

PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

In the Matter of

**CERTAIN BIOMETRIC SCANNING
DEVICES, COMPONENTS THEREOF,
ASSOCIATED SOFTWARE, AND
PRODUCTS CONTAINING THE SAME**

Investigation No. 337-TA-720

COMMISSION OPINION

I. SUMMARY

On June 17, 2011, the presiding administrative law judge ("ALJ") issued his final initial determination ("ID") in the above-captioned investigation, finding a violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, as amended ("section 337"), with respect to U.S. Patent Nos. 5,900,993 ("the '993 patent") and 7,203,344 ("the '344 patent"). The Commission determined to review the ALJ's finding of a violation of section 337 based on infringement of claim 19 of the '344 patent. On review, the Commission modifies in part the ALJ's finding on infringement of claim 19 and terminates the investigation with a finding of a violation of section 337 with respect to both patents.

II. BACKGROUND

The Commission instituted this investigation on June 17, 2010 based on a complaint filed on May 11, 2010, by Cross Match Technologies, Inc. ("Cross Match") of Palm Beach Gardens, Florida. 75 *Fed. Reg.* 34482-83. The complaint, as amended on May 26, 2010, alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation, and the sale within the United States

after importation of certain biometric scanning devices, components thereof, associated software, and products containing the same by reason of infringement of certain claims of the '993 and '344 patents, and U.S. Patent Nos. 7,277,562 ("the '562 patent") and 6,483,932 ("the '932 patent"). The complaint further alleges that an industry in the United States exists as required by subsection (a)(2) of section 337, and names two respondents, Suprema, Inc. ("Suprema") of Gyeonggi, Korea, and Mentalix, Inc. ("Mentalix") of Plano, Texas.

On June 17, 2011, the ALJ issued his final ID finding a violation of section 337 by reason of infringement of one or more of claims 10, 12, and 15 of the '993 patent by the imported devices. He also found a violation of section 337 by reason of infringement of claim 19 of the '344 patent, but found no violation with respect to the '562 patent. He also issued his recommendation on remedy and bonding during the period of Presidential review. On July 5, 2011, Cross Match, respondents, and the Commission investigative attorney ("IA") each filed a petition for review of the final ID; and on July 13, 2011, each filed a response to the opposing petitions.

On August 18, 2011, the Commission determined to review the ALJ's finding of infringement of claim 19 of the '344 patent.¹ The Commission requested briefing on certain questions concerning the issues under review and requested written submissions on the issues of remedy, the public interest, and bonding from the parties and interested non-parties. 76 *Fed. Reg.* 52970-71 (August 24, 2011). On August 30 and September 8, 2011, respectively,

¹ The determinations made in the final ID that were not reviewed became final determinations of the Commission by operation of rule. See 19 U.S.C. § 210.42(h).

complainant Cross Match, respondents, and the IA each filed a brief and a reply brief on the issues for which the Commission requested written submissions.²

After considering the written submissions, the Commission has determined to modify the ALJ's final ID by supplementing his analysis regarding infringement of claim 19 of the '344 patent. The Commission has determined that Mentalix directly infringes claim 19 of the '344 patent and that Suprema indirectly infringes claim 19, via induced infringement, but does not contributorily infringe claim 19.

Patent and Products at Issue

The asserted claims of the '344 patent pertain to a method used by a conventional optical scanning system for forming and detecting up to four simultaneous fingerprint images by comparing the scanned images with previously scanned images in accordance with an acceptable quality threshold. Suprema manufactures and imports hardware and software for scanning fingerprints. Mentalix directly imports Suprema's scanners for integration with Mentalix's software in the United States. ID at 2 (citing Order No. 11). Mentalix's accused software can be used with fingerprint scanners sold by other companies as well as Suprema. Cross Match contends that the asserted system and method claims of the '344 patent for fingerprint imaging

² See Brief and Reply Brief of the Office of Unfair Import Investigations on the Issues Under Review, and on Remedy, the Public Interest, and Bonding (August 30 and September 8, 2011) ("IA's Submission," "IA's Reply"); Complainant Cross Match Technologies, Inc.'s Response to Commission Questions and Submission Regarding Appropriate Remedies and Bond (August 30, 2011) ("Cross Match's Submission"); Complainant Cross Match Technologies, Inc.'s Reply to Respondents' and Staff's Response to the Commission's August 18, 2011 Notice (September 8, 2011) ("Cross Match's Reply"); Respondents Suprema, Inc. and Mentalix, Inc.'s Written Submission Regarding the Issues Under Review and Remedy, Bonding, and the Public Interest (August 30, 2011) ("Respondents' Submission"); Respondents Suprema, Inc. and Mentalix, Inc.'s Reply to Complainant's and Staff's Response to Commission Questions and Submission Regarding Appropriate Remedies and Bond (September 8, 2011) ("Respondents' Reply").

