIA & BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 174 (2012) ("If possible, every word and every provision is to be given effect. . . . None should be ignored. None should needlessly be given an interpretation that causes it to duplicate another provision or to have no consequence.").

119. See *Suprema*, 796 F.3d at 1354 (O'Malley, J., dissenting).

prevent patentees from excluding products shipped by foreign entities beyond the jurisdiction of district courts.¹²⁰ To satisfy *Chevron*'s first step, the majority clearly "strain[ed] to find an ambiguity."¹²¹ Then, the majority determined the ITC's construction was reasonable based on ambiguous statements in the legislative history¹²² and a non-existent agency policy of excluding goods solely on a theory of inducement of post-importation infringement.¹²³

However, because respondents named in the ITC proceedings are seldom beyond the reach of district courts, the majority's jurisdictional and remedial concerns are largely overstated. A study conducted by Colleen Chien revealed that, between 1995 and 2007, domestic respondents appeared in 87% of all of the ITC proceedings.¹²⁴ Chien also observed that 65% of the ITC cases involved patents at issue in district court litigation between the same parties.¹²⁵ In 89% of those parallel disputes, the district court case was initiated before the ITC proceeding.¹²⁶ In addition, many respondents at the ITC are well-known corporations based in the United States, including Cisco, TiVo, and Apple.¹²⁷ Foreign respondents such as Sony, LG, and Nintendo conduct substantial business in the United States and are therefore subject to the jurisdiction of district courts.¹²⁸ Even if the majority's jurisdictional concern was borne out by the evidence, Congress, not the courts, should address

120. *See id.* at 1352 (majority opinion).

121. *Id.* at 1354 (O'Malley, J., dissenting).

122. There is almost no reason to assume that a majority of legislators, especially those who passed the Tariff Acts of 1922 and 1930, either foresaw or endorsed the ITC's present inducement theory. *See* SCALIA & GARNER, *supra* note 118, at 375. Although the majority places great weight in Senate and House Reports issued between 1922 and 1988, committee reports are often drafted by staff, rarely read, not placed to a vote, and not subject to presidential veto. *See* Frank H. Easterbrook, *The Role of Original Intent in Statutory Construction*, 11 HARV. J.L. & PUB. POL'Y 59, 60 (1988). Moreover, there is no reason to assume that all workings of one house were considered by its counterpart, let alone the President, who signed the bill. *See* Kenneth W. Starr, *Observations About the Use of Legislative History*, 1987 DUKE L.J. 371, 376. All that can reasonably be determined is that both houses and the President agreed to the amended text of § 337, which authorizes the ITC to exclude only "articles that infringe." *See* SCALIA & GARNER, *supra* note 118, at 376.

123. *See* *Suprema*, 796 F.3d at 1369 (O'Malley, J., dissenting); *see also* Oral Argument, *supra* note 6, at 50:45-51:28 ("Don't you think it was interesting that neither the parties before the ALJ, nor the ALJ, thought that this theory of infringement liability was a viable one under 337. . . . [T]he Commission came up with this idea of induced infringement on its own. . . . It does tell you something about whether or not this was a well-established, permanently entrenched concept.").

124. Chien, *supra* note 37, at 70.

125. *Id.* at 92.

126. *Id.* at 93.

127. K. William Watson, *Still a Protectionist Trade Remedy: The Case for Repealing Section 337*, CATO INST. 8 (Sept. 19, 2012), <http://object.cato.org/sites/cato.org/files/pubs/pdf/PA708.pdf>.

128. *Id.*

this issue.¹²⁹ Furthermore, there are several other ways to alleviate the concern that patentees would be left without a remedy.

First, infringement occurring within the United States can, and should, be remedied through damages and injunctions available in district courts.¹³⁰ The ITC “is fundamentally a trade forum, not an intellectual property forum.”¹³¹ This is particularly true where, as here, no harm can arise until infringing use occurs far from the ports policed by the ITC after goods are imported.¹³² Merely because a district court can provide a remedy the ITC cannot does not mean adequate relief is not available.

