

No. 16-

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IN THE  
**Supreme Court of the United States**

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DBN HOLDING, INC. AND BDN LLC,

*Petitioners,*

v.

INTERNATIONAL TRADE COMMISSION,

*Respondent.*

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**On Petition for a Writ of Certiorari  
to the United States Court of Appeals  
for the Federal Circuit**

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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

19 U.S.C. § 1337(a)(1)(B)(i) gives the International Trade Commission jurisdiction to investigate and to deal with the importation of “articles that . . . infringe a valid and enforceable” patent. Yet in a series of recent cases that have repeatedly and deeply divided the Federal Circuit, the Commission has been permitted to expand its jurisdiction to regulate the importation of articles that do *not* infringe any patent but are merely associated with the alleged infringing conduct of U.S. companies on U.S. soil. And in the decision below, the Commission exercised its expanded jurisdiction to enforce a patent that has been finally adjudicated to be invalid by the federal courts. The questions presented are:

1. Whether the International Trade Commission’s jurisdiction over the importation of “articles that . . . infringe a valid and enforceable” patent extends to articles that do not infringe any patent.

2. Whether the Federal Circuit erred in affirming the Commission’s assessment of civil penalties for the domestic infringement of a patent that has been finally adjudicated to be invalid.

### **PARTIES TO THE PROCEEDINGS**

The petitioners herein are DBN Holding, Inc. and BDN LLC. Petitioners were appellants below, but their corporate names have changed. In the court of appeals, DBN Holding, Inc. was known as DeLorme Publishing Company, Inc., and BDN LLC was known as DeLorme inReach LLC.

The respondent herein, which was the Appellee below, is the International Trade Commission.

### **RULE 29.6 STATEMENT**

BDN LLC is a wholly-owned subsidiary of DBN Holding, Inc. There are no other parent corporations or publicly held companies that own 10 percent or more of the stock of petitioners.

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## **PETITION FOR A WRIT OF CERTIORARI**

Petitioners DBN Holding, Inc. and BDN LLC (collectively, “DeLorme”), respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

### **OPINIONS BELOW**

The Federal Circuit’s opinion is reported, 805 F.3d 1328, and is reproduced at Petition Appendix (Pet. App.) 1a–27a. The unreported order denying the petition for rehearing and rehearing en banc is reproduced at Pet. App. 83a–84a. The redacted public version of the International Trade Commission Opinion and Order terminating the enforcement proceedings below and imposing a civil penalty is unreported and reproduced at Pet. App. 28a–82a. The enforcement initial determination of the Administrative Law Judge is unreported.

### **JURISDICTION**

The Federal Circuit entered its judgment on November 12, 2015, and denied a timely-filed petition for rehearing by order dated March 15, 2016. On May 18, 2016, Chief Justice Roberts extended the time within which to file a petition for a writ of certiorari to and including July 13, 2016. This Court has jurisdiction over this petition pursuant to 28 U.S.C. § 1254(1).

### **STATUTORY PROVISIONS**

19 U.S.C. § 1337(a) provides, in relevant part:

(1) . . . the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as

provided in this section . . . .

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

(i) infringe a valid and enforceable United States patent . . . .

## INTRODUCTION

Congress has empowered the International Trade Commission to investigate and deal with the importation of “articles that . . . infringe a valid and enforceable” U.S. patent. 19 U.S.C. § 1337(a)(1)(B)(i). In recent years, however, the Commission has sought to expand its authority by interpreting this jurisdictional grant to cover a wide range of conduct that does not involve the importation of any infringing articles. And while the Federal Circuit has divided deeply and repeatedly over the scope of the Commission’s authority, it has ultimately allowed the agency to become a “creature of its own making, an ever-expanding hydra that can sprout new areas of authority with each new interpretation.” *Suprema, Inc. v. ITC*, 796 F.3d 1338, 1368 (Fed. Cir. 2015) (en banc) (O’Malley, J., dissenting). In the decision below, a divided panel of the Federal Circuit affirmed a Commission determination that expanded its jurisdiction beyond even that which divided the en banc Federal Circuit 6–4 a year ago in *Suprema*. Specifically, the decision below allowed the agency to impose a \$6-million penalty for importation conduct that the Commission never asserted, much less found, to have directly or indirectly infringed a U.S. patent. Worse, the penalty was assessed to enforce a patent that has been finally adjudicated to be invalid.

The Federal Circuit’s decision to interpret “articles that infringe” to mean “articles that do not infringe but later become associated with domestic infringing conduct” is wrong, and there are compelling reasons for this Court to grant certiorari to correct it. First, it conflicts with both the statutory text and with an unbroken string of decisions in this Court holding that a patent covering a combination of elements protects (and thus can only be infringed by) a product that embodies *all* elements of the combination.

Second, the holding below channels domestic patent disputes over which the federal courts have exclusive jurisdiction into an agency designed to regulate international trade, where patent owners can evade the limitations on injunctive relief announced by this Court in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 338 (2006), as well as a number of other important procedural protections available to defendants in federal court. And patent owners can use the threat of an injunction in a fast and patent-friendly forum to extract royalties out of all proportion to the value of their asserted inventions. In a global economy where essential components are sourced from all over the world, U.S. businesses facing this threat will often be forced to pay such a tribute in order to avoid massive disruptions to their operations.

Third, the decision below does all of this in service of a patent that has been finally adjudicated to be invalid. In affirming a civil penalty for the infringement of an invalid patent, the decision below gives Commission determinations greater force and finality than the Federal Circuit has accorded to similar decisions of the federal district courts. Yet the rule adopted for appellate review of civil contempt sanctions for infringement—which itself has repeatedly divided the Federal Circuit—is the correct one. The

monopoly created by a valid patent is justified because it promotes innovation. But if a patent is invalid, then the justification for the monopoly disappears, leaving only the principle of free access to ideas in the public domain. DeLorme should not be charged \$6 million to use an idea that the federal courts have conclusively determined should always have been available to all.

In short, the decision below is wrong, conflicts with this Court's decisions, and raises important and recurring questions of national importance that have repeatedly divided the Federal Circuit en banc. The petition for certiorari should be granted.

#### STATEMENT OF THE CASE

1. This case arises out of enforcement proceedings before the International Trade Commission. Section 337 of the Tariff Act of 1930, codified as amended at 19 U.S.C. § 1337, empowers the Commission to investigate unlawful activities in the importation of goods into the United States, and upon finding a violation, to issue orders directing Customs officials to exclude goods from entry into the country. As relevant here, the Commission has jurisdiction to investigate and deal with the importation of "articles that . . . infringe a valid and enforceable" patent. 19 U.S.C. § 1337(a)(1)(B)(i).

DeLorme makes inReach devices, which are two-way satellite communication devices that allow users to send text messages or trigger an "SOS alert" to a third-party search and rescue provider from anywhere in the world. The devices are popular with hikers, sailors, and others who want a way to communicate or obtain emergency assistance when they travel beyond the boundaries of cellular network coverage.

The current proceedings trace back to an August 16, 2012 complaint filed by BriarTek IP, Inc. BriarTek alleged that DeLorme had been importing inReach devices that infringed BriarTek's patent, U.S. Patent No. 7,991,380 (the "'380 patent"), which covers certain emergency monitoring and reporting systems. BriarTek requested that the Commission investigate DeLorme's inReach devices and issue an exclusion order that would block the devices at the U.S. border. At the time of BriarTek's initial August 2012 complaint, DeLorme had been importing its inReach devices into the United States from Taiwan.

Prior to the filing of the complaint, however, DeLorme had decided to move the manufacture of its devices from Taiwan to Maine. Because the only article alleged to have infringed BriarTek's patent would no longer be imported, DeLorme moved to terminate the proceedings by agreeing to a Consent Order, which mirrored the scope of the Commission's jurisdiction under Section 337(a)(1)(B). The Order provided that:

DeLorme shall not import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10–12, and 34 of the '380 Patent after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the '380 Patent or except under consent or license from Complainant, its successors or assignees.

Pet. App. 29a-30a.

Under the Consent Order, DeLorme faced stiff penalties for importing any "articles"—*i.e.*, communica-

tions systems or components thereof—“that . . . infringe” the ’380 patent. See 19 U.S.C. § 1337(a)(1)(B) (conferring jurisdiction over such violations); *id.* § 1337(f)(2) (empowering Commission to assess a penalty of up to the greater of \$100,000 or twice the domestic value of the articles per day). But in DeLorme’s view, so long as the company manufactured and sold its inReach devices in the United States, the Commission would have no authority under Section 337 to intervene. If BriarTek thought DeLorme’s domestic manufacture or sale was infringing, BriarTek could file suit in federal court. In short, the move from importation to domestic production meant that the Commission’s role in the parties’ dispute had come to an end.

The Commission had a much more expansive view of its authority. At the request of BriarTek, the Commission instituted enforcement proceedings and ultimately imposed a \$6-million penalty based on DeLorme’s importation of non-infringing components that were incorporated into U.S.-manufactured inReach devices—principally a plastic belt clip for the device.<sup>1</sup> The Commission issued such penalties without ever finding that any “article” imported into the United States was itself infringing, or even that DeLorme’s importation conduct had induced others to infringe a patent.

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<sup>1</sup> The Commission’s penalty was also based in small part on DeLorme’s use of components from older versions of its inReach devices that DeLorme had previously imported. DeLorme removed these components and incorporated them in new “inReach 1.5” devices. But for over 90% of the devices found to be involved in infringement, the only relevant imported component was the belt clip. *Compare* Pet. App. 80a (15,302 devices), *with id.* 75a, n.10 (1,600 devices).



The infringement identified by the Commission happened much further down the line, when users activated their U.S.-manufactured inReach devices, paired them with a smartphone by using DeLorme’s Earthmate software, and used the paired devices with the global Iridium satellite network. In short, the Commission construed its statutory authority over the importation of “articles that infringe” a patent to extend to the importation of “non-infringing articles that are incorporated into non-infringing devices manufactured in the United States, whose sale to customers in the United States may induce such customers to infringe a patent by using the non-infringing devices in combination with other devices and networks.” DeLorme timely appealed to the Federal Circuit.

Meanwhile, shortly after BriarTek initiated the enforcement proceedings, DeLorme filed suit in the Eastern District of Virginia, seeking a declaratory judgment that the ’380 patent is invalid and not infringed by DeLorme’s inReach products. The court granted summary judgment that the relevant claimed inventions are invalid because they are neither novel nor non-obvious. See *DeLorme Publ’g Co. v. BriarTek IP, Inc.*, 60 F. Supp. 3d 652 (E.D. Va. 2014), *aff’d*, 633 F. App’x 912 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 1477 (2016). BriarTek appealed that judgment to the Federal Circuit as well.

2. The Federal Circuit resolved the two parallel appeals on the same day. First, in the appeal out of the Eastern District of Virginia, the Federal Circuit affirmed the judgment of invalidity. Pet. App. 8a n.1. As a result of this decision, all relevant claims of the ’380 patent have been finally adjudicated to be invalid.

Yet the invalidation of the '380 patent did not stop a divided panel of the Federal Circuit from affirming the Commission's \$6-million penalty, or the Commission's expansive reading of its jurisdiction under Section 337. In the majority's view, whether the "articles" that DeLorme had imported infringed the '380 patent was beside the point. Under the Consent Order—which mirrored the language of Section 337—it was enough that DeLorme had sold devices in the United States "containing imported components with instructions to infringe." Pet. App. 5a.

According to the majority, the fact that the '380 patent was conclusively determined to be invalid made no difference either, because the patent had not yet been invalidated at the time of the asserted infringement. The Consent Order forbade the importation of articles that infringe "until" the "invalidation . . . of the '380 patent," and thus the Order was violated by infringing conduct up until the moment a judgment of invalidity became final, following all appeals. Pet. App. 9a-10a. Thus, the imported plastic belt clips were held to be within the Commission's jurisdiction as "articles that infringe," notwithstanding the fact that (a) the articles do *not* infringe—the belt clip is not an emergency monitoring system within the scope of the '380 patent—and (b) the patent is invalid. In other words, the Commission's Section 337 jurisdiction to deal with "articles that infringe a valid and enforceable United States patent" was construed to extend to articles that do not infringe a patent that, in any event, is not valid.

Judge Taranto dissented in part. In his view, the invalidation of the patent changed the calculus. He doubted whether the Consent Order was best construed to allow the Commission to penalize DeLorme for infringing an invalid patent, Pet. App. 17a-21a,

but even if it were, Judge Taranto raised the question whether the Commission had exceeded its jurisdiction under Section 337. According to Judge Taranto, the statutory provision under which DeLorme was penalized “may reach no further than conduct that constitutes a violation of § 1337(a), which, in turn, . . . requires that the respondent ‘infringe a *valid*’ patent.” Pet. App. 26a (quoting 19 U.S.C. § 1337(a)(1)(B)(i) (emphasis added by Judge Taranto)).

In addition, Judge Taranto raised a question regarding the relationship between the Federal Circuit’s affirmance of the Commission’s penalties for the infringement of an invalid patent, on the one hand, and, on the other hand, its decision in *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 1166 (2016). Pet. App. 26a-27a. The *ePlus* court had set aside civil contempt sanctions for violating an injunction where the patent was later determined to be invalid. 789 F.3d at 1356–58. Judge Taranto identified a possible way to reconcile the tension between the two cases. Pet. App. 27a. But the Commission had requested a remand in light of the invalidity ruling, and Judge Taranto concluded it would be best to remand to allow the Commission to engage in its own “full consideration of its statutory and regulatory regime.” *Id.*

On March, 15, 2016, the Federal Circuit denied rehearing. Pet. App. 84a.

### **REASONS FOR GRANTING THE PETITION**

There are two compelling grounds for granting certiorari in this case. First, the decision below extends the International Trade Commission’s jurisdiction into the domain of domestic patent disputes, without any basis in the text of the statute or in this Court’s

precedents. Second, the Federal Circuit affirmed a penalty the Commission had no jurisdiction to impose for the infringement of a patent that has been finally adjudicated to be invalid.

The combined effect of these errors is to channel domestic patent disputes over which the federal courts have exclusive jurisdiction into an administrative trade forum, in a way that threatens to disrupt commerce. Patentees, including non-practicing entities, have turned to the Commission in the aftermath of this Court's decision in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 338 (2006), recognizing that the Commission is a fast and patent-friendly forum in which injunctive relief (in the form of an "exclusion order") is virtually automatic. See, e.g., Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 Wm. & Mary L. Rev. 63, 99 (2008). In a global economy where components are routinely sourced from overseas—indeed, uncontradicted testimony in this case indicates that no electronic device manufactured in the U.S. is made without at least one foreign-sourced part—the Federal Circuit's broad reading of Section 337 allows patentees to bypass the federal courts and use the threat of an exclusion order to extract outsized royalties from U.S. entities based on U.S. conduct. The Federal Circuit's ruling threatens a systemic expansion of the Commission's authority over patent litigation and commerce. This Court's review is warranted to address such an important and recurring issue of national importance.

The en banc Federal Circuit divided 6–4 on the scope of the Commission's jurisdiction over domestic infringement a year ago in *Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc). The decision below puts the Federal Circuit even farther off

course, and in light of the result in *Suprema*, only this Court can put things back on track.

**I. THE FEDERAL CIRCUIT HAS ALLOWED THE COMMISSION TO EXERCISE JURISDICTION OVER DOMESTIC PATENT DISPUTES, CONTRARY TO THE STATUTORY TEXT AND THIS COURT'S PRECEDENTS.**

The Commission was created to regulate international trade, yet in a series of determinations that have deeply and repeatedly divided the Federal Circuit, the Commission has interpreted its jurisdictional grant to extend far beyond the importation of “articles that . . . infringe a valid and enforceable United States patent.” 19 U.S.C. § 1337(a)(1)(B)(i). As a result of these expansive interpretations, the Commission is no longer “a ‘creature of statute,’ but [is] instead a creature of its own making, an ever-expanding hydra that can sprout new areas of authority with each new interpretation.” *Suprema*, 796 F.3d at 1368 (O’Malley, J., dissenting).

In *Suprema*, a divided majority of the *en banc* Federal Circuit affirmed the Commission’s view that the jurisdictional grant over the importation of “articles that infringe” a patent extended to articles that, although non-infringing, would be combined with other components in a way that would render the importer liable for inducing patent infringement. But the present case takes *Suprema*’s already expansive view of the Commission’s jurisdiction and extends it even further. Whereas the violation in *Suprema* was premised on importation conduct that was itself found to induce patent infringement, the violation identified below involved importation conduct that the Commission never asserted, much less found, to have directly or indirectly infringed any patent. The Federal Circuit’s ever-broadening view of the Com-

mission’s authority cannot be justified, and this Court should grant certiorari to stem the tide of sweeping agency authority and direct the Commission to stop investigating domestic patent infringement matters.

1. The Federal Circuit’s expansion of the Commission’s jurisdiction cannot be squared with the text, history, or purposes of Section 337, or with this Court’s precedent.

“Articles that infringe” a patent are products that, by themselves, embody each element of a patented invention. If an imported article is a component that is later incorporated in a device that infringes a patent, then the *device* infringes, but the imported component—the “article” in question—does not. This Court has long understood that a patent covering a combination of elements is only infringed by a product or method that contains all elements in the combination. See, e.g., *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 344 (1961) (*Aro I*) (“[I]f anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.”); *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 667 (1944) (“The patent is for a combination only. Since none of the separate elements of the combination is claimed as the invention, none of them when dealt with separately is protected by the patent monopoly.”). As in *Aro I*, the “basic fallacy” in the Federal Circuit’s reading of Section 337 “is that it requires ascribing to one element of the patented combination the status of patented invention in itself.” 365 U.S. at 344–45. The result is a kind of “free-floating concept of ‘infringement’” that this Court has consistently rejected. *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2120 (2014); see also *id.* at 2117 (explaining that a

patent is “the conferral of rights in a particular claimed set of elements”).

This Court has applied the understanding that the “patented article” (and thus the “infringing article”) must be a single good or device containing all elements of the claimed invention in a number of contexts. For example, under the doctrine of patent exhaustion, the “authorized sale of *a patented article* gives the purchaser . . . a right to use or resell that article,” *Bowman v. Monsanto Co.*, 133 S. Ct. 1761, 1764 (2013) (emphasis added), but the doctrine only applies to “an article embodying or containing an invention,” *id.* at 1766. The patent owner’s sale of a component of a patented device does not, by itself, give the purchaser any rights with respect to the patented device. Cf. also *Aro I*, 365 U.S. at 346 (holding that patentee cannot restrict repair of lawfully purchased articles, but the “reconstruction of a patented entity” that “in fact make[s] a new article” may be infringing). Likewise, this Court has construed the patent marking statute to require patentees to provide notice of their patents on the goods they sell—but only if the patentees sell goods that embody the patent. See *Wine Ry. Appliance Co. v. Enter. Ry. Equip. Co.*, 297 U.S. 387, 395 (1936) (“If the word ‘patentees’ is not qualified by ‘making or vending any patented article,’ the section would seem to impose . . . a duty to the public impossible of performance when no article is made or vended by them.”).

Reading “articles that infringe” to mean “articles that embody all elements of a patented invention” is further supported by Section 337’s use of the parallel phrase “articles protected by the patent.” That phrase appears in a provision that bars the Commission from exercising jurisdiction over “articles that . . . infringe” unless there is “an industry in the

United States,” relating “to the *articles protected by the patent.*” 19 U.S.C. § 1337(a)(2), (emphasis added). Articles “protected by the patent,” just like “articles that infringe,” embody all elements of the claimed invention. When a patent claims a combination of elements, it “protects only against the operable assembly of the whole and not the manufacture of its parts.” *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 528 (1972). For this reason, this Court held in *Deepsouth* that the domestic manufacture of all components of a patented device for assembly abroad did *not* infringe the asserted patent, because the unassembled parts did not infringe. *Id.* at 527–29.

Indeed, this case presents a complementary question to that at issue in *Deepsouth*. This Court in *Deepsouth* considered whether *exported* components of a patented combination were infringing; this case presents the question whether *imported* components of a patented combination are infringing. And in both cases, the answer is the same: an article that lacks any element of a claimed combination is not an infringing article.