are infringed by Suprema's hardware when used with either respondent's software. Suprema's accused scanners use optical systems, including a light source and a sensor, to obtain images of fingerprints, and a platen for capturing fingerprints. The accused scanners use a series of optical light-focusing elements to obtain an image of the fingerprint and a camera to scan the fingerprint image. Suprema provides software development kits ("SDKs") that allow customers to create their own software to operate the scanner. The SDKs include manuals as well as dynamic link libraries ("dlls") that include functions that operate various features of the accused fingerprint scanners. Suprema is accused of infringing all the asserted patents by reason of the sale and importation of its scanners with the SDKs. Mentalix is accused of infringing the asserted '344 patent when it integrates its FedSubmit software with Suprema's scanners.

III. DISCUSSION

For the reasons set forth below, the Commission has determined to modify the final ID's infringement findings which are under review, and find a violation of section 337 by the accused Suprema scanners integrated with Mentalix's software with respect to claim 19 of the '344 patent. We find that claim 19 is directly infringed by Mentalix, and that Suprema induces infringement of, but does not contributorily infringe, claim 19. We adopt the ALJ's findings in his final ID that are not inconsistent with our determinations and opinion.

The '344 Patent - Identity of the Infringer and Theory of Infringement

We determined to review the ALJ's finding of infringement by the accused scanners in combination with the FedSubmit software. *See* ID at 97, 168. Specifically, our review concerned who infringes claim 19 of the '344 patent, under what theory of infringement, and whether there is a sufficient nexus between the infringer's unfair acts and importation to find a violation of section 337.

1. *Relevant law*

After properly construing the claims, a factual inquiry is conducted to compare the asserted claims with the accused device or process to determine infringement. *See MBO Labs., Inc. v. Becton Dickinson & Co.*, 474 F.3d 1323, 1329 (Fed. Cir. 2007). The patentee bears the burden of demonstrating infringement by a preponderance of the evidence. *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310 (Fed. Cir. 2005). To prove literal infringement, the patentee must show that an accused product contains every limitation in the asserted claims. *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1350 (Fed. Cir. 1999) (“To infringe a method claim, a person must have practiced all steps of the claimed method.”); *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1317 (Fed. Cir. 2009).

Infringement may be indirect as “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” *See* 35 U.S.C. § 271(b). Also, “[w]hoever . . . imports into the United States a component of a patented machine, manufacture, combination . . . 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 . . . for use in [patent infringement], and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” *See* 35 U.S.C. § 271(c). However, there can be no indirect infringement unless there is direct infringement. *Glenayre Elecs., Inc. v. Jackson*, 443 F.3d 851, 858 (Fed. Cir. 2006).

“To establish liability under section 271(b), a patent holder must prove that once the defendants knew of the patent, they “actively and knowingly aid[ed] and abett[ed] another’s direct infringement.” *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006) (*en banc*) (citations omitted). However, “knowledge of the acts alleged to constitute infringement”

is not enough. *Id.* A high level of specific intent and action to induce infringement must be proven, as mere knowledge of possible infringement by others does not amount to inducement. *Id.*; see also *Cross Med. Prods.*, 424 F.3d at 1312 (“In order to succeed on a claim of inducement, the patentee must show, first that there has been direct infringement, and second, that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.”). The intent element can be satisfied by the patentee showing that the “infringer’s actions induced infringing acts and that he knew or should have known his actions would induce actual infringements.” *DSU*, 471 F.3d at 1306. Induced infringement may be established by circumstantial evidence. See *Golden Blount, Inc. v. Robert M. Peterson, Inc.*, 438 F.3d 1354, 1362-63 (Fed. Cir. 2006).

A seller of a component of an infringing product can be held liable for contributory infringement if: (1) there is an act of direct infringement by another person; (2) the accused contributory infringer knows its component is included in a combination that is both patented and infringing; and (3) there are no substantial noninfringing uses for the accused component, *i.e.*, the component is not a staple article of commerce. *Carborundum Co. v. Molten Equip. Innovations, Inc.*, 72 F.3d 872, 876 (Fed. Cir. 1995).

The knowledge requirement for indirect infringement may be satisfied by actual knowledge or the doctrine of “willful blindness.” See *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2071-72 (2011) (“a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts;” “merely a ‘known risk’ that the induced acts are infringing” is insufficient to establish knowledge of infringement).

The Commission’s remedial authority to issue exclusion orders extends to violations of

section 337 based on indirect infringement. *See Certain Optoelectronic Devices, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-669, Comm'n Notice (July 12, 2010) (finding a violation of section 337 based on contributory and induced infringement by respondent, and issuing limited exclusion and cease and desist orders directed against the products of the indirectly infringing respondent).