Second, Congress is clearly capable of eliminating loopholes at the request of patent owners.¹³³ For example, after the Supreme Court held in *Deepsouth Packing Co. v. Laitram Corp.* that a domestic exporter could not be liable for supplying components used abroad to assemble a patented invention,¹³⁴ Congress enacted § 271(f), extending liability to such exporters.¹³⁵ Four years later, Congress concluded the remedies available at the ITC were insufficient and added § 271(g), which extended liability to those who use, offer to sell, sell, or import products made using patented processes.¹³⁶ Additionally, in 1994, Congress amended § 271 in accordance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), incorpo-

129. *E.g.*, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2118 (2014) (“[W]hen Congress wishes to impose liability . . . it knows precisely how to do so. The courts should not create liability . . . where Congress has elected not to extend that concept.”); *City of Arlington v. F.C.C.*, 133 S. Ct. 1863, 1868 (2013) (“Congress knows to speak in plain terms when it wishes to circumscribe . . . agency discretion.”).

130. *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1368 (Fed. Cir. 2015) (en banc) (O’Malley, J., dissenting); *see also* 35 U.S.C. §§ 283, 284 (2012) (confering the power to grant injunctions and award damages to district courts in patent infringement cases).

131. *John Mezzalingua Assocs. v. Int’l Trade Comm’n*, 660 F.3d 1322, 1327–28 (Fed. Cir. 2011); *Watson*, *supra* note 127, at 11 (“The ITC has no business imitating a court of law and is not equipped to do so.”).

132. *See Suprema*, 796 F.3d at 1368 (O’Malley, J., dissenting).

133. *See, e.g.*, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972).

134. *See id.* at 531.

135. *See* Patent Law Amendments Act of 1984, Pub. L. 98-622, § 101, 98 Stat. 3383 (1984) (codified at 35 U.S.C. § 271(f) (2012)); *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 439 (2007) (“Section 271(f) was a direct response to a gap in U.S. patent law revealed by *Deepsouth* . . .”).

136. *See* Omnibus Trade & Competitiveness Act of 1988, Pub. L. No. 100-418, § 9003, 102 Stat. 1107, 1563–64 (1988) (codified as amended at 35 U.S.C. § 271(g) (2012)); *see also* *Bayer AG v. Housey Pharm., Inc.*, 340 F.3d 1367, 1374 (Fed. Cir. 2003) (“When enacting § 271(g), Congress recognized the . . . redress from the ITC, but noted that the remedies available thereunder were insufficient. . . . [S]ection 271(g) was intended to address the same ‘articles’ as were addressed by section 1337, but to add additional rights against importers of such ‘articles.’”).

rating importation as conduct that may give rise to infringement liability.¹³⁷ As these examples reveal, Congress could have extended liability to the conduct at issue in this case. Its decision not to do so should be respected.¹³⁸

Third, Congress has amended § 337 in response to the ITC's concerns.¹³⁹ It could easily do so here. *In re Amtorg Trading Corp.*,¹⁴⁰ a decision handed down by the Court of Customs and Patent Appeals, provides one example. At the time of this decision, the use or sale of a product made using a patented process did not constitute infringement.¹⁴¹ After examining the legislative history and concluding that Congress did not enact § 337 to "broaden the field of substantive patent rights[] and create rights in process patents," the court rejected the ITC's argument that the importation of products made by means of a patented process was an unfair method of competition.¹⁴² In response, the ITC submitted to Congress a report criticizing the court's decision.¹⁴³ Congress later amended the law, declaring the importation of products made using a patented process within the scope of § 337.¹⁴⁴ Here, the ITC could have requested, and still could request, that Congress simply amend the statute or explicitly declare the conduct at issue an unfair method of competition or act.¹⁴⁵ If Congress intended for the ITC to wield authority "broad enough to prevent every type and form of unfair practice,"¹⁴⁶ surely this request would not go unfulfilled.

Fourth, Congress provided the ITC an alternative means of excluding non-infringing articles. In particular, § 337(a)(1)(A) proscribes "[u]nfair

137. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299.