To be sure, *Deepsouth* has been superseded by 35 U.S.C. § 271(f), but the existence and text of that provision only further bolsters the point. First, this Court emphasized that any expansion of the concept of infringement to include acts that are different from making, selling, or using a patented invention in the U.S. is a matter for Congress’s considered judgment. The courts should not be making such policy under the guise of statutory interpretation. See *Deepsouth*, 406 U.S. at 529–30. Second, under Section 271(f), those who export all components of a patented combination, or a component that is especially made or adapted for use in the patented combination, are held “liable as an infringer” where the combination “would



infringe the patent if such combination occurred within the United States.” 35 U.S.C. § 271(f)(1), (2). This text is based on the assumption—central to the holding of *Deepsouth* itself—that components of a patented combination are never, by themselves, infringing, although the exporter of such components may sometimes be held liable as if they were. See also *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 453 (2007) (holding that “components supplied from the United States . . . trigger § 271(f) liability when combined abroad to form the patented invention at issue”). Moreover, this Court’s recent decision to grant certiorari to address the scope of § 271(f)(1) in *Life Technologies Corp. v. Promega Corp.*, No. 14-1538 (U.S. granted June 27, 2016), only underscores the need for clarity in the area of international patent infringement.

The Federal Circuit’s broader reading of “articles that infringe,” adopted in *Suprema* and extended in this case, includes not only articles that themselves infringe (*i.e.*, articles that contain all elements of a patented combination) but also imported articles that have been associated with conduct that would give rise to indirect liability for infringement. See *Suprema*, 796 F.3d at 1349 (affirming “Commission’s interpretation that Section 337 grants it authority to prevent importation of articles that have been part of inducement”). But if that reading of 19 U.S.C. § 1337(a)(1)(B)(i) were correct, there would have been no need for Congress to empower the Commission, in a separate provision of Section 337, to deal with non-infringing goods that were made abroad by a patented process. See 19 U.S.C. § 1337(a)(1)(B)(ii) (granting jurisdiction over “articles that . . . are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable Unit-

ed States patent”). Under the Federal Circuit’s reading of § 1337(a)(1)(B)(i), the Commission would already have jurisdiction over non-infringing goods made abroad by a patented process because such goods would be “associated” with conduct that gives rise to indirect liability for infringement under Section 271(g) of the Patent Act. See 35 U.S.C. § 271(g) (extending indirect liability to importers of products “made by a process patented in the United States”). In short, the Federal Circuit’s reading of § 1337(a)(1)(B)(i) renders § 1337(a)(1)(B)(ii) superfluous. Cf. *United States v. Jicarilla Apache Nation*, 564 U.S. 162, 185 (2011) (“[W]e are hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law.”).

The more natural reading of “articles that infringe,” however, gives § 1337(a)(1)(B)(ii) independent force. A non-infringing good made by a patented process is *not* an article that infringes under § 1337(a)(1)(B)(i), but the Commission still has jurisdiction over it because Congress enacted § 1337(a)(1)(B)(ii).

The more natural reading of “articles that infringe” is also more consistent with the purposes of Section 337. As Congress has long recognized, “[t]he purpose of the Commission is to adjudicate *trade disputes* between U.S. industries and those who seek to import goods from abroad.” H.R. Rep. No. 100–40, pt. 1, at 157 (1987) (emphasis added); see also S. Rep. No. 100–71, at 129 (1987) (stating substantially the same purpose). The Commission is “fundamentally a trade forum, not an intellectual property forum,” *John Mezzalingua Assocs. v. ITC*, 660 F.3d 1322, 1328 (Fed. Cir. 2011), and it is designed as a supplement to, not a substitute for, the federal courts. Because Section 337 investigations are *in rem*—jurisdiction is

over the accused articles rather than over the accused infringer—the Commission is particularly well-situated to provide relief where the infringer is a foreign entity that is either difficult to identify or not subject to personal jurisdiction in a U.S. court. See *Sealed Air Corp. v. ITC*, 645 F.2d 976, 985 (C.C.P.A. 1981) (explaining that Section 337 was “intended to provide an adequate remedy for domestic industries against unfair methods of competition and unfair acts instigated by foreign concerns operating beyond the in personam jurisdiction of domestic courts”); see also Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100–418, § 1341(a)(2), 102 Stat. 1107, 1211–12 (finding that existing protections had “not provided United States owners of intellectual property rights with adequate protection against foreign companies violating such rights”). In short, the International Trade Commission exists to regulate international trade—not to adjudicate domestic patent disputes.

Interpreting “articles that infringe” to mean articles that, by themselves, embody each element of a patented invention empowers the Commission to attend to infringing goods in international trade, rather than to the alleged infringing conduct of U.S. companies on U.S. soil. Because the Commission’s jurisdiction is *in rem*, and because its exclusion orders are directed to Customs officials inspecting imported goods at the nation’s borders, the Commission ought to be able to determine whether an article is infringing without regard to what may or may not happen to the article after it enters the United States. Yet under the Federal Circuit’s construction of Section 337, the Commission has *in rem* jurisdiction over a non-infringing imported belt clip because a U.S. company incorporated that belt clip in the U.S. manufacture of

a non-infringing device that, when used by customers in conjunction with a smartphone and a global satellite network, may infringe a patent. The ultimate infringing conduct—by the domestic consumer, not the importer—is several steps removed from the international trade in infringing goods, which is the linchpin of the Commission’s jurisdiction. Cf. *Hipolite Egg Co. v. United States*, 220 U.S. 45, 59 (1911) (“in a suit *in rem*, . . . the power and process of the court is confined to the thing itself”). And how Customs officials are supposed to tell whether a generic plastic component or a battery is going to later be incorporated into an infringing device is a mystery.

2. The Federal Circuit has divided deeply and repeatedly over the scope of the Commission’s jurisdiction in recent years, but it is also irretrievably committed to the view of *Suprema*’s six-judge, en banc majority that the phrase “articles that infringe” extends to articles that do *not* infringe but are associated with conduct that would give rise to indirect liability for infringement.

The *Suprema* majority justified its holding by resorting to *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). According to the *Suprema* court, the phrase “articles that infringe” was ambiguous because *articles* do not infringe—*people* do. See 796 F.3d at 1347 (“The relevant portions of § 271 define persons’ *actions* as infringement.”). And in the court’s view, because an “‘article’ cannot infringe,” there was a “disparity between the language of Section 337 and the Patent Act’s definitions of infringement” that “present[ed an] uncertainty requiring resolution by the agency charged with Section 337’s enforcement.” *Id.*

It is true but irrelevant that Section 271 of the Patent Act focuses on conduct rather than goods. Pa-

tent suits in federal court are actions *in personam* against a person who has made, used, or sold the patented invention without authorization, 35 U.S.C. § 271(a), so it is no surprise that the Patent Act focuses on conduct. But Section 271(a)'s reference to the "patented invention" parallels the "articles protected by the patent" of Section 337(a)(2), and as this Court's cases make clear, only that which embodies or contains all elements of the patented invention can be a "patented article"—or an infringing one. See, e.g., *Limelight*, 134 S. Ct. at 2117 ("a patentee's rights extend only to the claimed combination of elements, and no further"); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997) ("[e]ach element contained in a patent claim is deemed material to defining the scope of the patented invention"). If an article contains fewer than all elements, it is neither the "patented invention" nor an "article that infringes," even if it later becomes associated with conduct that gives rise to indirect liability for infringement.

The statute is clear. An "article that infringes" cannot be interpreted to cover an "article that does not infringe." As a result, *Chevron* deference does not come into play. *Chevron*, 467 U.S. at 842 ("[i]f the intent of Congress is clear, that is the end of the matter").

Moreover, even if the statute were ambiguous as to whether the Commission had jurisdiction over a patent infringement dispute between two U.S. companies regarding allegedly infringing conduct that occurred entirely on U.S. soil, it would be inappropriate for an Article III court to defer to the Commission's determination on the subject. Whether the jurisdiction of an agency empowered to regulate international trade should be extended to domestic patent disputes—displacing or duplicating jurisdiction that has

historically been vested exclusively in the federal courts—is a “question of deep ‘economic and political significance,’” and “had Congress wished to assign that question to an agency, it surely would have done so expressly.” *King v. Burwell*, 135 S. Ct. 2480, 2489 (2015) (quoting *Util. Air Reg. Grp. v. EPA*, 134 S. Ct. 2427, 2444 (2014)).

The en banc *Suprema* court put the Federal Circuit conclusively on the wrong side of the first question presented by this petition, which is why the case for this Court’s intervention is a compelling one. Yet as committed as the Federal Circuit is to an unjustified expansion of the Commission’s jurisdiction, post-*Suprema* cases—including in this case—reveal repeated disagreements among the judges of the court of appeals. Granting review in this case would help to resolve these disputes as well.

For example, in the recent case of *ClearCorrect Operating, LLC v. ITC*, 810 F.3d 1283 (Fed. Cir. 2015), a sharply divided panel of the Federal Circuit reviewed the Commission’s determination that its Section 337 jurisdiction extended not only to tangible “articles” that infringe, but also to intangible transmissions of digital data. The patent at issue covered (among other things) methods for forming orthodontic appliances (“aligners”), and the Commission had concluded that digital models that were transmitted from Pakistan to the United States via the internet were “articles that infringe.” *Id.* at 1287–88. The panel majority reversed, holding that the Commission’s determination was clearly foreclosed by the statute. *Id.* at 1289–1302. Judge O’Malley wrote separately in *ClearCorrect*, expressing her view that no *Chevron* analysis was required because, if “Congress intended for the Commission to regulate one of the most important aspects of modern-day life”—the internet—

“Congress surely would have said so expressly.” *Id.* at 1302 (concurring opinion). The case also drew a dissent from Judge Newman, who would have affirmed the Commission’s assertion of jurisdiction over data transmitted over the internet. *Id.* at 1304–12 (dissenting opinion).

In March, the Federal Circuit denied rehearing en banc in the *ClearCorrect* case, and the per curiam denial was accompanied by two separate opinions. 819 F.3d 1334 (Fed. Cir. 2016) (per curiam) (en banc); *id.* at 1335 (Prost, C.J., concurring); *id.* at 1337 (Newman, J., dissenting). The dueling opinions in *ClearCorrect*, like those in *Suprema*, evidence the deep disagreements among the Federal Circuit’s judges over fundamental questions in this area. Thus, granting review in this case would not only allow this Court to correct the errors of *Suprema* and of the decision below; it would provide much-needed guidance to the Federal Circuit on the broader set of questions that have repeatedly divided the court of appeals regarding the Commission’s jurisdiction. *See id.* at 1337-38 (noting that the “conflict” in the Federal Circuit’s Section 337 cases “requires resolution”).

3. If left uncorrected, the Federal Circuit’s erroneous expansion of the Commission’s jurisdiction will channel domestic patent disputes into the Commission, disrupting supply chains for U.S. industry and empowering patentees—including non-practicing entities that would be unable to obtain injunctive relief in federal court under *eBay*—to use the threat of an exclusion order to extract royalties out of all proportion to the value of their asserted inventions. Commission proceedings are streamlined and are designed to provide quick and effective relief from unfair practices in international trade to domestic industry. But these very characteristics eliminate a

number of protections that would be available to an accused infringer in an Article III court, and that is why, given the opportunity, many patentees will choose to pursue relief against domestic companies in the Commission instead of, or in addition to, an Article III court.

The most important difference between the Commission and the Article III courts is the availability of injunctive relief. Prior to this Court's decision in *eBay*, the Federal Circuit had announced a "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances." *eBay*, 547 U.S. at 391 (quoting decision below, 401 F.3d 1323, 1339 (Fed. Cir. 2005)). But *eBay* held that, under "well-established principles of equity," a federal court had to weigh a number of equitable factors before exercising its discretion to provide injunctive relief. *Id.* After *eBay*, injunctive relief for patent infringement has become much less common, and it is very rare for an entity that owns but does not practice a patent in the marketplace (*i.e.*, a "non-practicing entity" or "patent troll") to get an injunction. See Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 Cornell L. Rev. 1, 10 fig.1 (2012) (reporting that, when a request for an injunction was contested, patent assertion entities that prevailed at trial were granted injunctive relief in only 7% of cases).

In contrast, injunctive relief is virtually automatic upon a finding of infringement in the Commission, where the Federal Circuit has held that *eBay* does not apply. See *Spansion, Inc. v. ITC*, 629 F.3d 1331, 1359 (Fed. Cir. 2010). By statute, the Commission is required to issue an exclusion order whenever it finds a violation, unless it finds that the statutory public interest factors suggest that exclusion is inappropri-



ate. See 19 U.S.C. § 1337(d). According to a recent empirical study, however, the Commission issued injunctive relief in *every single case* in which it found a violation in the twelve-year period studied, see Chien, *supra*, at 99, and the Commission has almost never invoked the public interest factors to deny relief. See, e.g., Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 Fla. L. Rev. 529, 567–68 (2009) (“[I]n practice, denials of injunctive relief after a finding of infringement are extremely uncommon, having occurred in only three investigations in the thirty-five year history of the ITC.”).

Patent owners—and non-practicing entities in particular—have turned to the Commission to take advantage of this key disparity. During the 1990s, the Commission instituted roughly ten Section 337 investigations per year, but since *eBay*, they have had closer to 40 per year, including 69 in 2011 alone. U.S. Int’l Trade Comm’n, *USITC Section 337 Investigations—Facts and Trends Regarding Caseload and Parties* 1 (June 10, 2014 Update), [https://www.usitc.gov/press\\_room/documents/featured\\_news/337facts2014.pdf](https://www.usitc.gov/press_room/documents/featured_news/337facts2014.pdf) (hereafter “Facts & Trends”).

And before *eBay*, no non-practicing entity had ever initiated a Commission investigation. See *Hearing on International Trade Commission Patent Litigation Before the Subcomm. on Courts, Intellectual Property, & the Internet of the H. Comm. on the Judiciary*, 114th Cong. 2 (2016) (statement of John Thorne), <https://judiciary.house.gov/wp-content/uploads/2016/04/04.14.16-Thorne-Testimony.pdf>. But by 2012, the Commission had to request an increase to its budget to deal with the number of such entities seeking to evade the limits on injunctive relief that this Court set forth in *eBay*. See U.S. Int’l Trade Comm’n, *Budget Justification: Fiscal Year 2012*, at 21 (2012),

[https://www.usitc.gov/press\\_room/documents/budget\\_2012.pdf](https://www.usitc.gov/press_room/documents/budget_2012.pdf) (noting that *eBay* “made it more difficult for patent-holders that do not themselves practice a patent to obtain injunctions in district courts,” and thus “exclusion orders have increasingly been sought by non-practicing entities that hold U.S. patents”). In 2011, for example, non-practicing entities were the complainants in 25% of the Commission’s investigations, and their investigations accounted for 51% of respondents (*i.e.*, defendants joined as accused infringers).

*eBay* is not the only protection accused infringers lose when the patentee seeks relief in the Commission rather than in an Article III court. For example, the Federal Circuit has held that certain substantive defenses to infringement that are available in federal court may not be invoked before the Commission. See *Kinik Co. v. ITC*, 362 F.3d 1359, 1361–63 (Fed. Cir. 2004). And while accused infringers often respond to a federal lawsuit by seeking *inter partes* review of the asserted patent before the Patent Office and obtaining a stay of the litigation, the Commission has *never* stayed an investigation pending such Patent Office proceedings. See Anne Cappella et al., *Inter Partes Review Can be an Effective Tool*, Daily J., Apr. 17, 2015, at 1, <http://www.weil.com/~/media/files/pdfs/inter-partes-review-can-be-an-effective-tool.pdf>.

Likewise, accused infringers can often respond to infringement suits by asserting counterclaims, but any counterclaims asserted in a Commission proceeding are automatically removed to federal court, and the Commission proceedings continue as if the counterclaims do not exist. See 19 U.S.C. § 1337(c) (“[a]ction on such counterclaim shall not delay or affect the proceeding under this section”). And while

defendants in federal court can avoid being lumped together with others accused of infringing the same patent by invoking the protections enacted as part of the America Invents Act, 35 U.S.C. § 299, those protections do not apply to the Commission's proceedings. As a result, patentees routinely join dozens of unrelated respondents in a single Commission proceeding. See, *e.g.*, Facts & Trends, *supra*, at 5.

And the most fundamental procedural difference is this: in the end, any infringement dispute in the Commission is resolved through a hearing before agency officials, subject to presidential review, see 19 U.S.C. § 1337(j), rather than by an Article III judge presiding over a trial by jury.

Partly as a result of the differences described above, the Commission has earned a reputation of being friendly to patentees. Empirical research suggests that this reputation is well-earned. See, *e.g.*, Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 Harv. J.L. & Tech. 457, 475–76 (2008) (reporting a 23% overall rate of an infringement finding at the Commission, versus a 6% overall rate in district court); Jonathan Engler, *Patent Litigation Outcomes at ITC vs. District Courts*, Law 360, Feb. 25, 2013, <http://www.law360.com/articles/413428/patent-litigation-outcomes-at-itc-vs-district-courts> (reporting an “invalidation rate” at the Commission of “approximately half that of [the] U.S. district court[s]”).

Moreover, many patent owners take advantage of the Commission's fast and patent-friendly proceedings to gain the leverage associated with the threat of an exclusion order, while separately suing the same accused infringers in federal court for damages. Indeed, Professor Chien reports that, in the period she

studied, “65 percent of the ITC cases . . . had a district court counterpart, which indicates that the ITC is often *not* the venue of only resort as it was originally conceived to be.” Chien, *supra*, at 70. The Commission was not created to expose U.S. companies who are accused of infringing conduct in the United States to duplicative litigation. Worse, the rare respondent who successfully invalidates a patent in the Commission gets no repose, since the Federal Circuit has held that the Commission’s determinations are not entitled to any preclusive effect. See *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996).

The Federal Circuit has interpreted the Commission’s jurisdictional grant to cover domestic disputes the agency was never intended to handle. Patentees, including non-practicing entities, have taken advantage of the Federal Circuit’s erroneous position to expose domestic defendants to the threat of an injunction that can shut down their businesses. That threat will often force a company to pay an outsized royalty that bears no relation to the value of the patent just to ensure that the company can continue to obtain necessary components from its suppliers. Cf. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring) (noting that “an injunction . . . can be employed as a bargaining tool to charge exorbitant fees”). *Suprema* and the decision below confirm that the Federal Circuit will not change course. This Court should therefore grant certiorari to stop the Commission from adjudicating domestic patent disputes.

## II. THE IMPOSITION OF PENALTIES FOR THE INFRINGEMENT OF AN INVALID PATENT CONFLICTS WITH FOUNDATIONAL PRINCIPLES OF PATENT LAW.

The Commission acts beyond its statutory jurisdiction whenever it enforces a patentee's valid patent rights against a domestic company based on its domestic conduct. But in this case, the Commission enforced an *invalid* patent, forcing DeLorme to pay a \$6-million penalty for importing a component that does not infringe a patent that should never have issued. Allowing dead patents to live on through enforcement proceedings at the Commission exposes accused infringers to liability for lawful conduct, and it gives patentees "a remedy not for a right but for a wrong, which the law should not do." *Salvage Process Corp. v. Acme Tank Cleaning Process Corp.*, 86 F.2d 727, 727 (2d Cir.) (1936) (per curiam).

The specter of a zombie patent would be bad enough if the rule adopted below were consistently applied. But the Federal Circuit has adopted a different rule for civil penalties in district court: civil contempt sanctions are "set aside" where the patent is invalidated in parallel proceedings. See *ePlus, Inc.*, 789 F.3d at 1358; see also *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1346 (Fed. Cir. 2013) ("*Fresenius II*") (noting that "cancelled claims" are "void *ab initio*"). As Judge Taranto noted in his dissent in this case, there are differences between the Commission's civil penalties and a district court's civil contempt sanctions, but there is nevertheless a tension between *ePlus* and the decision below, and Judge Taranto would have remanded to allow the Commission to further consider "how the penalty order for violating the Consent Order compares to contempt orders issued by federal courts . . . and, specifically,

how such contempt orders are treated once the patent is adjudicated (always to have been) invalid.” Pet. App. 26a.