2. *ALJ's ID*

Claim 19 (a method claim) of the '344 patent reads:

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 image;
- (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 an acceptable quality.

'344 patent (JX-2), col 19:24-37.

The ALJ found that Suprema's accused RealScan-10, RealScan-10F, RealScan-D, and RealScan-DF products infringe claim 19 when integrated with Mentalix's FedSubmit software, but did not name the infringer or state whether infringement was direct and/or indirect. *See ID* at 88-97, 100.

3. *Identity of Infringer and Theory of Infringement*

a. **Parties' arguments**

Cross Match and the IA both submit that the record evidence establishes that Mentalix directly infringes claim 19 of the '344 patent. Cross Match's Submission at 2-4; IA's Submission at 6. []

]]. Cross Match's Submission at 2-4 (citing JX-44C (Remmers - Chief Technology Officer and Corporate Vice President (VP) of Mentalix) at 19, 40-41). Cross Match submits that Mentalix then integrated its own proprietary FedSubmit software with the Suprema scanner units and software, and repeatedly tested the integrated scanner products in the United States, thereby infringing claim 19 by practicing all steps of the claimed method during testing. *Id.* (citing JX-44C at 19, 48-51, 57-68, 122-23); *see Lucent Technologies*, 580 F.3d at 1317.

Regarding direct infringement, respondents do not dispute that Mentalix has used the FedSubmit software in conjunction with the imported scanners to directly infringe claim 19 of the '344 patent, but, as discussed *infra*, they contend that there is no nexus between importation of Suprema's scanners and respondents' unfair acts to support finding a violation of section 337. Respondents' Submission at 18-31.

Regarding indirect infringement, both Cross Match and the IA submit that Suprema indirectly infringes claim 19 of the '344 patent via induced infringement, where Mentalix is the direct infringer. Cross Match's Submission at 4-7; IA's Submission at 6-7; *see Glenayre*, 443 F.3d at 858. Regarding induced infringement, Cross Match contends that the record evidence establishes that Suprema "knowingly induced infringement and possessed specific intent to encourage another's infringement." *Id.* at 6 (citing *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 (Fed. Cir. 2005)). Cross Match submits that [[

]]. Cross Match's Reply at 3-7 (citing JX-40C (Song Dep.) at 129-30, 182-87, 1360; CX-395C at SPA0235176 at CMT-T-000582; JX-42C (Moon Dep. (Suprema's Vice-President)) at 148, 154, 361; CX-393C at SPA0089763 at 5, 45; CX-158C at SPA0061499 at 2; Song, Tr. at 1143-46; CX-387C at SPA0242635 at 2, 8; CX-544C (Lee Dep.) (Suprema's Chief Research Engineer) at 9-13, 42-43; CX-152C at SPA0168465 at 2, 5). Cross Match further argues that Suprema intended its scanners to be used for the autocapture, image

quality checking, and automatic segmentation processes that are covered by the '344 patent.

Cross Match's Submission at 5 (citing JX-29C at 120544-45; CX-383).

The IA asserts that [[

]]. IA's Submission at 6-7 (citing Song (Suprema's Executive Vice-President (VP) of Research and Development), Tr. at 1138-39). The IA argues that Suprema's failure to obtain an opinion of counsel, or otherwise try to avoid infringement, is further evidence of intent to induce. IA's Reply at 6 (citing *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 698-701 (Fed. Cir. 2008)).

Cross Match also asserts that Suprema indirectly infringes via contributory infringement. Cross Match's Submission at 4-7. Cross Match contends that the infringing functionalities of Mentalix's FedSubmit software originate in functions from the Suprema SDKs provided to Mentalix by Suprema and created specifically to be used with Suprema RealScan fingerprint scanners. *Id.* at 6-7 (citing JX-29 at § 1.3); Cross Match's Reply at 9-13. Cross Match submits that the functions in the Suprema SDKs are designed to permit use of the capabilities of the Suprema biometric scanners and serve no other purpose. Cross Match's Submission at 6 (citing *Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1337 (Fed. Cir. 2008) ("A component, specially adapted for use in the patented process and with no substantial non-infringing use, would plainly be good for nothing else but infringement of the patented process.")). Cross Match cites [[

]], and submits that Suprema's scanner is especially adapted to work only with the FedSubmit software and lacks any substantial noninfringing uses. Cross Match's Reply at 9-13 (citing Remmers, Tr. at 1070-74; CX-502C; JX-44C at 2, 17-19, 30, 124).