138. See Corrected Brief of Dell, Inc. as Amici Curiae in Support of Appellants at 13, *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338 (Fed. Cir. 2015) (No. 2012-1170), 2014 WL 4312226, at *13.

139. See, e.g., The Omnibus Foreign Trade & Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 (codified at 19 U.S.C. § 1337 (2012)).

140. 75 F.2d 826 (C.C.P.A. 1935), *superseded by statute* Law of June 1, 1940, Pub. L. No. 710, 54 Stat. 724 *as recognized in* *TianRui Group Co. Ltd. v. Int'l Trade Comm'n*, 661 F.3d 1322 (Fed. Cir. 2011).

141. *Id.* at 831.

142. *Id.* at 834.

143. See *TianRui Group*, 661 F.3d at 1334. In particular, the Commission disagreed with the idea that "the importation for use or sale of products made abroad by a process patented in the United States was not an unfair method of competition." U.S. Tariff Comm'n, *Nineteenth Annual Report* 12-13 (1936).

144. See *TianRui Group*, 661 F.3d at 1333-34.

145. See Alden Abbot, *The Federal Circuit Misapplies Chevron Deference (and Risks a Future "Supreme Scolding") in Suprema, Inc. v. ITC*, TRADE ON MARKET (Aug. 14, 2015), <http://truthonthemarket.com/2015/08/14/the-federal-circuit-misapplies-chevron-deference-and-risks-a-future-supreme-scolding-in-suprema-inc-v-itc/>.

146. *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338, 1350 (Fed. Cir. 2015) (en banc) (emphasis omitted) (quoting S. REP. NO. 67-595, at 3 (1922)).

methods of competition and unfair acts in the importation of [non-infringing] articles,” the effect of which is to substantially injure domestic industry.¹⁴⁷ The determination of injury, unlike that of patent infringement, is “not controlled by precedent” and falls “particularly within the expertise” of the ITC.¹⁴⁸ Thus, if Cross Match could establish some causal connection between the conduct in question and lost sales,¹⁴⁹ the ITC could have based its exclusion order on the theory that the importation of Suprema’s non-infringing scanners and post-importation sale of the functional products constituted an unfair method of competition or unfair act, the effect of which was to injure the biometrics industry.

C. *The Consequences*

The immediate impact of the court’s holding is clear. The ITC may now exclude non-infringing staple articles intended to induce post-importation infringement, extending § 337 liability to those who perform most steps of a patented method abroad and then import, assemble, and use the final product within the United States.¹⁵⁰ However, the costs of the court’s decision may far outweigh this windfall to patent owners.

As an initial matter, the court’s holding complicates the administration of exclusion orders.¹⁵¹ Previously, U.S. Customs and Border Protection (“Customs”) only examined the physical properties of imported articles.¹⁵² Now, Customs must also determine whether importers and downstream consumers intend to modify and then use products in an infringing manner long after importation and far from the points of entry it polices.¹⁵³ This determination is less precise than that of actual infringement, and Customs may very well exclude all of an importer’s goods on the mistaken perception that some will later be used in an infringing manner.¹⁵⁴ This is especially likely given

147. Tariff Act of 1930, 19 U.S.C. § 1337(a)(1)(A) (2012).

148. *Fischer & Porter Co., Inc. v. U.S. Int’l Trade Comm’n*, 831 F.2d 1574, 1577 (Fed. Cir. 1987).

149. *Bally/Midway Mfg. Co. v. U.S. Int’l Trade Comm’n*, 714 F.2d 1117, 1124 (Fed. Cir. 1983) (“Where the unfair practice is the importation of products that infringe a domestic industry’s . . . patent right, even a relatively small loss of sales may establish . . . the requisite injury . . .”).

150. *See Suprema*, 796 F.3d at 1369 (O’Malley, J., dissenting).

151. *See id.* at 1366.

152. *See id.*

153. *See id.* (“Congress did not intend for Customs agents to need to decipher an importer’s intent to induce infringement at some later date. It, instead, avoided such an unworkable construct by requiring the Commission to issue exclusion orders based on the infringing nature of the article itself.”); Corrected Brief of Dell, Inc., *supra* note 138, at 21–22.