As was true for the first question presented, the Federal Circuit has divided deeply and repeatedly in recent years over the extent to which remedies may be set aside once a patent has been invalidated. Indeed, both *ePlus* and *Fresenius II* drew multiple vigorous dissents from denial of *en banc* rehearing, and in *ePlus* in particular, the court was equally divided. See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307 (Fed. Cir. 2015) (per curiam) (denying *en banc* rehearing by a 5–5 vote, over three separate dissenting opinions), *cert. denied*, 136 S. Ct. 1166 (2016); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369 (Fed. Cir. 2013) (per curiam) (*en banc*) (denying *en banc* rehearing by a 6–4 vote, over two separate dissenting opinions).

The divisions in *ePlus* and *Fresenius II* echo in the decision below. Judge Moore, the author of the decision below—which distinguishes *ePlus* based on a narrow reading of the case—dissented from the denial of *en banc* rehearing in *ePlus*, arguing that the decision was “plain unfair” and that “there are problems with a system which permits defendants to snatch victory from the already closed jaws of defeat.” 790 F.3d at 1315 (Moore, J., dissenting from denial of rehearing *en banc*). Judge Moore also suggested in *ePlus* that this Court’s review of the Federal Circuit’s finality precedent was likely appropriate. See *id.* (“Whether these problems are to be resolved by the Supreme Court through its precedent on finality or through Congress, this sort of gamesmanship ought to be curtailed.”) Judge Moore was joined in her *ePlus* dissent by Judge Reyna, who also joined the majority opinion below. Among the members of the

panel, only Judge Taranto—who would have remanded to the Commission to allow it to address *ePlus* in the first instance—voted against rehearing en banc in *ePlus*.

The majority below gets things exactly backwards. *ePlus* better implements the patent law principles this Court has applied time and again, by affording full access to ideas and information in the public domain. As this Court explained in *Blonder-Tongue Labs., Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), a finally adjudicated, invalid patent should not be permitted to interfere with free competition. See *id.* at 347 (rejecting a rule that would “permit invalid patents to serve almost as effectively as would valid patents as barriers to the entry of new firms”).

Respect for valid patent rights promotes innovation, but the patent laws reflect a “delicate balance.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002). As this Court recently explained:

On the one hand, the promise of exclusive rights provides monetary incentives that lead to creation, invention, and discovery. On the other hand, that very exclusivity can impede the flow of information that might permit, indeed spur, invention, by, for example, raising the price of using the patented ideas once created, requiring potential users to conduct costly and time-consuming searches of existing patents and pending patent applications, and requiring the negotiation of complex licensing arrangements.

*Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012). In light of these competing concerns, the public “has a ‘paramount inter-

est in seeing that patent monopolies . . . are kept within their legitimate scope.” *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014) (omission in original); see also *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (explaining that the public is not “required to pay tribute to would-be monopolists without need or justification”); *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 127 (2006) (per curiam) (Breyer, J., dissenting) (“Patent law seeks to avoid the dangers of overprotection just as surely as it seeks to avoid the diminished incentive to invent that underprotection can threaten.”).

Once a patent has been finally adjudicated to be invalid, however, the once-delicate balance evaporates, and all that is left is the principle that the public should have free access to ideas in the public domain. Cf. *Int’l News Serv. v. AP*, 248 U.S. 215, 250 (1918) (Brandeis, J., dissenting) (invoking the “general rule of law” that “knowledge, truths ascertained, conceptions, and ideas” in the public domain are “free as the air to common use”). The Article III courts have conclusively determined that BriarTek’s claimed inventions relating to emergency monitoring and reporting systems were already known in the field before BriarTek sought to patent them. DeLorme should not have to pay \$6 million to have access to ideas that are not, and never should have been, protected by a patent.

Moreover, by elevating the Commission’s determination over the judgment of a federal court, the decision below provides yet another advantage to patentees who seek relief before the Commission, further channeling domestic patent disputes over which the federal courts are supposed to have exclusive jurisdic-



tion, see 28 U.S.C. § 1338(a), into an agency created to regulate international trade.

In isolation, the erroneous enforcement of an invalid patent might not warrant this Court's review. But in light of the deep divisions in the Federal Circuit, as well as the tension between the decision below and both *ePlus* and the principles of patent law reflected in this Court's precedent, this Court should intervene to clarify the effect of a final judgment of invalidity on civil penalties for infringement.

### CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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July 13, 2016

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## **APPENDIX**

1a

**APPENDIX A**

UNITED STATES COURT OF APPEALS,  
FEDERAL CIRCUIT

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No. 2014-1572

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DELORME PUBLISHING COMPANY, INC.,  
DELORME INREACH LLC,  
*Appellants,*

v.

INTERNATIONAL TRADE COMMISSION,  
*Appellee.*

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Nov. 12, 2015

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OPINION

Before MOORE, REYNA, and TARANTO, Circuit Judges.

Opinion for the court filed by Circuit Judge MOORE.

Opinion dissenting-in-part filed by Circuit Judge TARANTO.

MOORE, Circuit Judge.

DeLorme Publishing Company, Inc. and DeLorme InReach LLC (collectively, “DeLorme”) appeal from a decision by the International Trade Commission (“Commission”) (1) finding that DeLorme violated a consent order by selling InReach 1.5 and SE devices containing imported components, and (2) imposing a civil penalty of \$6,242,500. *Certain Two-Way Global*

*Satellite Communication Devices, System and Components Thereof*, Inv. No. 337-TA-854 (Enforcement), Comm'n Op. (June 17, 2014) (J.A. 40-90) ("Comm'n Op."). We affirm.

## BACKGROUND

In September 2012, the Commission instituted an investigation to determine if DeLorme was violating section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, by importing, selling for importation, or selling after importation "certain two-way global satellite communication devices, system and components thereof" that allegedly infringed claims 1, 2, 5, 10-12, and 34 of BriarTek IP, Inc.'s U.S. Patent No. 7,991,380. *Certain Two-Way Global Satellite Communication Devices, System and Components Thereof*, Inv. No. 337-TA-854, Notice of Institution of Investigation (Sept. 17, 2012) (J.A. 420-22). The '380 patent is directed to emergency monitoring and reporting systems comprising a user unit and a monitoring system that communicate through a satellite network. The accused products included DeLorme's InReach 1.0 and 1.5 satellite-communication devices, as well as the software and service plan used with the devices.

In April 2013, the Commission terminated the investigation based on entry of a consent order proposed by DeLorme. *Certain Two-Way Global Satellite Communication Devices, System and Components Thereof*, Inv. No. 337-TA-854, Termination of Investigation (Apr. 5, 2013) (J.A. 1505-06). In the consent order, DeLorme agreed to the following:

Upon entry of the proposed Consent Order, DeLorme shall not import into the United States, sell for importation into the United States, or sell

or offer for sale within the United States after importation any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10-12, and 34 of the '380 Patent after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the '380 Patent.

*Certain Two-Way Global Satellite Communication Devices, System and Components Thereof*, Inv. No. 337-TA-854, Consent Order ¶ 1 (April 5, 2013) (J.A. 1507-09) (“Consent Order”).

On May 24, 2013, the Commission instituted an enforcement proceeding based on BriarTek’s allegations that DeLorme violated the Consent Order by, *inter alia*, selling InReach 1.5 and SE devices containing imported components. Four days later, DeLorme filed an action against BriarTek in the United States District Court for the Eastern District of Virginia, seeking declaratory judgment of noninfringement and invalidity of the '380 patent. While the district court action was pending, the Commission issued a decision in the enforcement proceeding (1) finding that DeLorme violated the Consent Order, and imposing a civil penalty of \$6,242,500. Comm’n Op. at 1-2. DeLorme appeals. We have jurisdiction under 19 U.S.C. § 1337(c) and 28 U.S.C. § 1295(a)(6).

#### DISCUSSION

We review the Commission’s legal determinations in an enforcement proceeding without deference and its factual determinations for substantial evidence. *uPI Semiconductor Corp. v. Int’l Trade Comm’n*, 767 F.3d 1372, 1377 (Fed.Cir.2014). “This court must affirm a Commission determination if it is reasonable and supported by the record as whole, even if some

evidence detracts from the Commission’s conclusion.” *Id.* Consent orders are interpreted as contracts. *Id.* Contract interpretation is a question of law. *Id.* We review interpretation of a contract or consent order de novo. *Id.* Patent infringement, whether direct or indirect, is a question of fact. *i4i Ltd. v. Microsoft Corp.*, 598 F.3d 831, 850 (Fed.Cir.2010). We review claim construction de novo except for subsidiary facts based on extrinsic evidence, which we review for clear error. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, — U.S. —, 135 S.Ct. 831, 841-42, — L.Ed.2d — (2015). We review the Commission’s imposition of a civil penalty under 19 U.S.C. § 1337(f)(2) for abuse of discretion. *Ninestar Tech. Co. v. Int’l Trade Comm’n*, 667 F.3d 1373, 1380 (Fed.Cir.2012).

#### I.

The Commission determined that DeLorme violated the Consent Order with regard to claims 1 and 2 of the ’380 patent. It found that DeLorme (1) assembled the accused InReach 1.5 devices by converting previously imported devices and (2) assembled the accused InReach SE devices using, *inter alia*, imported plastic housing components. It determined that “[u]nder the terms of the Consent Order, DeLorme violates the order if, after entry of the order, it imports, sells for importation, or sells or offers for sale within the United States after importation any infringing two-way global satellite communication devices, system, or components thereof.” Comm’n Op. at 2. It concluded that DeLorme induced infringement and violated the Consent Order by selling the newly accused devices with instructions to use them in a manner that infringed claims 1 and 2 of the ’380 patent. While it concluded that DeLorme also induced infringement by activating previously sold InReach devices, such

infringement “did not equate to” a violation of the Consent Order. *Id.* at 24-25.

DeLorme argues that even if the devices infringed the claims, the Consent Order did not preclude DeLorme from selling domestically manufactured devices containing imported, noninfringing components. It argues that the terms of the Consent Order instead prohibited DeLorme from using imported components only if the components themselves infringed. It argues that the Commission “rewrote” the Consent Order to “prohibit not just the use of imported, *infringing*, components, but also the use of *any* imported components.” Appellants’ Br. 23. It argues that the Commission’s interpretation of the Consent Order exceeded its authority to block importation of only “articles that . . . infringe.” 19 U.S.C. § 1337(a)(1)(B)(i).

We agree with the Commission that DeLorme violated the Consent Order by selling InReach 1.5 and SE devices containing imported components with instructions for its customers to use the devices in an infringing manner. The Consent Order provided that DeLorme could not import, sell for importation, or sell or offer for sale after importation “any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10-12, and 34 of the ’380 Patent.” Consent Order ¶ 1. Under these terms, DeLorme was precluded from selling infringing devices containing imported components with instructions to infringe.

DeLorme’s remaining arguments against the Commission’s finding that it violated the Consent Order are unpersuasive. For example, the claims are not limited as proposed by DeLorme, and substantial evidence supports the Commission’s finding of

infringement. Under the Supreme Court's recent decision in *Commil USA, LLC v. Cisco Systems*, — U.S. —, 135 S.Ct. 1920, 1928, 191 L.Ed.2d 883 (2015), a good-faith belief in the patent's invalidity was not a defense to induced infringement. Thus, the Commission did not err in its conclusion that DeLorme violated the Consent Order.

## II.

The Commission imposed a civil penalty under 19 U.S.C. § 1337(f)(2) of \$27,500 per day for 227 violation days, for a total of \$6,242,500. Section 1337(f)(2) provides:

Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. . . .

Our court held in *San Huan New Materials High Tech, Inc. v. International Trade Commission*, that the Commission has the authority to issue § 1337(f)(2) civil penalties for violation of a consent order. 161 F.3d 1347, 1362 (Fed.Cir.1998).

The Commission based its penalty determination in this case on the six “*EPROM* factors” adopted by this court: (1) the good or bad faith of the respondent, (2) the injury to the public, (3) the respondent's ability



to pay, (4) the extent to which the respondent has benefited from its violations, (5) the need to vindicate the authority of the Commission, and (6) the public interest. Comm'n Op. at 27, 42-50 (citing, e.g., *Certain Erasable Programmable Read Only Memories (EPROMs)*, Inv. No. 337-TA-276 (Enforcement), Comm'n Opinion (July 19, 1991)); *see also San Huan*, 161 F.3d at 1362. The Commission noted that the penalty was slightly more than a quarter of the statutory maximum of \$100,000 per day. *See* 19 U.S.C. § 1337(f)(2). It found that the penalty was “appropriately proportionate to the value that the violative InReach devices bring to DeLorme” and consistent with the Commission’s policy of deterring future violations while not driving DeLorme out of business. Comm'n Op. at 50 (citing, e.g., *San Huan*, 161 F.3d at 1364).

DeLorme argues that the Commission abused its discretion by imposing a “grossly excessive” civil penalty. Appellants’ Br. 55. It argues that the penalty was not “proportionate” under the *EPROM* factors analysis. *Id.* (citing *San Huan*, 161 F.3d at 1362). For example, it argues that the Commission incorrectly determined that DeLorme acted in bad faith. It also argues that in assessing the benefit of the violative sales to DeLorme, the Commission should have looked to the imported components’ value rather than that of the devices as a whole.

The Commission did not abuse its discretion in imposing a civil penalty of \$6,242,500. The penalty—which amounted to \$27,500 per day for 227 violation days—was substantially less than the statutory ceiling of \$100,000 per violation per day. *See* 19 U.S.C. § 1337(f)(2). The Commission took into account the *EPROM* factors and we see no clear error in its fact

findings or error in its application of the law. DeLorme has not shown, for example, that there was clear error in the Commission's findings regarding DeLorme's bad faith or that the violative sales greatly benefited DeLorme. We conclude that the Commission did not abuse its discretion in its penalty determination.

### III.

#### A. Interpreting the Consent Order

After the Commission issued the decision on appeal in this case, the Eastern District of Virginia granted summary judgment that claims 1, 2, 5, 10-12, 34, and 35 of the '380 patent are invalid for anticipation and obviousness. *DeLorme Publ'g Co. v. BriarTek IP, Inc.*, 60 F.Supp.3d 652 (E.D.Va.2014). We sought supplemental briefing from the parties as to how, if at all, the Eastern District of Virginia's decision impacted the Commission's enforcement of the Consent Order or appeal.

DeLorme argues that because claims 1 and 2 have been invalidated,<sup>1</sup> the Commission's enforcement decision and accompanying civil penalty cannot stand. It argues that because the claims are invalid, it "cannot induce . . . infringement [of claims 1 and 2] now, nor be liable for having induced their infringement in the past." Appellants' Supp. Br. 3.

The relevant parts of the Consent Order are as follows:

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<sup>1</sup> BriarTek appealed the Eastern District of Virginia's invalidity determination and we affirm in a concurrently issued decision. *DeLorme Publ'g Co. v. BriarTek IP, Inc.*, Appeal Nos. 15-1169, -1241.

1. Upon entry of the proposed Consent Order, DeLorme shall not import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10-12, and 34 of the '380 Patent after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the '380 Patent.

2. DeLorme shall be precluded from seeking judicial review or otherwise challenging or contesting the validity of this Consent Order.

...

4. The Consent Order shall not apply with respect to any claim of any intellectual property right that has expired or been found or adjudicated invalid or unenforceable by the Commission or a court or agency of competent jurisdiction, provided that such finding or judgment has become final and non-reviewable.

Consent Order ¶¶ 1, 2, 4.

Interpretation of the Consent Order is a question of law. The Consent Order in this case is short—two pages long—and was drafted by DeLorme. Though we acknowledge that “[c]onsent decrees and orders have attributes both of contracts and of judicial decrees,” *United States v. ITT Cont’l Baking Co.*, 420 U.S. 223, 237 n. 10, 95 S.Ct. 926, 43 L.Ed.2d 148 (1975), DeLorme agreed to the terms of the Consent Order. We conclude that the Consent Order unambiguously resolves the question of the impact of an invalidity decision on the enforcement of the Consent Order. The Consent Order bars certain sales

and importations “until” one of three events occurs: “expiration, invalidation, and/or unenforceability of the ’380 Patent.” Consent Order ¶ 1. Additionally, it explains that the Consent Order ceases to apply when the patent claim at issue has “expired or been found or adjudicated invalid or unenforceable . . . provided that such finding or judgment has become final and non-reviewable.” Consent Order ¶ 4. Thus, the Consent Order identifies three events which will cause it to no longer apply. When one of these events occurs the Consent Order will no longer apply, and DeLorme will no longer be constrained by its terms. Until one of these events occurs, however, the Consent Order is binding upon DeLorme.

In this case, the Consent Order applied to DeLorme at the time it committed the acts found to violate the order. The Consent Order applied to DeLorme even at the time the enforcement decision with the civil penalty issued.<sup>2</sup> DeLorme argues in its supplemental briefing that the subsequent district court invalidation of the claims retroactively eliminates the Consent Order such that we can no longer affirm the civil penalty properly adjudicated by the Commission. This argument is inconsistent with the plain language of the Consent Order itself. The Order explains that it applies “until” one of the triggering events. Paragraph 1 contains no language that could be construed as requiring (or even allowing) the triggering events to apply retroactively. Indeed, DeLorme argues with respect to paragraph 1 that invalidation “would end” its obligations—an argument that is forward-looking. Appellants’ Suppl. Br. 5.

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<sup>2</sup> Because our concurrently issued affirmance of the district court’s summary judgment of invalidity is still reviewable, the Consent Order continues to be binding upon DeLorme even now.

Paragraph 4 similarly provides that the Consent Order “shall not apply” with respect to any claim that “has . . . been” invalidated. Consent Order ¶ 4. Particularly when read in the context of the Consent Order as a whole, this provision is forward-looking and contains no language indicating that the invalidation trigger would apply retroactively. DeLorme’s argument regarding paragraph 4—that the Commission would “no longer” retain jurisdiction over invalidated claims—is also forward-looking. Appellants’ Suppl. Br. 5.

Indeed in application DeLorme’s argument makes no sense. DeLorme acknowledges that the expiration and unenforceability triggers would have the same effect as the invalidation trigger because the plain language of the Consent Order treats them identically. If invalidation of claims 1 and 2 were to apply retroactively to eliminate the Commission’s enforcement decision and accompanying penalty, then expiration of the claims would do the same. Under such a reading of the Consent Order, the Commission could determine that DeLorme violated the Consent Order and award a civil penalty in an enforcement action. Then, under DeLorme’s proposed interpretation of the Consent Order, if the patent expires while the enforcement decision is on appeal, this court would be forced to vacate the enforcement decision. Under DeLorme’s interpretation later expiration of the patent would erase an earlier violation and any civil penalty assessed for that violation. DeLorme would have no motivation to abide by the terms of the Consent Order and could violate the order, and when the patent inevitably expired, DeLorme’s violation would need to be vacated. This is an absurd reading of the Consent Order.

DeLorme argues that its position is supported by the Commission Rules adopted after the Consent Order was entered in this case, which it purports now require consent orders to include statements that they become “null and void” if any claim of the patent expires or is held invalid or unenforceable “in a final decision, no longer subject to appeal.” Appellants’ Supp. Br. 6-7 (quoting 19 C.F.R. § 210.21(c)(4) (eff. May 20, 2013)); *see also* Consent Order at 1 (“DeLorme . . . agrees to the entry of this Consent Order and to all waivers and other provisions as required by Commission Rule of Practice and Procedure 201.21(c). . .”). This argument is unpersuasive. At the time of the Consent Order, Rule 210.21(c)(4) did not exist. The Commission Rules did not require inclusion of the statements that now exist at Rule 210.21(c)(4). Thus, the statements set forth in this Rule were not incorporated into the Consent Order. Moreover, we note that even if the statements had been incorporated, the Consent Order becomes null and void only after a decision of invalidity that is “final” and “no longer subject to appeal.” 19 C.F.R. § 210.21(c)(4)(x). The enforcement decision was entered for this case before the Eastern District of Virginia’s invalidity decision. And even now, the invalidity decision remains subject to appeal. Finally, we note that like the Consent Order, the Rule groups the invalidation trigger with expiration and unenforceability triggers, which, as discussed above, cannot sensibly apply retroactively. We thus reject DeLorme’s argument that the new Rules mandate reversal of the Commission’s enforcement decision or the accompanying penalty.