Regarding indirect infringement, respondents argue that there is no record evidence showing that Suprema indirectly infringed claim 19, either via contributory or induced infringement. *Id.* at 6-18. Regarding induced infringement, respondents contend that Suprema lacks both: (1) knowledge that its products could be used to infringe, and (2) intent to cause infringement, showings which are necessary to support a finding of induced infringement. *Id.* [[

]]. *Id.* at 6-18. Respondents also submit that these circumstances do not constitute “willful blindness” of the ’344 patent, which is an exception to the knowledge requirement for inducement. *Id.* (citing *Global-Tech Appliances*, 131 S. Ct. at 2071-72). Respondents also submit that there is nothing in the record to show Suprema’s intent to induce infringement, but only its intent to cause the *acts* which are alleged to constitute infringement. *Id.* (citing *DSU*, 471 F.3d at 1305) (emphasis added).

Regarding contributory infringement, respondents contend that Suprema does not satisfy the statutory requirements of 35 U.S.C. § 271(c), *i.e.*, that Suprema does not provide a “material or apparatus for use in practicing a patented process,” with knowledge that it is “especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial infringing use.” *Id.* at 7-14; Respondents’ Reply at 15-25. Respondents argue that Suprema’s RealScan scanners are capable of substantial non-infringing uses. Respondents’ Submission at 7-14. They submit that Suprema’s scanners can be used with Suprema’s own software and with a wide array of third-party software, including software developed by its customers DNA Lifeprint, M2Sys, Fingerprint Solutions, and others. *Id.* (citing

JX-51C at 51, 104-05, 110-12; JX-56C at 62, 66, 72-74; JX-55C at 21-23; JX-54C at 46-48, 54).

They also note that the ALJ found that none of these third party customers infringed any claim of the asserted patents (and the Commission did not review his findings). *Id.* (citing ID at 98).

b. Analysis

The Commission finds that the record evidence is sufficient to support a finding of direct infringement of claim 19 of the '344 patent by Mentalix, and a finding of induced infringement by Suprema. However, we do not find that the record evidence supports a finding of contributory infringement by Suprema.

Direct/Induced infringement

The record evidence shows, and Mentalix itself does not dispute, that it integrates its FedSubmit software with the imported Suprema scanners and SDK software to produce a resulting scanner system that practices claim 19, and that Mentalix directly infringed claim 19 by

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]]. See JX-44C at 19, 48-51, 57-68, 122-23; Mentalix's Submission at 18.

Accordingly, Mentalix is a direct infringer and has violated section 337 if a nexus is found between the importation of the Suprema scanners and SDK and the unfair act of infringement.

19 U.S.C. § 1337(a)(1)(B). As described *infra*, we find that the same record evidence that shows induced infringement by Suprema also shows the requisite nexus between importation and the unfair acts to find a violation of section 337 by both respondents.

The record evidence shows that Suprema is liable for induced infringement under section 271(b). [[], then "willfully blinded" itself to the infringing nature of Mentalix's activities which it had actively encouraged. See *DSU*, 471 F.3d at 1305; *Global-Tech Appliances*, 131 S. Ct. at 2070-71 (the knowledge

requirement for inducement may be satisfied by the doctrine of “willful blindness” where the inducer “takes deliberate actions to avoid confirming a high probability of wrongdoing” and therefore “can almost be said to have actually known the critical facts.”). The doctrine of “willful blindness” requires that: (1) the alleged infringer must subjectively believe that there is a high probability that a fact exists; and (2) the defendant must take deliberate actions to avoid learning that fact. *Global-Tech*, 131 S.Ct. at 2070.

[[³

]]. Ultimately, Suprema succeeded in developing into its scanners the autocapture, image quality checking, and automatic segmentation processes that are covered by the ‘344 patent. *See* JX-29 (RealScan Basic SDK Reference Manual) at 120544-45; CX 383 (RealScan-10 product brochure); CX-544C at 9-13, 42-43 [[

]]. In the “Cross-Reference to Related Applications” section at the beginning of the written disclosure, the ‘562 patent states that “[t]he present application is related to U.S. patent application Ser. No. 10/345,420 and U.S. patent application Ser. No. 10/345,366, both filed on

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]]. *See* Song, Tr. at 1138 (emphasis added).

Jan. 16, 2003, which are incorporated by reference in their entireties."⁴ See '562 patent (JX-3), col. 1:11-14. This incorporation-by-reference language is similarly repeated three separate times in column 5 of the written description. See '562 patent (JX-3), col. 5:30-34, 39-42, 64-67 ("U.S. patent application Ser. No. 10/345,420 and U.S. patent application Ser. No. 10/345,366, which are incorporated by reference in their entireties."). The '562 and '344 patents also have overlapping inventors and share the same assignee, Cross Match, so a word search likely would have identified both patents.

⁴The '344 patent issued in April 2007, six months prior to the October 2007 issue date of the '562 patent. See '344 patent (JX-2), '562 patent (JX-3).