154. *See Suprema*, 796 F.3d at 1366 (O’Malley, J., dissenting); *see also id.* at 1353 (Dyk, J., dissenting).

that Customs may err on the side of exclusion in light of its “aggressive . . . enforcement program” at the border.¹⁵⁵

Thus, the court’s holding has the potential to disrupt businesses that import goods. Furthermore, the holding could take from consumers a wide variety of products routinely used for legitimate, non-infringing purposes.¹⁵⁶ This may present an issue for the electronics industry, which largely assembles devices such as smartphones and tablet computers abroad and then imports them into the United States.¹⁵⁷ A single smartphone may contain technology covered by 200,000 patents, and infringement of only one patent could exclude the entire product line from the U.S. market.¹⁵⁸ Consumers may lose a competitive product because a disputed patent that only contributes pennies to the total value of the product may or may not be infringed after importation.¹⁵⁹ As former ITC Commissioner, Charlotte Lane, has noted, removing a product from the marketplace in this fashion can “devastate a company forever.”¹⁶⁰

By endorsing an interpretation of § 337 that allows the ITC to predicate exclusion orders on the inducement of post-importation infringement, the court’s holding may also further impede innovation. Patent law seeks a “balance between the need to encourage innovation and the avoidance of monopolies which stifle competition.”¹⁶¹ However, the ITC promotes trade, not the progress of science or the useful arts.¹⁶² Exclusion of a product necessarily decreases competition, a driving force behind innovation.¹⁶³ As Mark Lemley and Carl Shapiro have observed, the mere threat of an exclusion order can “discourage innovation by firms that design and manufacture complex prod-

155. *CBP Port of Savannah Seizes Over \$1.6 Million in Sunglasses for Counterfeit Trademark*, U.S. CUSTOMS & BORDER PROTECTION (Aug. 12, 2014), <https://www.cbp.gov/newsroom/local-media-release/2014-08-12-000000/cbp-port-savannah-seizes-over-16-million-sunglasses>.

156. See Brief of Amicus Curiae Microsoft Corp. in Support of Neither Party, *supra* note 56, at 3; Corrected Brief of Dell, Inc., *supra* note 138, at 1.

157. Watson, *supra* note 127, at 2.

158. See *id.*

159. *Id.*

160. Charlotte R. Lane, *The International Trolling Commission: Patent Trolls Find a Friend in a Federal Agency that Has Drifted from Its Original Mission*, WALL STREET J. (Oct. 7, 2013, 7:17 PM), <http://www.wsj.com/articles/SB10001424127887323308504579083701201429502?cb=logged0.09161893449674324>.

161. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) (citing U.S. CONST. art. I, § 8, cl. 8).

162. Kumar, *supra* note 33, at 580.

163. *Id.* at 572; Kristin Viaswanathan, *What International Trade Agreements Have to Do with Innovation*, BIOTECHNOW (June 26, 2014), <http://www.biotech-now.org/public-policy/2014/06/what-international-trade-agreements-have-to-do-with-innovation>.

ucts . . . [and] can even lead to circumstances in which no one can profitably produce a product with social value.”¹⁶⁴

In addition, the majority’s holding will incentivize patentees to file § 337 complaints, increasing the number of disputes brought before the ITC, and an increased ITC workload will burden taxpayers.¹⁶⁵ Litigation at the ITC requires “tremendous resources,” and the agency has already “requested – and received – multiple budget increases over the last five years.”¹⁶⁶ Because district courts and the ITC largely tread the same ground in parallel proceedings, increased traffic can only waste time and resources.¹⁶⁷ And because patentees can litigate both in district court and at the ITC, conflicting judgments may occur.¹⁶⁸

The court’s holding also creates other uncertainties. As one commentator has argued, the decision may conflict with *Limelight*.¹⁶⁹ In addition, the majority’s decision to defer to the ITC’s judgment on matters of patent law may lay the groundwork for increased deference to the agency in the coming years. However, in light of *Certain Electronic Devices*, this route may be an unpredictable one; the agency to which the court now defers is averse to following its own precedent. Moreover, the court’s holding promotes an increasingly awkward jurisdictional overlap: the ITC is now granted deference in determining whether an article infringes a patent at the same time that district courts retain original and exclusive jurisdiction over alleged acts of infringement by an importer.¹⁷⁰ Because ITC proceedings may, under certain circumstances, have priority over district courts,¹⁷¹ the majority’s holding

164. Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 2010 (2007).