DeLorme also argues that the Commission is not authorized to enforce a Consent Order with regard to invalid patent claims. This argument is inapplicable to this case. DeLorme’s acts, the Commission’s finding

that those acts violated the Consent Order, and the Commission's imposition of a civil penalty all occurred before the summary judgment of invalidity. If that judgment becomes non-reviewable, the Consent Order will not apply prospectively as to the invalid claims. But the Commission's finding that DeLorme violated the Consent Order and the accompanying penalty for that violation will not be lifted. The Commission acted within the scope of its authority in enforcing the Consent Order.

In its supplemental briefing and at argument, the Commission declined to take a position on the interpretation of the Consent Order. The Commission laid out a number of possible actions this court could take, including (1) remand to the Commission for a determination of the effect of the affirmance of invalidity, or (2) "not to remand at all, but to proceed to judgment in both appeals." Appellee's Suppl. Br. 4. If the Consent Order were unclear as to the impact of the invalidation decision in this case, we would remand. But the Consent Order unambiguously indicates that the invalidation trigger—like the expiration and unenforceability triggers—applies only prospectively. Neither the Commission nor DeLorme argues that the Consent Order is ambiguous. There is no reason to remand this case because the Consent Order unambiguously answers the question at issue.

#### B. Our *ePlus* Decision

Finally, DeLorme argues that our recent decision in *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed.Cir.2015) requires that the Commission's civil penalty in this case be reversed. In *ePlus*, we (1) vacated an injunction after the U.S. Patent and Trademark Office cancelled the only patent claim on which the injunction was based, *id.* at 1355-56, and

(2) set aside the civil contempt sanction imposed for violation of the vacated injunction, *id.* at 1361.

DeLorme’s argument that *ePlus* controls this case is incorrect. *ePlus* held that a civil contempt sanction can be set aside when the underlying injunction, upon which the sanction is based, is still itself non-final or reviewable. As we explained in *ePlus*, “The rule for civil contempt for violating a provision of an injunction that is not final, i.e., that is still subject to litigation over the propriety of its issuance, is that ‘[t]he right to remedial relief falls with an injunction which events prove was erroneously issued.’” 789 F.3d at 1356 (quoting *United States v. United Mine Workers of Am.*, 330 U.S. 258, 295, 67 S.Ct. 677, 91 L.Ed. 884 (1947)). In *ePlus*, we determined that the injunction was not final (it was still subject to appellate review) at the time we were reviewing the civil contempt sanction and thus when the patent claims were cancelled, both the injunction and civil contempt sanction had to be vacated. *Id.* at 1361. In this case, in contrast, there is no question that the underlying Consent Order was final and not appealable. The Consent Order itself states that “DeLorme shall be precluded from seeking judicial review or otherwise challenging or contesting [its] validity.” Consent Order ¶ 2. Neither party has argued that the Consent Order in this case, like the injunction in *ePlus*, was not final or appealable. Therefore, we reject DeLorme’s argument that *ePlus* permits us to reject the civil penalty assessed in this case. If the underlying order upon which a civil penalty or civil contempt sanction is based is final and no longer subject to appeal, the penalty or sanction cannot be vacated by subsequent events such as invalidation of the claims. Of course, if subsequent events warrant vacating the injunction, such as invalidation of the patent claims, then the injunction



is vacated prospectively. *ePlus*, 789 F.3d at 1356. But such prospective relief (vacating the injunction) is not a basis for setting aside civil contempt sanctions. Likewise, the Consent Order by its terms will no longer apply prospectively once the invalidation is final and non-reviewable. Given that the Consent Order itself is already final and unappealable, this case is not governed by *ePlus*.<sup>3</sup> The Consent Order was final and no longer subject to review at the time of the violation, thus we cannot set aside the penalty for that violation. This distinction is critical.<sup>4</sup> Finally, *ePlus* is inapplicable here because *ePlus* involved the Patent Office's cancellation of claims, which voids claims "ab initio." See, e.g., *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1346 (Fed.Cir.2013).

#### CONCLUSION

Because the Commission did not err in finding that DeLorme violated the Consent Order or abuse its discretion in imposing a civil penalty of \$6,242,500, we *affirm*.

AFFIRMED.

TARANTO, Circuit Judge, dissenting in part.

I join the majority's determination that the Commission committed no reversible error in entering its order imposing penalties on DeLorme for violation

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<sup>3</sup> To the extent *ePlus* left open the question of whether civil contempt sanctions survive if the underlying injunction was final at the time the sanctions were imposed, 789 F.3d at 1358, that question is hereby resolved.

<sup>4</sup> We note that the § 1337(f)(2) "civil penalty" is punitive and paid to the government and thus more like a criminal contempt sanction which cannot be set aside. We leave this issue to a future case where its resolution is briefed and necessary to the outcome.

of the patent-infringement-based Consent Order. Nevertheless, I dissent from the affirmance of the penalty order. After the penalty order was entered, indeed after DeLorme filed its opening brief in this appeal challenging the order, a district court held the relevant patent claims to be invalid, and today we affirm that invalidation in No. 20151169. The Commission has not had an opportunity to consider the effect of the invalidation. I would remand this matter to the Commission for it to consider the effect of the invalidation on enforcement of the civil penalty for pre-invalidation violations of the Consent Order.

The Commission has specifically argued to us that such a remand is “necessary”; it has not argued or conceded that we may decide for ourselves whether the penalty should stand. ITC Supp. Br. 3, 8. To decide the issue ourselves at this stage, I believe, we would have to conclude that the answer is clear as a matter of law—in particular, that (a) no possible factual findings or statutory or regulatory interpretations within the Commission’s authority could affect the answer and (b) all material considerations have been fully explored in briefing here. I am not prepared to draw those conclusions. I do not currently think that the answer is clear, and I believe that potentially material considerations have not been fully developed, having been addressed only in abbreviated letter briefs from the parties requested by this court shortly before the oral argument.

Preliminarily, I note that I do not believe it matters that the appeal in No. 2015-1169 might be reheard by this court or that our judgment in that appeal might be the subject of discretionary certiorari review in the Supreme Court. Those possibilities are slim, but even if they mean that the district court’s judgment of

invalidation is not currently “final and non-reviewable” under paragraph 4 of the Consent Order, J.A. 1508, the present case is subject to the same possibilities of further review on the same timetables. The invalidation of the patent is highly likely to become final and non-reviewable at such later stages of this case or on a remand to the Commission. That is reason enough for a remand to the Commission, which can take appropriate action on the remand if the invalidation is set aside on further review in No. 2015-1169.

#### A

I begin with the language of the Consent Order, J.A. 1507-09, which is quoted in the majority opinion. I do not address what legal effect that language would have if it were unambiguous. That language clearly contemplates that DeLorme could obtain a (final and non-reviewable) judgment of invalidity in district court. But I do not think that the language is unambiguous on the question before us concerning the effect of such a judgment regarding earlier conduct. I find ambiguity for several reasons.

Two features of the language of paragraph 1 offer support for the conclusion that the penalty for pre-invalidation conduct is meant to be enforceable under the Consent Order even after invalidation. One feature is the word “until.” The other is the listing of “expiration” alongside “invalidation” and “unenforceability”: a penalty for pre-expiration infringing conduct almost certainly remains enforceable after expiration.

Nevertheless, I do not think that the language does more than point in one direction; it does not unambiguously establish the answer. The “until”

language does not imply a solely prospective effect of the event once it comes to pass. Linguistically, it allows the effect also to be retrospective, *i.e.*, to govern (non-final, still reviewable) determinations about earlier conduct. *Cf. MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 124-25, 127 S.Ct. 764, 166 L.Ed.2d 604 (2007) (noting that, under *Lear, Inc. v. Adkins*, 395 U.S. 653, 673, 89 S.Ct. 1902, 23 L.Ed.2d 610 (1969), even when a patent license provided that a licensee was to pay royalties “until” a final judgment of invalidation, patent law precluded enforcement of that contractual commitment against a “repudiating” licensee).

The inclusion of “expiration” alongside “invalidation” and “unenforceability” likewise does not resolve the interpretive issue. “Expiration” has an intrinsically different meaning from “invalidation” and “unenforceability.” The former intrinsically indicates nothing to undermine the legal force of the patent-compliance obligation before the event, whereas the latter two terms do precisely that—they imply that the legal obligation of patent compliance was defective from day one. Serial enumeration of terms with different intrinsic temporal meanings does not imply that all have the same temporal meaning.

Further, there is an obvious absence of parallelism of the “expiration,” “invalidation,” and “unenforceability” terms. The first two terms refer to events; the third refers to a condition, not an event—specifically, not a judicial-pronouncement event. Moreover, with the third term of the series naming a condition that existed from the time of the patent’s issuance, its inclusion in the series raises the question whether the second term in the series might also have been meant to refer to a similar condition present from issuance,

*i.e.*, invalidity. If the inclusion of “expiration” points in one direction for interpreting the effect of “invalidation,” the inclusion of “unenforceability” points the other way.

I find significant not only the language that the Consent Order uses, but also the language it does not use. Neither in paragraph 1 nor in paragraph 4 does the Consent Order use language that is readily available and widely used in the realm of licensing in order to be clear about the compliance obligation’s coverage of pre-invalidation conduct. An example: “with respect to acts occurring thereafter.” Brian G. Brunsvold et al., *Drafting Patent License Agreements* 474 (6th ed.2008).<sup>1</sup> The best reading of language used is often influenced by how it contrasts with language not used. *See, e.g., Roberts v. Sea-Land Servs., Inc.*, — U.S. —, 132 S.Ct. 1350, 1357 n. 5, 182 L.Ed.2d 341 (2012); *New Process Steel, L.P. v. NLRB*, 560 U.S. 674, 681-82, 130 S.Ct. 2635, 177 L.Ed.2d 162 (2010); *United States v. Ron Pair Enterprises, Inc.*, 489 U.S. 235, 242 n. 4, 109 S.Ct. 1026, 103 L.Ed.2d 290 (1989).

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<sup>1</sup> Other examples of available language that is clearer than the Consent Order: “will not, however, be relieved from paying any royalties that accrued before the final decision,” *Corporate Counsel’s Guide to Licensing* § 36:2 (2015); “shall not relieve either party of its obligations and liabilities accruing up to the time of termination,” 3 *Eckstrom’s Licensing in Foreign and Domestic Operations: The Forms and Substance of Licensing* § 5:35 (2015); “shall not have a damage claim for refund or reimbursement . . . for past royalty payments,” *Icon Health & Fitness, Inc. v. Park City Entm’t, Inc.*, No. 1:10-CV-195-RJS, 2013 WL 4027504, at \*7 (D.Utah Aug. 7, 2013); “shall pay to [patentee] a royalty of Three Percent (3%) of the Net Sales of all Licensed Products sold . . . until the last date on which there is a Valid Claim,” then defining “Valid Claim,” *MedImmune, LLC v. PDL BioPharma, Inc.*, No. C 08-5590 JF HRL, 2011 WL 61191, at \*21 (N.D.Cal. Jan. 7, 2011).

That interpretive principle seems especially weighty where clarity is important, as it is with obligations enforced by penalties, since the choice not to use familiar language for imposing a particular obligation can often reasonably be understood to imply that that obligation is not being imposed.

It is a standard principle of contract interpretation that, where possible, provisions should be read in a way that harmonizes them. *See Mastrobuono v. Shearson Lehman Hutton, Inc.*, 514 U.S. 52, 63, 115 S.Ct. 1212, 131 L.Ed.2d 76 (1995); *Banknote Corp. of America, Inc. v. United States*, 365 F.3d 1345, 1353 (Fed.Cir.2004). Under that principle, paragraph 1 should be treated as a shorthand invocation of the same rule stated in paragraph 4 of the Consent Order. As a common-sense matter, it would be odd if the two paragraphs of the Consent Order stated two different rules on the same topic. And that is so even putting aside the regulatory background, described below, which suggests that paragraph 4 may be the primary Consent Order provision on the topic.

But paragraph 4 is itself unclear about the effect on pre-invalidation conduct of a final judicial determination that the claims were, from the beginning, invalid. Paragraph 4 does not use the “until” language that is present in paragraph 1, suggesting that “until” not be given great weight. And the language paragraph 4 does use is unclear on the point at issue.

As relevant here, paragraph 4 says that “[t]he Consent Order shall not apply with respect to any [patent] claim . . . that has . . . been found or adjudicated invalid . . . by . . . a court[,] . . . provided that such finding or judgment has become final and non-reviewable.” J.A. 1508. The “shall” in that language is

at least as likely an imperative as it is a future-tense word. Given the natural imperative meaning, the language can easily be understood to mean that prohibitions within the Consent Order do not apply, and cannot be treated as applying in making any determination requiring that they apply, to any claim that has been adjudicated to be invalid, once the invalidity adjudication is final and non-reviewable. The language itself does not command a (prospective-only) effect limited to post-invalidation conduct regarding such a claim.

For those reasons, I think at present that the answer to the question before us cannot be determined without looking outside the four corners of the Consent Order.

## B

I do not feel adequately informed about a number of non-textual issues that could be material and might involve Commission interpretive, fact-finding, or other discretion. Such matters might affect the best interpretation of the Consent Order or might lead to a result justified independently of what is found to be the best interpretation.

We have not had a full exploration of how the Commission has treated such issues in the past. Nor have we been shown how similar Consent Orders have been interpreted elsewhere, whether in agency or judicial settings. Such practices could be significant background for determining how best to interpret the Consent Order here.

The interpretation and application of a Consent Order generally follow principles of contract law. *E.g.*, *uPI Semiconductor Corp. v. Int'l Trade Comm'n*, 767

F.3d 1372, 1377 (Fed.Cir.2014). Contract interpretation is a matter of law as long as the court can conclude that the contract is unambiguous on the point at issue, but if ambiguity exists, the question in many contract settings can become a factual one, or involve factual components, whether about the parties' subjective intent or about a usage, practice, or method in the field. See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, — U.S. —, 135 S.Ct. 831, 837-38, — L.Ed.2d — (2015) (discussing Williston); Restatement (Second) of Contracts § 212(2) (1981); Farnsworth on Contracts § 7.14 at 336-37 (3d ed.2004); Warner, *All Mixed Up About Contract: When Is Contract Interpretation a Legal Question and When Is It a Fact Question*, 5 Va. L. & Bus. Rev. 81 (2010). I cannot at present exclude the possibility that Commission findings of fact could matter here.

Moreover, an enforceable consent order, even a judicial consent decree, is not always to be treated under the same principles that govern an ordinary contract. See *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469 (Fed.Cir.1991) (holding that the *Lear v. Adkins* ruling, which overrides certain contractual promises, does not override the claim-preclusive effect of a consent decree). Perhaps, in the present setting, there is reason not to find a contractual approach controlling. For now I focus on one such possible reason: the Consent Order is an order backed by (non-compensatory) penalties.

The First Circuit has written: "Consent decrees have to be specific and any ambiguities or omissions in the decree are construed against the person alleging a violation of the consent decree and invoking the contempt sanction." *Porrata v. Gonzalez-Rivera*, 958 F.2d 6, 8 (1st Cir.1992); see *FTC v. Kuykendall*, 371



F.3d 745, 760-61 (10th Cir.2004). In this court's decision in *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed.Cir.2011) (en banc), the five-judge dissent cited *Porrata* for the proposition that an order must be "clear and unambiguous" to be enforced in contempt, 646 F.3d at 899 n. 7, and the majority did not disagree in principle, instead concluding that the dissent's point was not "persuasive on the facts before us," *id.* at 887-88. Under such principles, ambiguity in the Consent Order in the present case—regarding the effect of invalidation once invalidation becomes final—might be enough to bar enforcement. That principle seems particularly weighty where, as here, it appears to be easy for a Consent Order to be clear on the point at issue, as discussed above.

For penalties for a Consent Order violation, the anti-ambiguity principle might trump any conclusion to be drawn from the *contra proferentem* principle of contract interpretation—favoring construction against the drafter. *See Mastrobuono*, 514 U.S. at 62-63, 115 S.Ct. 1212. Even that principle, however, is not of clear-cut application here on its own terms. On one hand, it appears that DeLorme initially drafted the Consent Order. On the other hand, DeLorme did so against a strong regulatory background that might be viewed as effectively having controlled what the Consent Order should say. The former point suggests construction against DeLorme, the latter suggests the opposite to the extent that the Commission's regulations effectively made the Commission the drafter.

The regulatory background is significant for that reason and independently as an interpretive tool.<sup>2</sup> The Consent Order was issued on April 5, 2013, J.A. 1507-09, based on a “consent order stipulation” submitted by DeLorme in early March 2013, J.A. 1495-97. At that time, the governing regulation specified what the “consent order *stipulation* shall” contain, including a statement that the Consent Order “shall not apply with respect to any claim . . . that has expired or been found or adjudicated invalid or unenforceable,” “provided that such finding or judgment has become final and nonreviewable.” 19 C.F.R. § 210.21(c)(3)(i)(B)(1) (2012) (emphasis added), *currently codified at id.* § 210.21(c)(3)(ii)(A). The required language appears in paragraph 6 of the March 2013 Consent Order Stipulation in this case. J.A. 1497. DeLorme also included it in paragraph 4 of the proposed Consent Order. J.A. 1508.

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<sup>2</sup> See, e.g., *United States v. ITT Continental Baking Co.*, 420 U.S. 223, 240, 95 S.Ct. 926, 43 L.Ed.2d 148 (1975) (relying on the antitrust statutes to interpret terms in the consent order); *United States v. Bradley*, 484 Fed.Appx. 368, 374 (11th Cir.2012) (rejecting interpretation of consent order that would require forfeiture given background principles that disfavor forfeiture); *Doe v. Briley*, 511 F.Supp.2d 904, 918 (M.D.Tenn.2007), *aff'd*, 562 F.3d 777 (6th Cir.2009) (using a change in the city code to interpret a consent order); *Henderson v. Morrone*, 214 Fed.Appx. 209, 213 (3d Cir.2007) (construing consent order in light of differences between terms of the consent order and later-adopted regulations); *United States v. Saccoccia*, 433 F.3d 19, 29 (1st Cir.2005) (finding ambiguity in consent order based on background forfeiture laws); *McDowell v. Phila. Hous. Auth.*, 423 F.3d 233, 239-40 (3d Cir.2005) (interpreting consent order in light of housing regulations); *United States v. Charter Int’l Oil Co.*, 83 F.3d 510, 517-18 (1st Cir.1996) (defining scope of consent order by looking to background law).

DeLorme included the language in the proposed Consent Order even though, when the Consent Order in this case was proposed (and adopted), the Commission's regulations did not specify what a consent order itself must say. But it is evident that this language originated from the language in the Commission's requirement for what the required stipulation must say. Moreover, at the time of the proposal and adoption of the Consent Order, the Commission had already proposed regulations to add just such a requirement for the content of consent orders, mirroring the pre-existing requirement for consent-order stipulations. 77 Fed.Reg. 41,120, 41,123, 41,128-29 (July 12, 2012). On April 19, 2013, two weeks after the Consent Order in this case was issued, the Commission adopted its regulatory proposal, making it effective May 20, 2013. The adopted language, now in 19 C.F.R. § 210.21(c)(4)(x), requires a Consent Order to state that if a patent claim "is held invalid," "the Consent Order shall become null and void as to such invalid . . . claim." *See* 78 Fed.Reg. 23,474, 23,477, 23,483 (Apr. 19, 2013). This effectively puts the pre-existing requirement for a consent order stipulation into a new list of requirements for the associated consent order. And the new regulation (like the proposal) says: "The Commission will not enforce consent order terms beyond those provided for in this section." 19 C.F.R. § 210.21(c)(5); 77 Fed.Reg. at 41,129 (proposed rule).