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]]. Suprema's deliberate avoidance of acquiring knowledge of the '344 patent is further shown by its failure to obtain the opinion of counsel. Such an opinion undoubtedly would have uncovered the '344 patent, the fact that both the '344 and '562 patents are assigned to Cross Match, and would have analyzed whether Suprema infringed any of the Cross Match patents. See Tr. at 1138-39, 1143-46; JX-40C at 129-30, 182-87; CX-395C at SPA0235176 at CMT-T-000582; JX-42C at 148, 154, 361; see, e.g., *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 698-701 (Fed. Cir. 2008).

Based on the foregoing, the Commission finds that the record evidences Suprema's subjective belief of the high probability that Cross Match's scanner technology was patented, and therefore Suprema was aware of the likelihood that the scanner products it was developing would be covered by Cross Match's patents, but took steps to avoid learning for certain that they were. See *Global-Tech Appliances*, 131 S. Ct. at 2071-72. Accordingly, even if Suprema did somehow fail to learn of the '344 patent at issue here [[

]], Suprema willfully blinded itself to the evidence of the existence of '344 patent and therefore deliberately shielded itself from the nature of the infringing activities it actively encouraged and facilitated Mentalix to make. *Id.*

Because we find that the doctrine of “willful blindness” has been satisfied here, it is not necessary for the Commission to reach the issue of whether actual knowledge of the '344 patent has been shown by the record evidence.

Regarding aiding and abetting direct infringement, we find that the record is replete with evidence of Suprema's efforts to collaborate with Mentalix to import the scanners and to help adapt Mentalix's FedSubmit software to work with Suprema's imported scanners and SDK to practice claim 19 of the '344 patent. These collaborative efforts between Suprema and Mentalix included, but are not limited to, [[

]].

The record evidence of these collaborative efforts is sufficient to show Suprema's aiding and abetting of Mentalix to adapt and integrate its FedSubmit software with Suprema's scanners and SDK to infringe claim 19 of the '344 patent. Accordingly, the Commission finds that Suprema satisfies the requisite elements for inducing infringement of claim 19 by Mentalix.

Contributory infringement

The Commission finds that the record evidence is insufficient to prove that Suprema is a contributory infringer because complainant has failed to satisfy its burden to prove that the accused products have no substantial non-infringing uses. To the contrary, the evidence shows that Suprema provides the same scanners and SDK to all customers. The scanners and SDK may be modified by customers to suit their individual applications. [[

]]. However, Cross-Match has not provided evidence to show that the Suprema scanners and SDK sold to third parties have no non-infringing uses. *See Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1337 (Fed. Cir. 2008). Nor has Cross-Match shown that the Suprema scanners and SDK are incapable of being used in any way other than by infringing claim 19 of the '344 patent. In the instant investigation, Cross Match alleged that several third parties directly infringed certain claims of the '562 and/or the '344 patent based on software written by third parties that use the Suprema SDK but chose not to allege direct infringement of claim 19 by any of these third-party customers, and therefore there is no finding that this claim is directly infringed by any entity other than Mentalix. *See ID at 98.* Cross-Match's third party infringement allegations in this investigation are inconsistent with its argument that Suprema scanners and SDK have no non-infringing uses. Accordingly, we find

that Cross Match has not met its burden to demonstrate that there are no substantial non-infringing uses for Suprema's imported scanners and SDK.

Contrary to Cross Match's contentions, there is no record evidence that Suprema is selling a unique RealScan scanner and SDK to Mentalix that is specially adapted to infringe claim 19 in combination with the FedSubmit software. We find that the evidence Cross Match presents regarding Mentalix's efforts to customize its FedSubmit software is irrelevant since the focus of a contributory infringement analysis is on the contributory component and whether that component has substantial non-infringing uses or is specially adapted to combine only with the components of an end-product that infringes. *See CR Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 674-75 (Fed. Cir. 1990) (the Court finding that the "critical issue" was "[w]hether the ACS catheter has no use except through practice of the patented method[.]"). The focus is not on whether the end-product components it combines with are specially adapted to infringe. Also, it is undisputed that Suprema is not a system integrator (*i.e.*, it does not provide an integrated fingerprint system with a complete software application), so therefore end-users of Suprema's software have to develop and use their own software to operate the RealScan scanners for actual scanning applications. *See Jones* (respondents' expert), Tr. at 1411-16. It is further undisputed that [[

]]. *See Jones*, Tr. at 1417-18; RDX-6C-06. Thus, we find that the evidence shows that all of Suprema's sales are of RealScan scanners and SDK that require development of unique end-user software to operate. Therefore in the hands of third-party customers other than Mentalix, these same scanners and SDK are capable of substantial non-infringing use. *See JX-51C* at 51, 104-05, 110-12; *JX-56C* at 62, 66, 72-74; *JX-55C* at 21-23; *JX-54C* at 46-48, 54, 74-75; *McWilliams*, Tr. at 671-73.