165. Lane, *supra* note 160.

166. *See id.*

167. *Id.*

168. *See* Chien, *supra* note 37, at 70 (noting that 65% of the ITC investigations initiated between January 1995 and June 2007 had a district court counterpart).

169. *See* Abbot, *supra* note 145 (“[This decision] may face stormy waters if it eventually is subject to U.S. Supreme Court review. . . . Judge O’Malley . . . relied heavily on the Supreme Court’s 2014 decision in *Limelight Networks v. Akamai Technologies*, when the Court held that inducement liability may arise if and only if there is direct patent infringement.”). Interestingly, the Supreme Court has yet to decide a patent case arising at the ITC. Holly Lance, *Not So Technical: An Analysis of Federal Circuit Patent Decisions Appealed from the ITC*, 17 MICH. TELECOMM. & TECH. L. REV. 243, 268 n.147 (2010).

170. *Kaisha v. Bombardier, Inc.*, No. SA CV 00-549, 2001 WL 1388911, at *3 (C.D. Cal. Mar. 9, 2001) (citing *Texas Instruments Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1330 (Fed. Cir. 2000)).

171. For example, when a claim in a district court involves issues in a proceeding before the ITC, the district court, upon request, must stay its proceedings until the ITC’s determination becomes final. *See* 28 U.S.C. § 1659(a) (2012).

further solidifies the notion that the ITC is a substitute, rather than an alternative, for district courts.¹⁷²

Another uncertainty is also jurisdictional in nature. The majority repeatedly suggested that the purpose of § 337 was to grant the ITC authority “broad enough to prevent every type and form of unfair practice,”¹⁷³ and it is a cardinal rule of interpretation that one must construe a text to further its purpose.¹⁷⁴ Although one would therefore expect the ITC’s authority to expand in close cases, a panel of the Federal Circuit later cabined the agency’s ability to prevent unfair trade practices in *ClearCorrect Operating, LLC v. International Trade Commission*.¹⁷⁵ In *ClearCorrect*, Chief Judge Prost, joined by Judge O’Malley, held that the term “articles” meant only material objects, stripping the ITC of authority over electronically transmitted digital data.¹⁷⁶ Writing in dissent and relying in part on *Suprema*, Judge Newman contended that this construction of the term “articles” ignored “Congressional intent to vest the Commission with broad enforcement authority to remedy unfair trade acts.”¹⁷⁷ The Federal Circuit later denied a petition for rehearing en banc, and of those who comprised the majority in *Suprema*, only Judge Newman dissented.¹⁷⁸

VI. CONCLUSION

Although the court’s holding will allow patentees to exclude non-infringing imports ultimately used to infringe patents within the United States, this benefit comes at the expense of a more workable ITC remedial scheme, incentives to innovate, and the long-term welfare of American businesses and consumers. The court should have affirmed the panel’s interpretation, one that was well grounded in the plain language of § 337. Instead, based on overstated jurisdictional concerns and policy considerations, the court labored to extend relief to patentees when relief was already available in district courts.

172. See *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1368 (Fed. Cir. 2015) (en banc).

173. *Id.* at 1350 (emphasis omitted).

174. See SCALIA & GARNER, *supra* note 118, at 174.

175. *ClearCorrect Operating, LLC v. Int’l Trade Comm’n*, 810 F.3d 1283 (Fed. Cir. 2015).

176. *Id.* at 1286.

177. *Id.* at 1306 (Newman, J., dissenting) (quoting *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1350 (Fed. Cir. 2015) (en banc)).

178. *ClearCorrect Operating, LLC v. Int’l Trade Comm’n*, No. 2014-1527, 2016 WL 1295014, at *1 (Fed. Cir. Mar. 31, 2016).