I am not prepared to draw conclusions at this point about the significance of this regulatory background. Perhaps the regulatory amendments adopted on April 19, 2013 (to take effect one month later) should be read to confirm, by making express, a pre-existing understanding that the requirements for a consent-order stipulation effectively controlled the consent

order itself. Perhaps for that reason the Consent Order here should or must be read to go no further than the pre-May 2013 prescription for consent-order stipulations. I would benefit from the Commission's analysis of such matters. And the public might benefit if, in the course of considering them, the Commission decided to clarify its regulations to avoid recurrence of the problem presented here.

The statutory provisions under which the Consent Order was issued and is being enforced, 19 U.S.C. § 1337(f), may also be significant here. In *San Huan New Materials High Tech, Inc. v. International Trade Commission*, 161 F.3d 1347 (Fed.Cir.1998), this court affirmed the Commission's ruling that a consent order was to be enforced like an involuntary order, through penalties under § 1337(f)(2). But § 1337(f)(2) may be confined within the limits stated in § 1337(f)(1), which, by its language, may reach no further than conduct that constitutes a violation of § 1337(a), which, in turn, for a patent-based proceeding like this one, requires that the respondent "infringe a *valid*" patent, § 1337(a)(1)(B)(i) (emphasis added). In that way or others, the statute governing this matter may limit how the Consent Order can be enforced once there is a final judgment of invalidity. I would benefit from more focused development of this issue than we have had, especially because the issue might be one on which the Commission will ultimately be owed deference.

Finally, it seems relevant to consider how the penalty order for violating the Consent Order compares to contempt orders issued by federal courts for violating orders (even consensual orders) against patent infringement and, specifically, how such contempt orders are treated once the patent is adjudicated (always to have been) invalid. How

contempt orders are treated depends on the finality of the underlying infringement-barring order and the character of the contempt—in particular, whether the contempt is criminal or civil. *See ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1356-58, *reh'g denied*, 790 F.3d 1307 (Fed.Cir.2015). If we ask the question whether the Commission's civil penalty here is more like civil or criminal contempt in the federal courts, we find at least some reason to view it as more like criminal contempt, because there is nothing either compensatory or specifically coercive (pay until you comply) about it. But even as to that, I would benefit from the Commission's own full consideration of its statutory and regulatory regime.

For the foregoing reasons, I would not affirm the penalty order before us, but remand for the Commission to consider the effect of the invalidation of the underlying patent claims.

28a

**APPENDIX B**

CONTAINS CONFIDENTIAL  
BUSINESS INFORMATION  
Subject to Protective Order

UNITED STATES INTERNATIONAL  
TRADE COMMISSION  
Washington, D.C.

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Investigation No. 337-TA-854  
(Enforcement Proceeding)

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IN THE MATTER OF CERTAIN TWO-WAY GLOBAL  
SATELLITE COMMUNICATION DEVICES, SYSTEM  
AND COMPONENTS THEREOF

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COMMISSION OPINION

I. SUMMARY

On March 7, 2014, the presiding administrative law judge (“ALJ”) issued an enforcement initial determination (“EID”) finding a violation of the Consent Order issued on April 5, 2013 (“the Consent Order”), against DeLorme Publishing Company, Inc. and DeLorme InReach LLC (collectively, “DeLorme”), both of Yarmouth, Maine. The ALJ found that DeLorme sold within the United States after importation accused InReach 1.5 devices that infringe, via inducement, claims 1 and 2 of U.S. Patent No. 7,991,380 (“the ’380 patent”). The ALJ found no violation of the Consent Order with respect to a second accused device, the InReach SE device. On April 23, 2014, the Commission determined to review the EID in part. The Commission did not review the ALJ’s

finding of a violation of the Consent Order with respect to the InReach 1.5 devices. However, the Commission determined to review the ALJ's finding of no violation with respect to the InReach SE devices. On review, the Commission reversed the ALJ's finding and determined that DeLorme's sales within the United States of the InReach SE devices, including an imported component thereof, violated the Consent Order. The Commission now terminates the enforcement proceeding and imposes a civil penalty in the amount of \$6,242,500 based on 227 days on which a violation of the Consent Order occurred.<sup>1</sup>

## II. BACKGROUND

### A. April 5, 2013 Consent Order

The Consent Order issued in the underlying investigation was unilaterally proposed by and entered into by DeLorme. *See* Inv. No. 337-TA-854, Order No. 21 (March 15, 2013). The Order reads in relevant part:

1. Upon entry of the proposed Consent Order. DeLorme shall not import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation *any* two-way global satellite communication devices, system, *and components thereof*, that *infringe claims 1, 2, 5, 10-12, and 34 of the*

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<sup>1</sup> Commissioner Schmidlein is only participating in the remedy phase of this enforcement proceeding. She was sworn in as a Commissioner on April 28, 2014, after the Commission made its violation determination on April 23, 2014. *See* Comm'n Notice (April 23, 2014). Thus, Commissioner Schmidlein did not participate in the violation determination and accordingly does not join the violation discussion in this opinion.

'380 *patent* after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the '380 patent or except under consent or license from Complainant, its successors or assignees.

Consent Order at ¶ 1 (April 5, 2013) (emphasis added). Under the terms of the Consent Order, DeLorme violates the order if, after entry of the order, it imports, sells for importation, or sells or offers for sale within the United States after importation any infringing two-way global satellite communication devices, system, or components thereof.

#### B. The Current Enforcement Proceeding

The Commission instituted this enforcement proceeding on May 24, 2013, based on an enforcement complaint filed on behalf of BriarTek IP, Inc. (BriarTek) of Alexandria, Virginia. *78 Fed. Reg.* 31367, 31576-77 (May 24, 2013). The complaint alleged violations of the Consent Order by DeLorme's continued practice of prohibited activities including selling or offering for sale within the United States after importation any two-way global satellite communication devices, system, or components thereof that infringe one or more of claims 1, 2, 5, 10-12, and 34 of the '380 patent. The Commission's notice of institution also named the Office of Unfair Import Investigations as a party. Claims 5, 11-12, and 34 were terminated from the enforcement proceeding, leaving claims 1, 2, and 10 as the asserted claims.

##### 1. Intellectual Properly Asserted

The technology at issue involves a communication device carried by a user that enables communication with a remote monitoring system via a satellite



network for personal emergency monitoring, tracking, and messaging. Users of the device may include hikers, skiers, campers, and other outdoor enthusiasts or individuals requiring a communication connection where landlines and cellphone communications are not available. The device allows the user to send messages or alarms to the monitoring system and to receive responses back from the monitoring system via the satellite network.

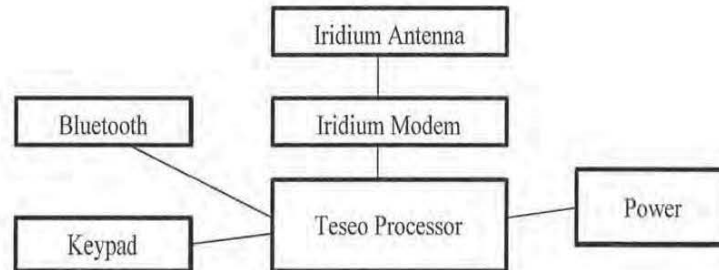
The asserted claims of the '380 patent pertain to a two-way global satellite emergency monitoring and reporting system comprised of two major components: a user unit and a monitoring system. The claimed user unit includes an input device allowing the user to input textual data, a user processor, and a user satellite communication connection all communicatively coupled together. The claimed monitoring system includes a monitoring satellite communication connection, an output device, and a monitoring processor all communicatively coupled together. The claimed user unit and monitoring system are adapted for mutual communication via a satellite network wherein information entered at the input device by a user can be presented to an observer at the output device of the monitoring system. *See, e.g.*, '380 patent at col. 8:2-23 (claim 1)[.]

The asserted claims further include dependent claims in which the user unit is adapted to be coupled to a user. *Id.* at col. 8:24-25 (claim 2). Other dependent claims state that the user satellite communication connection includes a transmitter wherein the user processor can format the user data received via the input device for transmission by the transmitter. *See id.* at col. 8:50-54 (claim 10).

## 2. The DeLorme Devices and System

The devices at issue in the enforcement proceeding are the DeLorme InReach 1.5 and DeLorme InReach SE devices. The InReach 1.5 and SE devices have similar structures and both provide two-way messaging. The accused InReach devices allow two-way communication via a third-party operated satellite constellation called the Iridium satellite network. The Iridium satellite network consists of 66 telecommunication satellites in geosynchronous orbit and is capable of providing voice and data coverage to enabled devices over most of the Earth's surface. Each InReach device contains an Iridium modem, which operates as a transmitter/receiver; an Iridium antenna; a Bluetooth wireless transceiver; an Avnet authentication chip; and a user processor manufactured either by Teseo or STMicro. Each InReach device further includes plastic housing which incorporates a belt clip. The InReach 1.5 device uses an Iridium 9602 modem and the InReach SE device uses an Iridium 9603 modern. The InReach 1.5 device also includes a display screen and an internal rechargeable battery that the InReach SE device does not. A representative illustration of the InReach device and its relevant interior components is shown below in Figure 1.

Figure 1



CX-56C.

DeLorme sells the complete InReach device to end users using distributors and does not sell any component of the device separately, to use the InReach device or system, the end user must set up an online account and purchase a subscription service through DeLorme. DeLorme then activates the InReach device and allows it to access and communicate with the Iridium satellite network. The end user of the InReach device can pair it with a smartphone or other mobile device via a Bluetooth connection. To perform pairing, the mobile device must run Earthmate application software developed by DeLorme. The user processor in each InReach device receives user data from the paired mobile device via the Bluetooth connection and processes the user data for wireless transmission on the Iridium satellite communication network. The end user may then use the paired mobile device to send text messages, audio, or images over the Iridium satellite network. CX-33C at 23-25, 68; CX-236C at Admission Nos. 90-93; CX-2C at QQ. 138-42; CX-252; JX-12C.

The Iridium satellite network then transmits the user data to an Iridium ground facility in Arizona. The data continues on to a DeLorme "Back Office" located

in Chicago. The DeLorme “Back Office” includes servers that process the user data and transmit it to GEOS, an independent service that monitors and responds to user transmissions. A DeLorme operations team also receives, via email, messages sent through the satellite network by InReach devices. This team can monitor the GEOS system to ensure that GEOS personnel have logged on to the system and have responded by text message to any user message. DeLorme receives a copy of the response from the monitoring system and maintains a record of ALJ two-way texts between the user and the monitoring system. JX-12C; CX-33C at 36, 44-49; CX-41C at 11, 39-40; CX-2C at Q. 143.

### 3. Assembly of the InReach Devices Using Imported Components

DeLorme assembled the accused InReach 1.5 devices in the United States by converting imported InReach 1.0 devices that were at issue in the underlying investigation. The conversion process included removing a main circuit board from the imported InReach 1.0 device and replacing it with a circuit board comprising the Avnet authentication chip.<sup>2</sup> Other components from the imported InReach 1.0 device, including the plastic housing, the Iridium 9602 modem, battery, and antenna, were reused in the InReach 1.5 device. CX-40C at 48; Tr. at 88, 194-98, 200-05. DeLorme also converted some imported InReach 1.5 devices into domestically-reassembled InReach 1.5 devices using a similar process. CX-36C

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<sup>2</sup> The addition of the authentication chip Allows the InReach 1.5 device to be paired with either Android or Apple iOS devices, while the InReach 1.0 device can only be paired with Android devices. Tr. at 256-57.

at 73; CX-243C at Admission No. 58; CX-40C at 17-18, 48; CX-41C at 14-16; CX-34C at 13; Tr. at 88. DeLorme domestically assembled the accused InReach SE devices using imported plastic housing. CX-305C; Tr. at 189-91.

#### 4. BriarTek's Allegations in the Enforcement Proceeding Before the ALJ

BriarTek alleged that claims 1, 2, and 10 of the '380 patent read on a system comprised of DeLorme's InReach 1.5 or SE devices, Earthmate software, the Iridium satellite system, DeLorme's servers in Chicago and its personnel, and the GEOS monitoring company. BriarTek alleged that such a system directly infringes the asserted claims and DeLorme induces that infringement. BriarTek also alleged that DeLorme violated the Consent Order by reusing Iridium modems and plastic housing from InReach 1.0 devices that were imported before the Consent Order issued to assemble InReach 1.5 devices that were sold after the Consent Order issued. BriarTek further alleged that DeLorme violated the Consent Order by selling InReach SE devices that included imported plastic housing. Finally, BriarTek alleged that DeLorme violated the Consent Order by activating previously sold InReach 1.5 and SE devices after the Consent Order was issued. *See* EID at 5.

#### 5. ALJ's EID

On March 7, 2014, after an evidentiary hearing was conducted, the ALJ issued an EID finding a violation of the Consent Order. The ALJ determined that, after issuance of the Consent Order, DeLorme sold, or offered for sale within the United States after importation, accused InReach 1.5 devices that infringe, via inducement, claims 1 and 2 of the '380 patent. The ALJ

also found no induced infringement and therefore no violation of the Consent Order with respect to accused InReach SE devices. The ALJ further found that DeLorme did not induce infringement or violate the Consent Order by activating InReach 1.5 or InReach SE devices that were sold before the effective date of the Consent Order. *See* EID at 53-61, 82-98, 120-21.

The ALJ determined that DeLorme's sales of infringing InReach 1.5 devices took place in violation of the Consent Order on 51 days. EID at 99-100. In light of the violation determination, the ALJ recommended imposing a civil penalty of \$12,500 per day against DeLorme, for a total of \$637,500. On March 20, 2014, BriarTek, DeLorme, and the Commission investigative attorney ("IA") each filed a petition for review of the EID. On March 27, 2014, each party filed a response to the opposing petitions.

#### 6. The Commission's Violation Determination

On April 23, 2014, the Commission determined to review in part the EID. The Commission did not review the ALJ's finding of a violation of the Consent Order with respect to the InReach 1.5 devices. However, the Commission determined to review the ALJ's finding of no violation with respect to the InReach SE devices. On review, the Commission determined to reverse the ALJ's finding and determined that DeLorme's sales within the United States of the InReach SE devices, which included an imported component, induced infringement of claims 1 and 2 of the '380 patent and violated the Consent Order. *See* Comm'n Notice (April 23, 2014). The Commission also determined to reverse the ALJ's finding of no induced infringement with respect to accused InReach 1.5 and SE devices that were sold before, and activated after, the effective date of the

Consent Order. *Id.* As explained more fully herein, activation of these accused devices constituted infringement, but did not constitute a post-Consent Order sale after importation within the United States that would violate the Order. The Commission further determined to vacate the portion of the ALJ's analysis that relied on *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1305 (Fed. Cir. 2012) (*en banc*), *rev'd*, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014), to find direct infringement of claims 1 and 2 of the '380 patent through "use" of the claimed system by an end user. *Id.* The Commission also determined to vacate the portion of the ALJ's analysis concerning specific intent for induced infringement of these claims based on *Akamai. Id.*; *see also* EID at 85-86, 92. This opinion provides, *inter alia*, the Commission's analysis and reasoning for both its determination on violation with respect to the InReach SE devices and its determination on remedy for DeLorme's violation of the Consent Order.

The Commission also requested written submissions on the issue of the amount of the civil penalty to be imposed for DeLorme's violation of the Consent Order including responses to certain questions concerning the public interest as discussed in *Certain Erasable Programmable Read Only Memories ("EPROMs")*, Inv. No. 337-TA-276 (Enforcement), Comm'n Op. at 23-24, 26 (July 19, 1991). *See* Comm'n Notice (Apr. 23, 2014). On April 30, 2014, BriarTek, DeLorme, and the IA each filed a brief responding to the Commission's request for written submissions. On May 7, 2014, the parties filed reply briefs.<sup>3</sup>

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<sup>3</sup> *See* Complainant BriarTek's Response to April 23, 2014 Notice from the Commission ("BriarTek Sub."); Complainant

### III. DISCUSSION AND FINDINGS

For the reasons set forth below, the Commission has determined to reverse-in-part and vacate-in-part the ALJ's findings that were under review. We adopt the ALJ's findings in the EID on the issues that are not inconsistent with this opinion.<sup>4</sup> The Commission finds that DeLorme violated the Consent Order on 227 days.

#### A. Relevant Law

After properly construing the claims, a tribunal compares the 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). 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). 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).

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BriarTek's Reply to Respondent and Staff's Response to April 23, 2014 Notice from the Commission ("BriarTek's Reply"); Response of Respondent DeLorme to Request for Written Submission ("DeLorme's Sub."); Reply of Respondents DeLorme to Request for Written Submission ("DeLorme's Reply"); Response of the Office of Unfair Import Investigations to Commission's Request for Written Submissions on Civil Penalty for Violation of the Consent Order ("IA's Sub."); Reply of the Office of Unfair Import Investigations to Private Parties' Responses to Commission's Request for Written Submissions on Civil Penalty for Violation of the Consent Order ("IA's Reply").

<sup>4</sup> The determinations made in the EID that were not reviewed became final determinations of the Commission by operation of rule. *See* 19 C.F.R. § 210.75(b)(3).



“Whoever actively induces infringement of a patent shall be liable as an infringer.” See 35 U.S.C. § 271(b). Liability for induced infringement arises “if, but only if, [there is] . . . direct infringement.” *Limelight Networks*, 134 S. Ct. at 2117 (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961)). Induced infringement may be established by circumstantial evidence. See *Golden Blount, Inc. v. Robert M. Peterson Co.*, 438 F.3d 1354, 1362-63 (Fed. Cir. 2006) (citing *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1030 (1987)) (holding that circumstantial evidence of extensive sales and dissemination of an instruction sheet can support a finding of direct infringement by the customer); *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 850-52 (Fed. Cir. 2010) (software manufacturer found liable for induced infringement of computer system method claim by end user based on provision of instructional materials, where software is incorporated into third-party end-user computer), *aff’d*, *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238 (2011); *Alco Standard Corp. v. Tenn. Valley Auth.*, 808 F.2d 1490, 1502-03 (Fed. Cir. 1986) (“Although the evidence of infringement is circumstantial, that does not make it any less credible or persuasive.”). 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. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006) (en banc); see also *Cross Med. Prods.*, 424 F.3d at 1312; *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011) (“induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.”).

The Commission has the authority to terminate a section 337 investigation based on a consent order and then to enforce that consent order. *See* 19 U.S.C. § 1337(c); 19 C.F.R. §§ 210.21(c), 210.75(b); *San Huan New Materials High Tech, Inc. v. Int’l Trade Comm’n*, 161 F.3d 1347, 1354-56 (Fed. Cir. 1998). A respondent that unilaterally enters into a consent order to avoid further litigation has an affirmative duty to take “energetic steps” to do “everything in [their] power” to assure compliance with that order. *See Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same (“Certain Magnets”)*, Inv. No. 337-TA-372, Comm’n Determination on Violation, Comm’n Op. at 23-24, 1997 WL 857227, at \*10 (Nov. 1997); *San Huan*, 161 F.3d 1347 (the Court affirming the Commission’s authority to issue a civil penalty in *Certain Magnets*). Such a respondent is under a duty not only not to cross the line of infringement, “but to stay several healthy steps away.” *Id*

## B. ALJ’s Discussion of *Akamai*

### 1. ALJ’s EID

BriarTek asserted that DeLorme induced direct infringement of claims 1, 2, and 10 of the ’380 patent by encouraging end users to pair InReach 1.5 and InReach SE devices with a mobile device for use in the accused system. *See* EID at 6, 41-47, 53, 69-75, 83. The ALJ found that that [sic] the accused inReach 1.5 devices met every limitation of claims 1 and 2 of the ’380 patent when used in the accused system, and therefore the direct infringement prong of induced infringement had been satisfied. *Id.* at 53-61, 83-86. The ALJ found that the facts here support a direct infringement finding under *Centillion Data Systems, LLC v. Qwest Communications Int’l, Inc.*, 631 F.3d

1279 (Fed. Cir. 2011), because the end user of DeLorme's InReach 1.5 devices "uses" the entire claimed system by placing the system as a whole into service. *Id.*

The ALJ also discussed the Federal Circuit's decision regarding inducement of direct infringement in *Akamai. Id.* The ALJ found that although *Akamai* addressed inducement to directly infringe method claims, the reasoning of *Akamai* applies equally to "use" of the system claims at issue here. *Id.* at 86. The ALJ found that the Court in *Akamai* stated without limitation that the direct infringement required to find inducement "refer[s] most naturally to the acts necessary to infringe a patent, not to whether those acts are performed by one entity or several." *Id.* (citing *Akamai* at 1309). Based on this reference, the ALJ found that the mere fact that multiple entities are alleged to be involved in the "use" of the patented system is not a defense to induced infringement. *Id.*

Based on the foregoing, the ALJ found that the record establishes direct infringement of the claimed system, with respect to either the accused InReach 1.5 or SE devices, through "use" of the DeLorme system by an end user. *Id.* at 83-85. This finding supported the ALJ's determination of a violation with respect to the InReach 1.5 devices.