Based on this evidence, the Commission finds that Cross-Match has failed to satisfy its burden to demonstrate contributory infringement with respect to the imported Suprema scanners and SDK. *See CR Bard*, 911 F.2d at 674-75.

4. *Nexus Between Unfair Acts And Importation*

a. **Parties' arguments**

Cross Match and the IA submit that the requisite nexus between the unfair acts and importation is established by the record evidence here. Cross Match's Submission at 7-14; Cross Match's Reply at 13-16; IA's Submission at 7-11; IA's Reply at 6-9. Cross Match contends that nexus is established here by either: (1) respondents' knowledge that the imported RealScan scanners would be incorporated into an infringing device; or (2) Suprema's contributory infringement of claim 19. Cross Match's Submission at 7-14 (citing *Certain Inkjet Ink Cartridges with Printheads and Components Thereof*, Inv. No. 337-TA-723, 2011 ITC LEXIS 394, Order No. 37, at *6-7 (January 28, 2011); *Certain Hardware Logic Emulation Systems and Components Thereof*, Inv. No. 337-TA-383, 1998 ITC LEXIS 64, Comm'n Op. (April 1, 1998) ("*Hardware Logic*"). Specifically, Cross Match submits that the record here provides substantial evidence that respondents undertook significant software programming efforts to facilitate the combination of imported Suprema RealScan scanners and software with Mentalix's FedSubmit biometric identification software. Cross Match's Submission at 8-9 (citing CX-366C at 1-3; CX-534C at MTX0006136; CX-382C at 1-4). Cross Match argues that respondents' knowledge that the RealScan scanners would be combined with the FedSubmit software to produce an infringing device establishes the requisite nexus between the unfair act and the importation. *Id.*

Cross Match contends that *Cardiac Pacemakers*, where the Commission found no nexus due to lack of indirect infringement, is distinguishable from this investigation. *Certain Cardiac Pacemakers and Components Thereof*, Inv. No. 337-TA-162, 1984 WL 273827, Order No. 37, at *2 (March 21, 1984). Cross Match explains that the “two minor components” at issue in *Cardiac Pacemakers* were general, off-the-shelf ruby tubes and quartz crystals that did not infringe, and that the Commission found that these components were “minor” and “staple articles used in several non-infringing applications.” Cross Match’s Submission at 12-14 (citing *Cardiac Pacemakers*, Order No. 37). On the other hand, Cross Match argues, the record here establishes that the imported RealScan scanners are not mere “minor components,” but rather are sophisticated biometric devices with advanced optics that have also been separately adjudicated to infringe the ’993 patent. *Id.*; see ID at 77.

The IA agrees that a nexus exists based on induced infringement, and therefore contends that there is no need to reach the issue of contributory infringement. IA’s Submission at 7-11. The IA asserts that *DRAMs* is similarly distinguishable from this case because the Commission did not find induced or contributory infringement in that investigation. *Id.* at 8-10 (citing *Certain Dynamic Random Access Memories, Components Thereof and Products Containing Same*, Inv. No. 337-TA-242, Comm’n Op. at 90-92 (Sept. 21, 1987). The IA further submits that other Commission precedent found a nexus based on similar facts, *i.e.*, integration of U.S. components with the imported article to assemble the infringing system, and provides authority to also find a nexus here based on Suprema’s inducement of Mentalix’s direct infringement. *Id.* (citing *Certain Fluidized Supporting Apparatus and Components Thereof*, Inv. No. 337-TA-182/188, Initial Determination at *143-44, 1984 ITC LEXIS 70 (June 16, 1984) (“there is a sufficient link between the alleged unfair acts and the assembled article if the importation of

components of the article is an important step in the production and sale of the article.”); *Certain Personal Computers and Components Thereof*, Inv. No. 337-TA-140, Comm’n Op. at 36 (March 9, 1984) (the Commission found a nexus existed when a computer chip containing infringing software was added to an imported computer after importation because the computer chip was an “integral part” of the infringing computer system when it was sold)).

Respondents argue that there is no nexus between importation and respondents’ unfair acts. Respondents’ Submission at 18-29; Respondents’ Reply at 25-38. They contend that under these circumstances, where the complete infringing article is not imported, but rather assembled in the United States, the Commission’s authority to find a section 337 violation (and issue a remedy) is limited to articles that indirectly infringe, either contributorily or by inducement. *Id.* (citing *Cardiac Pacemakers*, Order No. 37; *DRAMs*, Comm’n Op. at 90-92). They submit that the facts of this investigation are precisely like those in *Cardiac Pacemakers* and *DRAMs* where a lack of indirect infringement prohibits a finding of a violation of section 337. *Id.*

b. Analysis

The Commission finds respondents’ nexus argument moot in view of our modification to the final ID, as discussed *supra*, that there has been direct infringement of claim 19 of the ’344 patent by Mentalix and indirect infringement of claim 19, via inducement, by Suprema. *See DRAMs*, Comm’n Op. at 90-92; *Cardiac Pacemakers*, Order No. 37, at *2.