## 2. Analysis

The Commission has adopted the ALJ's finding that direct infringement based on "use" of the accused system by an end user has been established under *Centillion*, which supports the ALJ's unreviewed determination of violation of the Consent Order with respect to the InReach 1.5 devices. *See* EID at 83-84 (citing *Centillion*, 631 F.3d 1279, 1281-85), 99-100;

Comm'n Notice (April 23, 2014). However, the Supreme Court has reversed the Federal Circuit's decision in *Akamai*. See *Limelight Networks*, 134 S. Ct. at 2120. Accordingly, the Commission has determined to vacate the portions of the ALJ's analysis relying on *Akamai*. Specifically, the Commission has determined to vacate the following portions of the EID: (1) two consecutive paragraphs in the direct infringement analysis starting with the paragraph beginning with "Second" on page 85; and (2) in the inducement analysis relating to the ALJ's finding of specific intent, the last three sentences of the paragraph beginning with "Respondents also" on page 92.

C. Violation of the Consent Order with Respect to Accused InReach SE devices<sup>5</sup>

1. ALJ's EID

Although the Commission has determined to review the ALJ's violation determination with respect to only the InReach SE devices, some background concerning the ALJ's reasoning with respect to the InReach 1.5 devices is required as the ALJ linked her analysis of the devices together in portions of the EID. See EID at 53-62, 83-90. As noted above, the ALJ found that DeLorme induced infringement of claims 1 and 2 of the '380 patent based on its sale of InReach 1.5 devices, which were assembled almost entirely from imported parts. *Id.* at 53-61, 82-93. The ALJ found that both the specific intent and direct infringement prongs of

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<sup>5</sup> As noted above, the Commission did not review the ALJ's finding of a violation of the Consent Order with respect to the InReach 1.5 devices. See EID at 82-93, 99-100; Cornm'n Notice (April 23, 2014). Further, as noted above, we adopt the ALJ's findings in the EID on the issues that are not inconsistent with this opinion.

induced infringement had been satisfied by a preponderance of the evidence with respect to the InReach 1.5 devices. *Id.* Regarding the direct infringement prong, the ALJ found that DeLorme's technical support documents for the InReach devices explained how a user can practice the asserted claims by initiating two-way messaging over the Iridium satellite system using a mobile device running DeLorme's Earthmate software paired with an InReach device over a Bluetooth connection. *Id.* at 57 (citing CX-0033C at 72-74, 109, 112, CX-0058, CX-0059). Regarding the intent prong of inducement, the ALJ found that: the evidence shows that DeLorme's sale of the imported components contained within the accused InReach 1.5 devices to end users via distributors causes the end users to infringe claims 1 and 2 of the '380 patent; and that such sales are made with the specific intent to cause the end users to infringe. *Id.* at 86-93 (noting, *inter alia*, that BriarTek's complaint in the underlying investigation put DeLorme on notice of its infringing activities). These findings supported the ALJ's unreviewed determination of a violation of the Consent Order with respect to the InReach 1.5 devices. *Id.* at 53-61, 82-93, 99-100; *see also* Comm'n Notice (April 23, 2014).

However, the ALJ found that BriarTek had not similarly proven, by a preponderance of the evidence, that DeLorme induced infringement of claims 1 and 2 of the '380 patent with respect to the accused InReach SE devices. *Id.* at 93-98. The ALJ found that the plastic housing was the only "imported component" of the domestically-assembled InReach SE devices. *Id.* at 95. The ALJ did not find the Iridium 9603 moderns and Avnet chips of the InReach SE devices to be "imported components," although they are made outside of the United States, because the record

demonstrated that they were imported by Avnet Inc. and Iridium Communications Inc. and DeLorme did not have a significant role in importing these components.

The ALJ then compared the plastic housing used in the InReach SE devices to the multiple imported components found in the InReach 1.5 devices, *i.e.*, the Iridium modem and antenna, the keypad, and battery terminals. The ALJ found that DeLorme imported these components as InReach 1.0 and 1.5 devices and then converted them to InReach 1.5 devices. *Id.* at 98. Based on this comparison, the ALJ found that DeLorme's conduct was less culpable with regard to the InReach SE devices because DeLorme imported only an \$0.18 per unit plastic housing. The ALJ therefore found no induced infringement with respect to DeLorme's sales of InReach SE devices.

## 2. Parties' Arguments

BriarTek argued that the ALJ erred in finding no induced infringement of claims 1 and 2 of the '380 patent with respect to the accused InReach SE devices. BriarTek's Pet. at 2, 4. Complainant contended that the ALJ's comparative culpability analysis between the InReach 1.5 and SE devices based on a proportion of imported components was not based on any legally recognized precedent. *Id.*

BriarTek submitted that the imported plastic housing for the InReach SE devices is only used within the accused DeLorme system and that all elements of claims 1 and 2 are met by the accused system utilizing the activated InReach SE devices. *Id.* at 2 (citing EID at 61, 94). Complainant contended that the importation and sale after importation of the plastic housing incorporated into the domestically-assembled

InReach SE devices is sufficient to find inducement and a violation of the Consent Order. *Id.* at 2-3 (citing EID at 94).

DeLorme agreed with the ALJ's finding of no induced infringement, submitting that no induced infringement can exist when it is undisputed that none of the imported components of the domestically-assembled InReach SE devices directly infringe at the time of importation. DeLorme's Resp. to IA's Pet. at 6. DeLorme also submitted where the only imported component (the plastic housing) is such a miniscule part of the entire claimed satellite communication system, there is no induced infringement or violation of the Consent Order. DeLorme's Resp. to BriarTek's Pet. at 17.

### 3. Analysis

The ALJ erred in finding no induced infringement, and therefore no violation of the Consent Order, with respect to the accused InReach SE devices. While the ALJ correctly found that the language of the Consent Order applies to "*any* imported two-way global satellite communication devices, system, and *components thereof* that infringe[.]" *see* Consent Order at ¶1, we do not adopt the ALJ's component comparison test for determining induced infringement culpability.

Regarding violation of the Consent Order, the language of the Consent Order prohibits sale after importation of "*any* imported two-way global satellite communication devices, system, and *components thereof* that infringe" the '380 patent. *See* Consent Order at ¶ 1. Consistent with 35 U.S.C. § 271, "infringement" includes "induced infringement," *See* 35 U.S.C. § 271(b); *Certain Electronic Devices with*

*Image Processing Systems, Components Thereof and Associated Software*, Inv. No. 337-TA-724, Comm'n Op. at 13 (Dec. 21, 2011 ). Accordingly, the issue here is whether DeLorme violated the Consent Order when it sold after importation components, incorporated into the InReach SE devices, that infringe the '380 patent under 35 U.S.C. § 271(b). Under the terms of the Consent Order, DeLorme could not import components, incorporate them into domestically-assembled InReach SE devices, and then sell the devices to end users via distributors with instructions to “use” the devices in an infringing manner.

Specifically, we find both the specific intent and the direct infringement prongs of induced infringement established here with respect to the InReach SE devices. The record evidence establishes that DeLorme's technical support documents for the InReach devices explain how a user can practice claims 1 and 2 of the '380 patent by initiating two-way messaging using a mobile device running Earthmate software paired with an InReach SE device over a Bluetooth connection. *See* CX-0033C at 72-74, 109, 112, CX-0058, CX-0059. The record also establishes that each InReach SE device is sold with a clip on its plastic housing, which specifically satisfies claim 2 of the '380 patent. *See* CX-44 at 3; CX-40C at 27; Tr. at 170-71. The record also establishes direct infringement of these asserted claims, with respect to the InReach SE devices, through “use” of the accused system by an end user under *Centillion*. *See* EID at 83-85. We find that the ALJ's analysis and finding of direct infringement under *Centillion* with respect to the InReach 1.5 devices is equally applicable to the InReach SE devices because these devices operate similarly with respect to enabling two-way messaging by an end user via



## Confidential Material Redacted

pairing with a mobile device. *Id.*; *see also* CX-41C at 28-33; CX-2C at Q. 117.

Regarding the specific intent prong, the record evidence shows that DeLorme's sale of the imported components contained within the accused InReach SE devices to end users via distributors causes the end users to infringe; and that such sales are made with the specific intent to cause the end users to infringe. Specifically, DeLorme entered into an agreement with foreign partner KenMold Co., LTD to manufacture and import the plastic housing for the InReach SE devices; and then incorporated the imported housing into these devices and sold them within the United States to end users via distributors, after the effective date of the Consent Order, with instructions to directly infringe the '380 patent. *See* CX-305C; Tr. at 189-94; CX-33C at 56-58, 72-73, 109, 112; CX-44 at 17, 25; CX-58; CX-59; RX-161C at Q. 158.

Further regarding intent, we find that the record evidence demonstrates that DeLorme intends for the end user to carry out all of the acts to "use" the accused system. Specifically, we find that DeLorme (1) sells personal subscription plans to end users which activate InReach SE devices that all include two-way messaging and SOS messaging, which are the features at the heart of the asserted claims; and that (2) DeLorme relies on these subscription plans, which encourage the end users' use of the InReach SE devices, [REDACTED] *See* CX-0002C at Q. 194, JX-0033; CX-0040C at 72. Accordingly, we find that DeLorme's business model is predicated on the activation and use of the InReach SE devices by the end users.

We also find that DeLorme was aware, or at least willfully blind to the fact, that it was inducing the end-user to infringe claims 1 and 2 with respect to the InReach SE devices. *Id.*; *see also Global-Tech*, 131 S.Ct. at 2070-71 (“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.”). Based on the record evidence, we find that DeLorme has known about the ’380 patent and BriarTek’s infringement allegations since as early as Aug. 23, 2012, when the Commission issued and served the complaint in the underlying investigation. *See* 77 Fed. Reg. 51045-46. BriarTek’s infringement Allegations included allegations of induced infringement under 35 U.S.C. § 271(b) based on the combination of an InReach device and an end-user mobile device enabled with DeLorme’s Earthmate software to initiate two-way global messaging within DeLorme’s system. *See* Inv. No. 337-TA-854, Complaint at ¶¶ 43-44 (August 17, 2012). BriarTek asserted that this combination satisfied each element of the asserted claims of the ’380 patent. *Id.* Accordingly, we find that DeLorme had specific intent to induce infringement based on the fact that DeLorme knew that using the InReach devices in the intended manner would infringe the ’380 patent. Additionally, DeLorme provided instruction manuals on how to use the InReach SE devices in an infringing manner, has a financial interest in that use, and was aware of actual use by end users. Based on the foregoing, we find that DeLorme induced infringement of claims 1 and 2 of the ’380 patent with respect to the InReach SE devices.

DeLorme was required to take “energetic steps” to do “everything in [its] power” to assure compliance with the Consent Order, and to “stay several healthy

steps away” from infringement. *See Certain Magnets* at \*10. However, DeLorme circumvented the order by harvesting nearly ALJ of the components from imported older InReach 1.0 models to assemble new InReach 1.5 devices domestically. As part of this circumvention, DeLorme designed and imported plastic housings for the domestically-assembled InReach SE devices. *See* CX-305C; Tr. at 189-91. The record evidence establishes that the plastic housing is only used within the accused system and specifically meets the claim 2 limitation of “a user unit adapted to be coupled to a user.” *See* CX-0040C at 27-28; Tr. at 170-71, 189-91; CX-305C. The completed InReach SE devices, including the imported plastic housing, were then sold to end users via distributors with complete instructions on how to “use” the entire system in an infringing manner, including a description of the clip on the housing with respect to claim 2. *See* CX-0002C at Q. 194; JX-0033; CX-0040C at 72-73; CX-0044 at 3, 17, 25; CX-0033C at 72-74, 109, 112; CX-0058; CX-0059.

DeLorme also deliberately went ahead and engaged in activity prohibited under the Consent Order by: selecting foreign contractor KenMold to manufacture overseas and import the plastic housing for assembly into the InReach SE devices with clips; and incorporating the imported housing into these devices and selling them to end users via distributors with instructions to directly infringe the '380 patent. *See* CX-305C; Tr. at 189-94; CX-33C at 56-58, 72-73, 109, 112; CX-44 at 17, 25; CX-58; CX-59; RX-161C at Q. 158. Thus, despite the language of the unilaterally-entered Consent Order, DeLorme further engaged in inducing activity such as activating sold InReach SE devices with purchased user subscription plans, in addition to the inducing acts described above, with the specific intent

to cause infringement. *See Golden Blount, Inc.*, 438 F.3d at 1362-63 (induced infringement established by sales and dissemination of instruction sheets); *iAi Ltd.*, 598 F.3d at 850-52 (Fed. Cir. 2010) (induced infringement based on provision of instruction materials established for software manufacturer who supplied component of third-party computer system with direct infringement by an end user). Accordingly, DeLorme's conduct establishes, by a preponderance of the evidence, induced infringement and constitutes a violation of the Consent Order for InReach SE devices sold after the effective date of the Consent Order.<sup>6</sup>

DeLorme argues that a violation of the Consent Order cannot be predicated upon induced infringement in connection with the imported plastic housing for two reasons: (1) the imported plastic housing costs only \$0.18 amounting to a miniscule portion of the complete device; and (2) the housing does not, by itself, infringe the system claims asserted by BriarTek. However, regardless of the cost of the plastic housing, it constitutes an imported "component" within the terms of the Consent Order. *See* Consent Order at ¶ 1. This imported plastic housing "component" is then incorporated into the InReach SE device and sold within the United States. DeLorme's instruction manuals and activation of the device induces direct infringement of claims 1 and 2 of the '380 patent by an end user of the device.

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<sup>6</sup> Although we ultimately reverse the ALJ and determine that DeLorme violated the Consent Order with respect to the InReach SE devices, we do agree with the ALJ's finding that DeLorme does not play a significant role in the importation of the Iridium modems and Avnet chips for the SE devices. *See* BID at 95 (citing CX-1C at Q. 37; CX-2C at Q. 160; CX-67; RX-24C-26C; RX-125C at DLM-2042096; RX-23C at 9, 26-27; RX-161C at Q. 110).

Based on the above, the Commission has determined to reverse the EID's finding of no induced infringement with respect to accused InReach SE devices, and accordingly has found a violation of the Consent Order with respect to these devices.

D. Violation of the Consent Order with Respect to Accused InReach 1.5 and SE Devices Sold Before, and Activated After, the Effective Date of the Consent Order

1. ALJ's EID

The ALJ found that BriarTek failed to show that post-Consent Order activation of InReach 1.5 devices sold prior to the effective date of the Consent Order constitutes a sale after importation in violation of the Consent Order. EID at 82. The ALJ found that the activation process for the InReach devices involves purchasing a user subscription plan, downloading the Earthmate software, and pairing the InReach device with a mobile device. The ALJ found that the activation process did not include any sale of an imported component that infringes the asserted claims of the '380 patent. *Id.* at 82-83. The ALJ found that, although the activation process does include the provision of software and hardware, *i.e.*, the back-end of the two-way global communication system, to the user which includes claimed elements, these provided components are not a sale of "imported" components constituting a violation of the Consent Order. *Id.*

The ALJ then stated the following:

Because the question of *infringement* must be based on imported components, and Complainant has failed to prove that the mere activation of InReach devices that were sold before the effective

date of the consent order involves the sale of imported components, Complainant's Allegations based on activations fail.

*Id* at 83 (emphasis added).

Based on the above, the ALJ concluded that BriarTek failed to establish, by a preponderance of the evidence, that the activation of InReach devices (after the effective date of the Consent Order) that were sold before the effective date of the Consent Order induces the infringement of claims 1 and 2. *Id.* at 82. Accordingly, the ALJ found no violation of the Consent Order with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order.

## 2. Parties' Arguments

The IA petitioned for review of the ALJ's holding that: "Complainant has not proven by a preponderance of the evidence that the activation of InReach devices (after the effective date of the consent order) that were sold before the effective date of the consent order . . . induces the infringement of claims 1 and 2." IA's Pet. 6 (citing EID at 82) (emphasis added). The IA noted that induced infringement is defined by 35 U.S.C. § 271 and that the ALJ found induced infringement of claims 1 and 2 of the '380 patent with respect to InReach 1.5 devices that were sold and activated after the effective date of the Consent Order. *Id.* at 8-9 (citing EID at 53-61, 83-88). The IA submitted that this inducement finding is independent of when the InReach 1.5 devices were sold since that is not part of the induced infringement analysis. *Id.* at 9. Accordingly, the IA submitted that, in order to be consistent with this induced infringement finding, the Commission should also find that DeLorme induced

infringement of claims 1 and 2 with respect to InReach devices, sold before, but activated after, the effective date of the Consent Order because the time of the sale does not matter. *Id.* at 9-10. However, the IA agreed with the ALJ's ultimate finding that activation of InReach devices sold before the effective date of the Consent Order does not violate the Consent Order because there is no post-Consent Order sale of imported components. *Id.*

BriarTek agreed with the IA's position that the ALJ's finding should be reviewed and reversed to find that DeLorme induced infringement of claims 1 and 2 with respect to InReach devices activated after, but sold before, the effective date of the Consent Order. BriarTek's Resp. to IA's Pet. at 4.

DeLorme agreed with the ALJ's finding of no induced infringement as respondents contended that no induced infringement can exist when none of the imported components of the InReach devices directly infringe at the time of importation. DeLorme's Resp. to IA's Pet. at 6, 9.

### 3. Analysis

The ALJ erred in finding no induced infringement with respect to the accused InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. The ALJ correctly analyzed the issue of the timing of the sale of imported components to properly determine no violation of the Consent Order had occurred with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. However, the ALJ did not distinguish between infringement and violation of the Consent Order. Infringement is determined with respect to 35 U.S.C. § 271 and therefore does not equate to

a violation of the Consent Order which requires, *inter alia*, the sale within the United States after importation of any “components thereof, that infringe” after the effective date of the Order. Consequently, the evidence concerning activation of the accused 1.5 or SE devices demonstrated induced infringement by DeLorme, but not a violation of the Consent Order because the activation activity does not involve a sale of imported components after the effective date of the Consent Order.

Here, DeLorme activated InReach 1.5 and SE devices sold prior to the effective date of the Consent Order. This activation activity, combined with the end user’s direct infringement as discussed *supra*, establishes induced infringement by DeLorme. *See* CX-0002C at Q. 194; JX-0033; CX-0040C at 72-73; CX-0044 at 17, 25; CX-0033C at 72-74, 109, 112; CX-0058; CX-0059. However, this activation activity does not involve any post-Consent Order sale of “imported” components and therefore is not a violation of the Consent Order as the ALJ correctly determined.

We have therefore determined to reverse the ALJ’s finding of no induced infringement by DeLorme with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. This determination did not affect, and therefore we have adopted, the ALJ’s ultimate determination of no violation of the Consent Order by DeLorme with respect to InReach 1.5 devices sold before, but activated after, the effective date of the Consent Order. We also find induced infringement by DeLorme with respect to InReach SE devices sold before, but activated after, the effective date of the Consent Order because these devices operate similarly with respect to enabling two-way messaging by an end user via



pairing with a mobile device. *See* CX-41C at 28-33; CX-2C at Q. 117. We further find no violation of the Consent Order by DeLorme with respect to InReach SE devices sold before, but activated after, the effective date of the Consent Order.

E. Conclusion on Violation of April 5, 2013  
Consent Order

Based on the conclusions above (and those of the ALJ which we adopted or did not review), we have found that DeLorme violated the Consent Order with respect to both the InReach 1.5 devices and the InReach SE devices that were sold after the effective date of the Consent Order.

IV. ENFORCEMENT MEASURES

For the reasons set forth below, the Commission has determined to modify the ALJ's recommended enforcement measures for DeLorme's violation of the Consent Order and impose a civil penalty of \$6,242,500 based on 227 days of violation. *See* EID at 116-19.

A. Relevant Law Governing Civil Penalty for  
Violation of Consent Order

Civil penalties are mandatory for violations of the Commission's cease and desist orders and consent orders issued under section 337. Subsection (f)(2) of section 337 provides that any person who violates a cease and desist order issued by the Commission after it has become final:

shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,000 or

twice the domestic value of the articles or sold on such day in violation of the order.

19 U.S.C. § 1337(f)(2). *San Huan*, 161 F.3d at 1357, extended the civil penalty provision to consent order violations.

The Commission has the discretion to impose a civil penalty that is appropriate to the circumstances. *Certain Erasable Programmable Read Only Memories (EPROMs)*, Inv. No. 337-TA-276 (Enforcement), Comm'n Op. at 29 (July 19, 1991). When calculating a proportionate penalty, the Commission considers a number of factors including: (1) the good or bad faith of the respondent; (2) any injury due to the violation; (3) the respondent's ability to pay the assessed penalty; (4) the extent to which the respondent benefitted from its violations; (5) the need to vindicate the authority of the Commission; and (6) the public interest. *EPROMs*, Comm'n Op. at 23-24, 26. The six-factor *EPROMs* test takes into account the three overarching considerations enumerated by Congress in the legislative history of section 337(0(2), *viz.*, the desire to deter violations, the intentional or unintentional nature of any violations, and the public interest. *San Huan*, 161 F.3d at 1362. Furthermore, "[t]he degree to which a respondent takes steps on its own initiative to assure compliance affects the judgment as to what penalty is necessary to induce a sufficiently vigilant posture." *San Huan*, 161 F.3d at 1362 (quoting *EPROMs Enforcement Op.* at 28-29).

#### B. ALJ's Remedy Recommendation

The ALJ recommended a civil penalty in the amount of \$12,500 per violation day for DeLorme's violation of the Consent Order. EID at 116-19. Based on her analysis of the facts under the six-factor *EPROMs* test

and the 51 days on which sales after importation of DeLorme's infringing InReach 1.5 devices within the United States occurred in violation of the Consent Order, the ALJ recommended a civil penalty of \$637,500 (\$12,500 times 51 days of violation).<sup>7</sup> *Id.*

### C. Parties' Submissions

#### Value of Infringing Devices Sold in Relation to Penalty

In its submission, DeLorme supplements the sales information provided at the enforcement proceeding hearing by providing its domestic sales information for its domestically-assembled InReach 1.5 devices sold from November 14, 2013 to April 3, 2014, and its domestically-assembled InReach SE devices sold from April 25, 2013 to April 24, 2014. DeLorme's Sub. at 4; Exhibit C, Schedules A & B to Kramlich Declaration. From this additional sales information, DeLorme admits that it sold InReach 1.5 and/or SE devices on 229 different days after the effective date of the Consent Order. *Id.* DeLorme's supplement discloses significantly higher post-Consent Order sales of InReach SE devices, *i.e.*, 15,302 units, on the dates in question. *Id.* DeLorme also clarifies that a total of 1,636 domestic InReach 1.5 device orders, *i.e.*, slightly increased from the 1,632 total that was provided at the

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<sup>7</sup> In addition, the ALJ did not recommend issuance of a limited exclusion order or a cease and desist order for her finding of a violation of the Consent Order with respect to the infringing InReach 1.5 devices. EID at 104-05. In the event that the Commission determined to find a violation by DeLorme with respect to the accused InReach SE devices, the ALJ recommended issuance of a limited exclusion order directed to the plastic housing that respondents import or play a significant role in importing. *Id.* at 105.

enforcement hearing, were fulfilled from April 1, 2013 to November 13, 2013, on 47 different days. *Id.* at 3. DeLorme further submits that it fulfilled an additional 318 InReach 1.5 unit orders on 45 days from November 14, 2013, to April 3, 2014. Kramlich Decl. at ¶ 8. However, DeLorme contends that none of the 1.5 InReach device sales after November 13, 2013, included any imported components and therefore are not sales in violation of the Consent Order. DeLorme's Sub. at 3-4 (citing Sch. B); *see also* DeLorme's Response to BriarTek Pet., Declaration of Michael Heffron at ¶¶ 7-8 (Mar. 26, 2014). DeLorme further submits that approximately 25% of sold InReach devices are not activated and therefore are not infringing. *Id.* at 4 (citing CX-255C (Heffron Deposition) at 39; CX-40C (Heffron Deposition) at 55-56).

DeLorme submits that the proper measure of any civil penalty to be imposed here is either a nominal penalty of one dollar per day for any violative sales, or not more than twice the domestic value of the item(s) deemed to: (a) have infringed the asserted patent; and (b) have been imported or sold by DeLorme within the United States after importation in violation of the Consent Order. *Id.* at 17-18 (citing section 337(f)(2)). Accordingly, with respect to infringing InReach SE devices, DeLorme submits that the proper measure of damages should not be more than twice the domestic value of the plastic housing — the only imported component. DeLorme submits that the plastic housing for the InReach SE devices — an alleged minor part of the accused system — is purchased overseas at \$0.18 per unit. *Id.* (citing RX-161C at QQ. 128-29). DeLorme thus contends that ordering respondents to pay a penalty based on twice the sales price of all domestically-assembled InReach devices is

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significantly disproportionate to any wrong-doing by DeLorme [REDACTED]

*Id.*; see Ex. C. DeLorme therefore submits that any penalty should be much lower than twice the domestic value of the infringing InReach devices.

Both BriarTek and the IA submit that the Commission should impose a substantial penalty for DeLorme's violation of the Consent Order. When considering the value of the goods sold, or the benefit DeLorme received from these sales, both BriarTek and the IA contend that the analysis should include the revenue received not only for the device, but also for the use of the device in the form of subscription fees. BriarTek's Sub. at 8-12; IA's Sub. at 10-13.

[REDACTED]

BriarTek's Sub. at 8 (citing CX-40C at 72-73; CX-35C at 38). DeLorme offers a variety of end-user subscription plans that allow an end user to perform two-way messaging upon activation of the InReach device. See CX-124C; JX-33. DeLorme also offers rebates to customers, such as two months' free air time, to encourage the sale of subscriptions. See CX-40C at 56-58. BriarTek therefore contends that the Commission should consider three different values with respect to the infringing devices: (1) the cost to manufacture the InReach devices; (2) the price at which the InReach devices are sold to distributors; and (3) the revenue DeLorme receives from end-user subscriptions. BriarTek's Sub. at 8.

With respect to (1), based on the record evidence, BriarTek submits that the average cost to manufacture the InReach 1.5 devices is approximately [REDACTED]

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per unit and the cost to manufacture the InReach SE devices is approximately [REDACTED] per unit. BriarTek's Reply at 3-4 (citing CX-253C). Based on the updated financial information that DeLorme provides, BriarTek submits that the total one-year cost of manufacturing both devices is approximately [REDACTED].<sup>8</sup> *Id.* (citing Kramlich Decl. at ¶¶ 4-8).

Regarding the revenue received by DeLorme from these violative sales, *i.e.*, value factors (2) and (3), BriarTek submits that solely looking at the sales price is deceptive [REDACTED]. BriarTek's Sub. at 9 (citing CX-40C at 73; CX-35C at 38-42). Accordingly, complainant contends that the Commission must look at the revenue generated from the end-user subscriptions which enable two-way messaging usage of the devices in addition to revenue generated from device sales. *Id.* (citing CX-39C at 24-25; CX-36C at 32-36). As to the latter, based on the updated DeLorme sales information, BriarTek submits that the one-year revenue generated from the 1,950 InReach 1.5 devices sold in violation was [REDACTED] and the one-year revenue generated from the 15,302 InReach SE devices sold in violation was [REDACTED].

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<sup>8</sup> Although DeLorme submits, as discussed *supra*, that the 1,636 unit total is the correct number of InReach 1.5 devices sold until November 13, 2013, rather than the 1,632 unit total submitted before the ALJ, BriarTek continues to use the lower number in its calculations regarding the value DeLorme derived from its violative sales. *See* BriarTek's Reply at 3-4; Kramlich Decl. at ¶¶ 6-7.

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BriarTek's Reply at 3 (citing Kramlich Decl. at ¶¶ 4-8; Schs. A & B).

BriarTek further submits that the value of the activations of these devices sold in violation of the Consent Order must be taken into consideration because complainant contends that the 1.5 and SE devices have no value unless activated. BriarTek's Sub. at 10 (citing CX-40C at 55).

[REDACTED] *Id.* (citing CX-36C at 33-34). BriarTek notes that DeLorme provided activation information for [REDACTED] end-user accounts that were activated after April 1, 2013, which included a variety of subscription plans: [REDACTED]

[REDACTED] *Id.* (citing CX-124C). BriarTek submits that the expedition, recreation, and safety plans are 12-month plans and the seasonal plans are 4-month plans. *Id.* (citing CX-124C); *see also* JX-33.

From the updated sales information, BriarTek submits that DeLorme generated a total revenue of [REDACTED] from InReach hardware and subscriptions from May 2013 to December 2013. BriarTek's Reply at 5 (citing Ex. C to DeLorme's Sub.). BriarTek further contends that after subtracting out the InReach hardware revenue from this period of [REDACTED] the total subscription revenue for this period is [REDACTED] which is approximately [REDACTED] received by DeLorme. *Id.* Applying this [REDACTED] to the devices sold in violation of the Consent Order based on DeLorme's updated sales information, BriarTek submits that the total one-year revenue

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generated by sales of InReach hardware and subscriptions from April 2013 through April 2014 was [REDACTED] of which approximately [REDACTED] is the one-year subscription revenue [REDACTED] *Id.* (citing Kramlich Decl. at ¶¶ 4-8; Schs. A & B). And applying a [REDACTED] on the subscription revenue, BriarTek contends that DeLorme will make a profit of approximately [REDACTED] from its violative sales of InReach devices, which rises to [REDACTED] for the expected at least [REDACTED] life of each device. *Id.* at 6 (citing CX-39C at 24-25; CX-36C at 32-36).

Based on the above and the *EPROMs* factors as discussed *infra*, BriarTek proposes a penalty of at least \$50,000 per day. *Id.* at 8. Accordingly, BriarTek contends that a civil penalty of \$11.45 million (\$50,000 times 229 separate days of violation) is not disproportionate to [REDACTED] *Id.* at 6-9; *see also* RX-45C at 9; CX-122C; CX-245C; CX-246C; CX-254C; Tr. at 267; JX-30C at Admission Nos. 15-18.

BriarTek also submits that the additional financial evidence provided by DeLorme shows that after [REDACTED] *Id.* at 14-15 (citing Ex. C to DeLorme's Sub). BriarTek further submits that DeLorme cannot complain that complying with the Consent Order will shut down

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<sup>9</sup> Our annual subscription revenue and total annual revenue figures here for BriarTek have been corrected from BriarTek's reply due to a discovered error in applying [REDACTED]. *See* BriarTek's Reply at 5.



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the InReach product line. *Id.* at 12 (citing *Windsurfing Int'l Inc. v. AMF, Inc.*, 782 F.3d 995, 1033 n.12) (holding that “one who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continued infringement destroys the business so elected.”). BriarTek therefore submits that any fine set at less than the expected profit from selling the infringing devices, and associated end-user subscriptions, in violation of the Consent Order will only encourage more violations. *Id.* at 9.

The IA notes that the total number of end-user subscriptions he calculated is nearly identical to that cited by BriarTek in its initial post-hearing brief [REDACTED] IA’s Sub. at 11 (citing CX-124C; BriarTek’s Initial Post-Hearing Br. at 94); *see also* JX-33. Accordingly, the IA submits that the expected annualized revenue for DeLorme from subscriptions is [REDACTED] for each InReach 1.5 device [REDACTED] when revenue from the “other” category is excluded. IA’s Sub. at 12; IA’s Reply at 14. Assuming the InReach devices have an expected life of at least [REDACTED] the IA submits that the approximate revenues earned by DeLorme will be [REDACTED] from subscription services for each InReach 1.5 device and [REDACTED] for each InReach SE device. IA’s Reply at 14. The IA thus contends, when adding in the \$19.85 one-time activation fee per subscription, the approximate [REDACTED] subscription revenue from the 1,636 InReach 1.5 devices sold in violation of the Consent Order will be between [REDACTED] and from the 15,302 InReach

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SE devices sold in violation will be between [REDACTED] *Id.* at 14; *see also* EID at 99-100; Kramlich Decl. at ¶¶ 4-8.

From the IA's analysis of the *EPRMs* factors as discussed *infra* and the updated sales information provided by DeLorme in its submission, the IA submits that DeLorme should be assessed a civil penalty of no less than \$40,000 per day for each of the 47 days of sales of the InReach 1.5 devices. The IA also submits that DeLorme should be assessed a penalty of no less than \$20,000 per day for each of the 220 days of sales of the InReach SE devices in violation of the Consent Order. IA's Reply at 1, 11-17 (citing Kramlich Decl. at ¶¶ 4-7; Schs. A & B). The IA proposes a lower amount with respect to the SE devices because he took the position that these devices did not violate the Consent Order before the ALJ and Commission, and therefore submits that it was not unreasonable for DeLorme to believe that the SE devices were not within the scope of the Order. *See* IA's Sub. at 15. Accordingly, the IA proposes a total penalty of no less than \$6,280,000 ((\$40,000 times 47 days) + (\$20,000 times 220 days)), which he submits is not disproportional, as discussed *supra*, to the value of device sales plus the expected [REDACTED] that the InReach devices sold in violation will generate. IA's Reply at 14-17.

The Parties' Arguments with Respect to the *EPRMs* Factors

Good or Bad Faith

Regarding good or bad faith, BriarTek and the IA submit that this factor weighs in favor of a higher

penalty because DeLorme did not seek the written opinion of counsel or an advisory opinion from the Commission before engaging in its violative conduct of domestically “rebuilding” and selling InReach devices, which incorporate imported components, that infringe the ’380 patent under an inducement theory. BriarTek’s Sub. at 15-16 (citing CX-40C at 10, 14-16); IA’s Sub. at 16. Both parties submit that this failure to request such an opinion is indicative of DeLorme’s bad faith in violating the Consent Order.

DeLorme submits that the language of the Consent Order supports its good-faith belief that it was not violating the order when importing components that did not directly infringe the ’380 patent. DeLorme’s Sub. at 7. DeLorme argues that no prior Commission precedent found a violation of a consent order based on articles that infringe under 35 U.S.C. § 271(b). *Id.* at 7-8. DeLorme also argues that it relied on the oral advice of counsel who informed respondents that “[imported] [c]omponents that infringe on the patent could not be included in the [InReach] device . . . [t]hey were covered under the Consent Order.” *Id.* at 9 (citing CX-40C at 15). DeLorme interpreted this advice to mean that the Consent Order only prohibits imported components that directly infringe the ’380 patent, and therefore submits it had a justified good-faith belief that its post-Consent Order conduct did not violate the Order.

#### Injury to Complainant

Regarding the injury to BriarTek, complainant submits that it has suffered harm from DeLorme’s violative sales because respondents sell their units for less than half the price of BriarTek’s competing

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product (the CerberLink device) [REDACTED]  
[REDACTED] BriarTek's Sub. at 17 (citing CX-1C at QQ. 57-58; J-X-4C). Specifically, BriarTek's CEO, Mr. Landa, testified that:

[Respondents] are continuing to flood the market with cheap devices that undercut competing products. By taking the intellectual property without having to pay for it they are undercutting other companies such as YellowBrick and BriarTek Inc. that pay for those license[s]. This reduces the market share that those paying customers can get thus reducing what we get paid.

*Id.* (citing CX-1C at QQ. 58). BriarTek also contends that the Commission "has consistently held that the benefit of lower prices to consumers does not outweigh the benefit of providing complainants with an effective remedy for an intellectual property-based section 337 violation." *Id.* at 18 (citing *Certain Ink Cartridges, Inv. No. 337-TA-565, Comm'n Op.* at 27 (Dec. 2010)). BriarTek therefore submits that this factor weighs in favor of an increased penalty to DeLorme.

The IA submits that there is no evidence that consumers who purchase the InReach devices would not have been able to afford BriarTek's competing CerberLink devices or a third-party's devices. IA's Reply at 7-8. BriarTek submits that it is the sole supplier of man overboard alarms (a "safety alarm" for sailors and rivermen) to the U.S. Navy and U.S. Army, the sole supplier of escape beacons to the UK submarine fleet, and its products are used commercially all over the world. BriarTek's Reply at 14 (citing CX-1C at Q. 19). Based on established goodwill with the

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government, both the IA and BriarTek submit that without DeLorme's violative product in the U.S. marketplace, DeLorme's customers would have gravitated to BriarTek's competing CerberLink device to meet the consumer market demand for two-way global satellite communication device. IA's Reply at 7 (citing CX-1C at ¶ 19); BriarTek's Reply at 14.

DeLorme submits that there is no evidence that a sale of an InReach device directly translates to a lost sale of BriarTek's CerberLink device. DeLorme's Sub. at 12. Rather, respondents argue that BriarTek has sold only a handful of CerberLinks throughout the lifetime of the product, has minimal inventory on hand, and has no prior history of selling into the consumer marketplace. *Id.* (citing RX-161C at Q. 202; Tr. at 115; RX-144C at ¶ 10; RX-137C at 62-63). DeLorme also notes that BriarTek's CerberLink devices retails for approximately twice the cost of the InReach devices (\$499 vs. \$200+). *Id.* DeLorme therefore submits that the InReach customers, in the absence of the InReach devices, would not purchase the BriarTek device because it is unaffordable or unavailable due to limited supply. *Id.* Respondents thus submit that there is no evidence of injury to BriarTek.

## Ability to Pay

Regarding the ability to pay factor, BriarTek, as discussed *supra*, contends that the Commission should take into consideration the future projected revenue associated with the InReach devices sold in violation of the Consent Order (see Table 1 above). BriarTek's Sub. at 19-20. [REDACTED]

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[REDACTED] *Id.* at 19 (citing CX-47C; CX-35C at 43-45; CX-30C at Admission Nos. 19-20; CX-39C at 24-25; CX-36C at 32-36).

[REDACTED] *Id.*

[REDACTED] *Id.* (citing Tr. at 199). Complainant also notes that the Commission has found that “[t]he wrongdoer’s income and revenue is an appropriate measure of the ability to pay.” *Id.* at 20 (citing *Certain Ink Cartridges*, Comm’n Op. at 30 n.12).

[REDACTED] IA’s Sub. at 18 (citing RX-45C at 1). BriarTek and the IA therefore submit that this factor should weigh in favor of an increased penalty.

[REDACTED] DeLorme’s Sub, at 12 (citing RX-161C at QQ. 203-07; RX-45C; RX-22C).

[REDACTED] *Id.* at 12-13 (citing Kramlich Decl. at ¶ 11, Ex. C).

### Benefit to DeLorme and Vindicating the Commission’s Authority

BriarTek submits that the benefit to DeLorme and vindicating the Commission’s authority factors weigh in favor of an increased penalty. BriarTek’s Sub. at 21-22. BriarTek Specifically argues that DeLorme’s CEO’s testimony that “this [potential ITC violation]

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would go away” once domestic assembly of the InReach devices was started shows that DeLorme did not take its obligations under the Consent Order seriously and therefore the Commission should have a strong interest in vindicating its authority. *Id.* (citing CX-255C at 102); *Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same* (“*Certain Magnets*”), Inv. No. 337-TA-372, Comm’n Determination on Violation, Comm’n Op. at 23-24, 1997 WL 857227, at \*13 (Nov. 1997) (“[The Commission’s interest in vindicating its authority] is particularly strong in the [bad faith] circumstances of this case.”).