IV. CONCLUSION ON VIOLATION WITH RESPECT TO THE ’344 PATENT

For the reasons discussed herein, the Commission has determined to modify-in-part the subject ID such that: (1) Mentalix is found to directly infringe claim 19 of the ’344 patent; (2) Suprema is found to indirectly infringe claim 19 via induced infringement; and (3) Suprema is not

found to indirectly infringe claim 19 via contributory infringement. These actions result in a finding of a violation of section 337 by both respondents. Also, the Commission affirms all the ALJ's factual findings underlying the issues that are on review.

V. REMEDY, PUBLIC INTEREST, AND BONDING

For the reasons set forth below, the Commission has determined to adopt the ALJ's recommended determination ("RD") on remedy and bonding. *See* ID at 158-66. We have also determined that the public interest does not preclude the ALJ's recommended remedy.

The Commission is authorized to issue a limited exclusion order when the Commission determines that there is a violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337). The ALJ recommended that if the Commission were to determine that there has been a violation of section 337, a limited exclusion order should issue that prohibits the importation into the United States of infringing articles, regardless of brand name, "that are manufactured abroad or imported by or on behalf of either respondent, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns." *Id.* Also, the ALJ recommended that the order should not be limited to specifically-identified products, but rather should extend to all infringing products. *Id.* The ALJ further recommended, as to software associated with any infringing article, that any exclusion order extend only to the importation of software on fixed media. *Id.* He rejected Cross Match's argument that any exclusion order should block the electronic transmission of such software into the United States because previous investigations have found that this proposed remedy is impractical. *Id.* (citing *Hardware Logic*, Comm'n Op. at 19-20 (refusing to bar electronic transmissions out of deference to Customs' limitations in its ability to enforce the order); *Certain Systems for Detecting and*

Removing Viruses or Worms, Components Thereof, and Products Containing the Same, Inv. No. 337-TA-510, Comm'n Op. at 4-5 (August 8, 2005)).

Further, with respect to the '993 patent, the ALJ recommended that any exclusion order contain a reporting requirement for Cross Match. [[

]]. Accordingly, the ALJ found that Cross Match should be required to periodically certify that it is continuing to exploit the '993 patent. *Id.* (citing *Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, Comm'n Op. at 18, USITC Pub. 303 (Nov. 1996); *Certain Wire Electrical Discharge Machining Apparatus and Components Thereof*, Inv. No. 337-TA-290, Comm'n Op. at 20 (March 16, 1990); *Certain Caulking Guns*, Inv. No. 337-TA-139, USITC Pub. 1507, Comm'n Op. at 3 (March 1984)).

The ALJ also found that a cease and desist order directed to Mentalix is warranted because respondents admitted that [[

]]. *Id.* (citing JX-44C at 124-25); see *Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, USITC Pub. 2391, Comm'n Op. at 37-42 (June 1991).

Regarding bonding, the ALJ found that, [[

]]. Therefore, the ALJ recommended a bond of 100 percent of the entered value of the covered products during the period of Presidential review. *Id.*

A. Remedy

The Commission agrees with the ALJ that the appropriate relief includes a limited exclusion order covering infringing biometric scanning devices, components thereof, associated software, and products containing the same that are manufactured abroad or imported by or on behalf of Suprema or Mentalix, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns. We also agree with the ALJ that Cross Match has provided specific evidence that Mentalix maintains a “commercially significant” inventory of accused, infringing scanner systems using the FedSubmit software products such that issuance of a cease and desist order directed against Mentalix is warranted. *See* JX-44C at 124-25.

The Commission also agrees with the ALJ that any exclusion order should include a reporting requirement with respect to the '993 patent. The record evidence establishes that [[

]], we view a reporting requirement as warranted in this case to ensure that Cross Match continues to exploit the '993 patent while the remedy is in place.

We further find that a cease and desist order directed to Suprema, a foreign entity, is *not* warranted. Under long-standing precedent, the Commission does not issue cease and desist orders directed to foreign respondents who do not have inventories in the United States because of

the difficulty in enforcing such an order. *See, e.g., Certain Flash Memory Circuits and Products Containing Same*, Inv. No. 337-TA-382, USITC Pub. 3046, Comm'n Op. at 25, (July 1997) ("It is our practice to issue cease and desist orders only to domestic respondents, particularly in *light* of the difficulty of enforcing such orders against foreign entities."). Cross Match has not established that Suprema itself, or through an agent, maintains inventories in the United States. *See, e.g., Certain Cast Steel Railway Wheels, Processes for Manufacturing or Relating to Same and Certain Products Containing Same*, Inv. No. 337-TA-655, Comm'n Op. at 9 (March 19, 2010) ("the record evidence shows that respondents [including foreign respondents] maintain commercially significant inventories of wheels in the United States"); *Certain Abrasive Products Made Using a Process for Powder Preforms, and Products Containing Same*, Inv. No. 337-TA-449, USITC Pub. 3530, Comm'n Op. at 7-8 & n.16, (Aug. 2002) (foreign respondent's agent maintained a domestic inventory on respondent's behalf).