The IA submits that the significant volume of sales of InReach 1.5 and SE devices, *i.e.*, 1,636 InReach 1.5 devices valued at [REDACTED] and 15,302 InReach SE devices valued at [REDACTED] evidences the benefit to DeLorme of its violation of the Consent Order. IA’s Reply at 9. The IA also submits that the approximate expected [REDACTED] from the end-user subscriptions for these InReach device sales are a benefit to DeLorme, which are expected to be between [REDACTED] for the InReach 1.5 devices and between [REDACTED] for the InReach SE devices. IA’s Reply at 14.

DeLorme submits that the only benefit they received from their domestic rebuilding process was not needing to reorder Iridium 9602 moderns, plastic housings, antennas, and battery terminals for the subset of the 1,636 InReach 1.5 devices that were domestically-assembled from imported InReach 1.0 devices. DeLorme’s Sub. at 13 (citing Tr. at 199; RX-8C); *see also* Kramlich Decl.; Sch. B. DeLorme further submits that any financial benefit it received

from sales of domestically-assembled InReach devices has to be reduced by the more than one million-dollar cost respondents incurred in converting InReach 1.0 devices into domestically-assembled 1.5 devices. *Id.* at 14 (citing EID at 118; RX-161C at Q. 48, 50-54, 63-67; RX-5C; RX-6C, RX-128). DeLorme also contends that the evidence is undisputed that it is selling the InReach devices at a loss, even if subscription revenue is considered, and that respondents to date have not made a profit on the product. *Id.* at 15 (citing Ex. C). DeLorme thus contends that this factor does not weigh in favor of a substantial penalty.

Regarding the need to vindicate the Commission's authority, DeLorme submits that this factor weighs against an increased penalty because it acted in good faith at all times in importing the InReach device components after the effective date of the Consent Order. *Id.* at 15.

#### Public Interest including Public Health and Welfare

BriarTek submits that "the public interest is not served if intellectual property rights are not respected, and the imposition of a penalty that is substantial enough to deter future violations is in the public interest." BriarTek's Sub. at 24 (citing *Certain Ink Cartridges*, Comm'n Op. at 38). BriarTek further submits that the Consent Order's non-detrimental impact on the public health and welfare was resolved as a condition for entry of the Consent Order, and cites the ALJ's initial determination which terminated the underlying investigation which states:

Therefore, I find that termination of this Investigation is in the public interest and does not impose any undue burdens on the public health

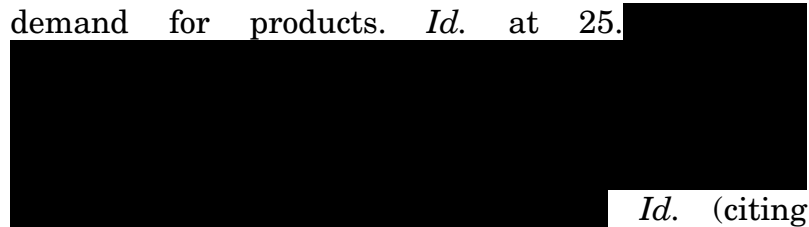


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and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.

*Id.* at 24-25 (citing Inv. 337-TA-854, Order No. 21 at 6 (Mar. 15, 2013)).

In addition, BriarTek contends that there is no evidence that its licensees cannot meet the customer demand for products. *Id.* at 25.

 *Id.* (citing Tr. at 117; RX-161C at QQ. 14-15; EID at 53; Inv. No. 337-TA-854, DeLorme's Answer at 20 (October 23, 2012)). Accordingly, BriarTek submits that the public interest factor does not deter an increased penalty.

The IA submits that there is no evidence that imposing a civil penalty in proportion to the number of violations proven by substantial evidence would raise any public interest concerns. IA's Sub. at 21. The IA further submits that there is no evidence that BriarTek or another third-party cannot fill the need in the marketplace for two-way global satellite communication devices since BriarTek has "made and sold well over 100,000 units [of man overboard alarms]." *Id.* at 18 (citing CX-1C at ¶ 19).

DeLorme submits that the protection of intellectual property rights cannot be said to be "the *only* interest of the public." DeLorme's Sub. at I 6 (emphasis in original) (citing *Rosemount v. ITC*, 910 F.2d 819, 822 (Fed. Cir. 1990) ("[The Court] also agree[s] with

the Commission’s rejection of the view that the public interest inevitably lies on the side of the patent owner because of the public interest in protecting patent rights . . . other public interest factors are delineated [by the statute]”). DeLorme submits that when a product serves an important health or welfare purpose, the public interest weighs strongly against the imposition of any penalty that will negatively impact the availability of that product in the marketplace. *Id.* at 17 (citing *Certain Fluidized Supporting Apparatus and Components* (“*Certain Fluidized Apparatus*”), Inv. No. 337-TA-182/188, Comm’n Opinion, 1984 WL 63741, \*11 (Oct. 1984) (hospital beds)). Here, DeLorme submits that its domestically-assembled InReach devices serve an important public safety purpose for both the general public and the U.S. government — it is “a *life-saving* device.” *Id.* (emphasis in original).

DeLorme further submits that BriarTek does not have the production facilities to fulfill DeLorme’s market share and that the competing CerberLink device retails at approximately twice the price of the InReach device. *Id.* at 18 (citing RX-161C at Q. 201). DeLorme thus contends that imposition of a substantial civil penalty that hampers its ability to provide this device will have a significant negative impact on public safety and welfare. Accordingly, respondents submit that this factor weighs against a significant penalty.

#### D. Analysis

##### 1. Enforcement Measures and EPROMs Factors

The Commission has determined not to issue a limited exclusion order for DeLorme’s violation of the

Consent Order with respect to the infringing InReach 1.5 and SE devices. *See* EID at 105. We find that the existing Consent Order and the civil penalty, as discussed *infra*, will be enough of a deterrent to discourage DeLorme from continuing to sell imported devices or components to be incorporated into devices within the United States in violation of the Order. We also find that the value of DeLorme's end-user subscriptions that enable use of the infringing articles should be taken into account in the *EPROMs* analysis. It is the combination of the InReach device and a subscription to use the accused system that underlies the finding of induced infringement of the '380 patent and violation of the Consent Order. *See* EID at 83-93, 99-100.

Upon consideration of the record evidence including the parties' submissions, the Commission agrees with a majority of the ALJ's recommendations on the *EPROMs* factors. First, we agree with the ALJ that the record evidence supports a finding of bad faith in DeLorme's violation of the Consent Order. DeLorme continued to use imported components to make and sell articles that were used to infringe the '380 patent after the issuance of the Consent Order. DeLorme harvested imported batteries, plastic housing, antennas, and Iridium modems from imported InReach 1.0 devices to assemble InReach 1.5 devices sold in the United States after issuance of the Consent Order. *See* Tr. at 194-96, 202-06; CX-41C at 14-16; CX-40C at 48. DeLorme continued to sell converted InReach 1.5 devices at least until November 2013, several months after the enforcement proceeding was instituted in May 2013. *See* Heffron Decl. at ¶¶ 5-8; Kramlich Decl. at ¶ 6. Moreover, after issuance of the Consent Order, DeLorme also commenced sales of its InReach SE

devices which are made using imported plastic housing that it designed. DeLorme also denied the fact that the InReach SE devices do indeed incorporate the imported plastic housing whose design and importation is controlled by DeLorme. *See* EID at 94-95; Kramlich Decl. at ¶ 4; Sch. A; CX-305C; Tr. at 189-91.

Moreover, DeLorme's argument of good faith compliance with the terms of the order is unsupported by any indication in the record that DeLorme relied upon a written opinion of counsel or that it requested an advisory opinion or sought a modification of the order from the Commission. As mentioned above, the Consent Order was proposed by and unilaterally entered into by DeLorme, and its language prohibits sale after importation of "*any* imported two-way global satellite communication devices, system, and *components thereof* that infringe" the '380 patent. *See* Consent Order at ¶ 1; Inv. No. 337-TA-854, Order No. 21. Consistent with 35 U.S.C. § 271, "infringement" includes "induced infringement," and DeLorme knew that BriarTek had alleged induced infringement in its complaint in the underlying investigation. *See* 35 U.S.C. § 271(b); Inv. No. 337-TA-854. Complaint at ¶ 43-44. Accordingly, we do not find DeLorme's arguments that it somehow narrowly interpreted "infringe" in the Consent Order as "directly infringe" as persuasive.

In addition, after unilaterally entering into the Consent Order, DeLorme had an affirmative duty to take "energetic steps" to do "everything in [its] power" to assure compliance with that order. *Certain Magnets*, at \*10. Further, by promising to refrain from importing and selling any infringing devices, system, and components thereof, DeLorme was under a duty

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“to stay several healthy steps away” from violating the Consent Order. *Id.* There is a need to vindicate the Commission’s authority under these circumstances.

Regarding the benefit to DeLorme, the record evidence shows the clear financial benefit to respondents from the sales in violation of the Consent Order. Specifically, DeLorme generated a revenue of approximately [REDACTED] from violative post-Consent Order sales of 1,600 InReach 1.5 devices until Nov. 13, 2014,<sup>10</sup> and also generated a revenue of [REDACTED] from post-Consent Order violative sales of 15,302 InReach SE devices.<sup>11</sup> *See* Kramlich Decl.; Schs. A & B. Using an estimate of at least [REDACTED] for each of the 1.5 devices and [REDACTED] for each of the SE devices, DeLorme will generate a total one-year subscription revenue of [REDACTED]

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<sup>10</sup> The ALJ found that the total number of InReach 1.5 devices sold in violation of the Consent Order had to be reduced by 36 units because DeLorme submitted that 36 of the total 1.5 devices sold through November 13, 2013, did not reuse the plastic housing from the imported InReach 1.0 devices and instead incorporated new plastic. EID at 99-100 (citing Tr. at 268-69). Therefore, we reduce the 1,636 InReach 1.5 devices that DeLorme reports as sold through this date to 1,600 devices sold in violation of the Consent Order. *See* Kramlich Decl. at ¶ 6.

<sup>11</sup> We have used the updated sales figures for the InReach 1.5 and SE devices reported in the Kramlich declaration submitted by DeLorme. *See* Kramlich Decl. at ¶¶ 4-6, 9. We disagree with DeLorme’s argument that these sales figures should be reduced by the number of returns/replacements because the Consent Order includes “offer for sale” within its scope. *See* DeLorme’s Sub. at 4-5; Consent Order at ¶ 1. Moreover, any replacement device would be activated.

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and a total one-year subscription revenue of [REDACTED] sold in violation. These estimates of subscription of revenue are reasonable in view of the record evidence. *See* Kramlich Decl.; Schs. A & B; CX-124C; JX-33; Tr. at 73. The expected life of the InReach device subscriptions is at least [REDACTED]. *See* CX-36C at 33-34. DeLorme has also gained a reputation as a reliable resource for two-way global satellite messaging systems by selling the infringing devices. *See* CX-2C at Q. 194; JX-33; CX-33C at 56-58; RX-161C at Q. 158; CX-0085C; CX-0002C at QQ. 195-96.


Further, we find that the ability to pay factor does not dissuade the Commission from imposing a significant penalty here for DeLorme's bad-faith violation of the Consent Order. [REDACTED]

[REDACTED] *See* DeLorme's Sub. at Ex. C. The facts here are similar to those in *Certain Lens-Fitted Film Packages*, 337-TA-406, Enforcement Initial Determination (May 2, 2002). In that investigation, the Commission affirmed the ALJ's civil penalty of \$1.6 million directed to respondent Photoworks Inc. ("Photoworks"), which asserted it operated at loss, for violation of a cease and desist order. *See* ALJ's EID at 117-21; Comm'n Op. at 17-18, 21-22 (May 22, 2003). In that case, Photoworks never sought an advisory opinion from the Commission and continued to sell violative products

## Confidential Material Redacted

even after exclusion notification from Customs. *Id.* at 117-18. The Commission also noted that Photoworks had a two-year sales revenue of over \$3 million. *Id.*

Similarly, here, DeLorme did not seek a written opinion of counsel or a Commission advisory opinion. DeLorme also continued to sell violative devices after institution of the enforcement proceeding and even after issuance of the ALJ's EID finding a violation.



We also note DeLorme's argument that not all sales of InReach devices result in activations and subsequent infringement. *See* CX-40C at 55-56; CX-255C at 39. However, DeLorme has not shown any evidence that a failure to activate some devices should reduce the total days in violation. DeLorme has provided no evidence that any day of sale of infringing InReach devices was exclusively of non-activated InReach devices. *See* CX-40C at 55-56; CX-255C at 39. Moreover, DeLorme's CEO and President stated that in order to receive a rebate such as two months' free air time, the customer must activate the InReach device. *See* CX-40C at 56-58. The customer must also activate the InReach device to enable two-way messaging, which is acknowledged by DeLorme as a critical selling feature of the device. *See* CX-2C at Q. 194; JX-33; CX-33C at 56-58; RX-161C at Q. 158; CX-0085C; CX-0002C at QQ. 195-96. Accordingly, we find that there is no incentive for a customer to purchase an accused InReach device and not activate

it. We therefore find the evidence does not support reducing the total number of days of violation of the Consent Order based on DeLorme's claim that some InReach devices are never activated.

Regarding public interest, DeLorme mistakenly equates the circumstances here with those in *Rosemount* and *Certain Fluidized Apparatus*. Those cases analyzed factors relating to the imposition of exclusion orders. Here, unlike in those cases, a Consent Order has issued. The Commission already considered the public interest when entering that Order. *See* 78 *Fed. Reg.* 21629 (Apr. 11, 2013). The Consent Order here, as unilaterally proposed by and entered into by DeLorme, prohibits the violative imports and sales after importation conducted by DeLorme. *See* Consent Order at ¶ 1. No matter the amount of the civil penalty, DeLorme is prohibited from selling InReach devices within the United States that include imported infringing components. Further, we find that the “the public interest is not served if intellectual property rights are not respected, and the imposition of a penalty that is substantial enough to deter future violations is in the public interest.” *See Certain Ink Cartridges*, Comm'n Op. at 38. Moreover, it is consistent with Commission policy to enforce intellectual property rights here, where the record evidence does not demonstrate that any benefit of lower prices to consumers for respondents' devices should outweigh that enforcement. *See Certain Ink Cartridges*, Comm'n Op. at 27. We therefore do not find DeLorme's public interest arguments as persuasive, and determine that the public interest weighs in favor of a substantial penalty.

Finally, we agree with the ALJ that there is little evidence of actual harm to BriarTek given that the



record evidence shows minimal sales of BriarTek's competing product over the last few years. *See* RX-144C at 10; RX-137C at 62-63. However, we find that the other five *EPROMs* factors, as discussed *supra*, weigh significantly in favor of a substantial civil penalty for DeLorme's violation of the Consent Order.

## 2. Days of Sale in Violation and Civil Penalty Amount

From DeLorme's supplemental sales information submitted to the Commission, there is sufficient record evidence that DeLorme sold InReach 1.5 and SE devices on 227 separate days in violation of the Consent Order. *See* Kramlich Decl.; Schs. A & B. The Commission arrives at the 227 days in violation as follows. First, DeLorme admits to 229 separate days of post-Consent Order sales of the InReach 1.5 and/or SE devices.<sup>12</sup> *Id.* Second, given DeLorme's contention, as supported by the record evidence, that all InReach 1.5 device sales after Nov. 13, 2013, did not include any imported components, there is a need to determine if removal of those InReach 1.5 device sales reduces the total number of 229 separate days on which 1.5 and/or SE devices were sold after the effective date of the Consent Order. *See* Michael Heffron Decl. at ¶ 7; Kramlich Decl.; Schs. A & B. Comparing the sales information for the InReach 1.5 and SE devices after

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<sup>12</sup> Broken down by specific device, DeLorme admits to post-Consent Order sales of InReach 1.5 devices on 47 days until Nov. 13, 2013, another 45 days of InReach 1.5 device sales after Nov. 13, 2013, and post-Consent Order sales of InReach SE devices on 220 days. *See* Kramlich Decl.: Schs. A & B. When the overlap in sales days is taken into account for the InReach 1.5 and SE devices, the total separate days of post-Consent Order sales comes to 229 days. *Id.*

Nov. 13, 2013, we find that there are only two days, *i.e.*, Feb. 18, 2014 and Mar. 27, 2014, where there was a sale of InReach 1.5 devices and no corresponding sale of InReach SE devices. *See* Schs. A & B. Therefore, we find that the total number of separate days of InReach 1.5 and SE device sales in violation of the Consent Order is reduced to 227 days.

Based on the *EPROMs* factors, the Commission has determined to impose a \$27,500 per day penalty. We impose a higher per day penalty than that recommended by the ALJ due to the 15,302 InReach SE devices sold on 220 days in violation of the Consent Order which the ALJ did not take into account since she found no violation with respect to the SE devices. This penalty is also consistent, as described *infra*, with BriarTek's proposal of a penalty that is proportionate to the expected revenue from DeLorme's violative sales. In addition, our imposed penalty is approximately an average of the two separate amounts (\$40,000 per day and \$20,000 per day) that the IA proposed for DeLorme's violation regarding the infringing InReach 1.5 and SE devices, respectively. We disagree with the IA's rationale for a lower per day penalty for DeLorme's violation with respect to the SE devices because the Commission has found bad faith by respondents with respect to post-Consent Order sales of both the InReach 1.5 and SE devices.

Accordingly, our imposition of a \$27,500 per day penalty results in a total civil penalty for DeLorme of \$6,242,500 (\$27,500 times 227 days). This per day penalty is slightly more than a quarter of the maximum per day penalty of \$100,000 allowed by statute. *See* 19 U.S.C. § 1337(f)(2). This total civil

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penalty amount is also less than the [REDACTED]

[REDACTED] Further, based on the supplemental financial information through April 24, 2014, submitted by DeLorme, the total approximate value (device sales plus one-year subscription revenue) DeLorme receives from its violative sales of 1,600 InReach 1.5 devices and 15,302 InReach SE devices is

[REDACTED] See CX-39C at 24-25.

Accordingly, our \$6,242,500 civil penalty, which takes into account the minimal harm to BriarTek and

[REDACTED] See Ex. C. Moreover, the record evidence indicates that all but approximately

[REDACTED] See CX-36C at 33-34. We therefore find that this civil penalty amount is appropriately proportionate to the value that the violative InReach devices bring to DeLorme. See *San Huan*, 161 F.3d at 1364 (the Court finding that the Commission's penalty of "about three times the value [of the illegal imports] is well within constitutional limits."). We also find that this penalty amount is consistent with Commission policy of deterring future violations while not driving DeLorme out of business. See *Certain Ink Cartridges*, Comm'n Op. at 27.

## V. CONCLUSION

The Commission has determined the following: adopted the ALJ's conclusion that DeLorme violated the Consent Order with respect to the infringing InReach 1.5 devices; found that DeLorme violated the Consent Order with respect to the infringing InReach SE devices; and has increased the number of violative days to 227 days. The Commission has also determined to impose a civil penalty in the amount of \$27,500 per day of violation resulting in a total of \$6,242,500 for the 227 days of violation.

By order of the Commission.

/s/ Lisa R. Bruton  
Lisa R. Bruton  
Secretary to the Commission

Issued: June 17, 2014

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**APPENDIX C**

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

[Filed 03/15/2016]

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2014-1572  
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DELORME PUBLISHING COMPANY, INC.,  
DELORME INREACH LLC,

*Appellants,*

v.

INTERNATIONAL TRADE COMMISSION,

*Appellee.*

\_\_\_\_\_  
Appeal from the United States International Trade  
Commission in Investigation No. 337-TA-854.  
\_\_\_\_\_

ON PETITION FOR REHEARING EN BANC

\_\_\_\_\_  
Before PROST, *Chief Judge*, NEWMAN, LOURIE,  
DYK, MOORE, O'MALLEY, REYNA, WALLACH,  
TARANTO, CHEN, HUGHES, and STOLL, *Circuit  
Judges.*

PER CURIAM.

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ORDER

Appellants DeLorme Publishing Company, Inc. and DeLorme inReach, LLC filed a petition for rehearing en banc. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing was denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on March 22, 2016.

FOR THE COURT

March 15, 2016

Date

/s/ Daniel E. O'Toole

Daniel E. O'Toole  
Clerk of Court