In addition, the Commission finds that complainant has not established evidence demonstrating the need for a provision in any remedial order excluding electronic importation. Unlike the facts of *Hardware Logic* where electronic importation was barred by the cease and desist order, Suprema's SDK software, by itself, was not found to directly or contributorily infringe here. *See Hardware Logic*, Comm'n Op. at 39-42. Moreover, we agree with the ALJ that enforcement of such a provision would be impractical. *Id.* at 19-20. Accordingly, the Commission has determined not to issue a cease and desist order directed to Suprema or include a provision in any remedial order excluding electronic importation.

B. Public interest

When issuing an exclusion order under section 337(d) or a cease and desist order under section 337(f), the Commission must weigh the remedy sought against the effect such a remedy

would have on the following public interest factors: (1) the public health and welfare; (2) the competitive conditions in the United States economy; (3) the production of articles in the United States that are like or directly competitive with those subject to the investigation; and (4) United States consumers. *See* 19 U.S.C. §§ 1337(d)(1), (f)(1).

The Commission finds that its remedial orders are not contrary to the public interest since U.S. demand for biometric scanning devices, components thereof, associated software, and products containing the same can be met by other entities, including Cross Match. We also find that respondent has not presented evidence that an exemption for repair parts is necessary in this case for any remedial order. *See Certain Liquid Crystals Display Modules, Products Containing Same, and Methods Using the Same*, Inv. No. 337-TA-634, Comm'n Op. at 8 (Nov. 24, 2009) ("*LCD Devices*"). Tellingly, unlike *LCD Devices*, there have been no third-party submissions regarding remedy, the public interest, and bonding. Also, respondents have not made clear exactly what "replacement parts" are necessary to import here, what burdens and expenses would be imposed on third parties in the absence of such a "repair parts" exemption, and how long such an exemption is necessary to be in effect.

Also, we specifically find that our remedial orders with respect to claim 19 of the '344 patent are not contrary to the public interest because the record evidence firmly establishes that [[

]].

C. Bonding

Section 337(j) provides for entry of infringing articles during the sixty (60) day period of Presidential review upon posting of a bond and states that the bond is to be set at a level “sufficient to protect the complainant from any injury.” 19 U.S.C. § 1337(j)(3); *see also* 19 C.F.R. § 210.50(a)(3).

The Commission has determined that the posting of a bond is warranted in this case because Cross Match has proven that it exploits all of the patents at issue in the United States, and therefore any infringing importation undercuts the domestic industry and results in injury to Cross Match. *See* 19 U.S.C. § 1337(j)(3); ID at 142-44 (finding that Complainant satisfies technical prong) (unreviewed by Commission). The Commission also agrees with the ALJ that [[

]]. Accordingly, the Commission has determined that a bond of 100 percent of the entered value for the covered products is appropriate during the period of Presidential review. See *Digital Multimeters*, Comm'n Op. at 12-13.

D. Request for a Hearing

The Commission has determined that no hearing pursuant to Commission Rule 210.45(a) is warranted here because this case does not present any special circumstances that can be resolved only by holding a hearing on the issues of remedy, the public interest, and bonding. Again, tellingly, no third-parties filed submissions in this investigation.


VI. CONCLUSION

The Commission has determined that there has been a violation of section 337, and has further determined that the appropriate form of relief is a limited exclusion order prohibiting the unlicensed entry of biometric scanning devices, components thereof, associated software, and products containing the same that infringe one or more of claims 10, 12, and 15 of the '993 patent or claim 19 of the '344 patent, and that are manufactured abroad or imported by or on behalf of Suprema or Mentalix, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns. The Commission has also determined to issue a cease and desist order directed to Mentalix prohibiting it from importing, selling, advertising, distributing, marketing, consigning, transferring (except for exportation), offering for sale in the United States and soliciting U.S. agents or distributors for the subject products.

The Commission further has determined that the public interest factors enumerated in section 337(d)(1) (19 U.S.C. § 1337(d)(1)) and (f)(1) (19 U.S.C. § 1337(f)(1)) do not preclude issuance of the limited exclusion order and cease and desist order. Finally, the Commission

determined that there should be a 100 percent bond of the entered value of the covered products during the period of Presidential review.

By order of the Commission.



James R. Holbein
Secretary to the Commission

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