FEDERAL CIRCUIT PATENT LAW CASE UPDATE


The Commission determined that VastFame’s importation of “lens-fitted film packages” (“LFFP”) violates a pre-existing general exclusion order. The court reversed the Commission’s decision that VastFame could not present its invalidity defense. This was contrary to 19 U.S.C. § 1337. As a result, the court vacated the infringement determination.

Fuji owns the patents asserted in the initial investigation, including U.S. Patent No. 4,884,087.

At least one party in the Initial Investigation raised an invalidity defense with respect to the ’087 patent, but the defense was abandoned before any judgment on the merits.

VastFame was not a party to the Initial Investigation, and its VN99 and VN991 cameras were not at issue in that investigation. Although VastFame was not a named respondent in the Initial Investigation, it knew that the proceedings were taking place. VastFame was notified of the proceedings in a March 25, 1998 letter from Fuji. The letter informed VastFame that it had been identified as a potential respondent, offered to supply VastFame with a copy of the supplemented complaint, and advised VastFame that whether or not it joined, it would be bound by the decision. VastFame refused to join the proceedings.

Later Fuji proceeded against VastFame before the Commission’s administrative judge, but the judge declined to hear VastFame’s fully briefed invalidity defenses. On infringement, however, the judge determined that VastFame infringed one claim in the ’087 patent.

The court began with a Chevron-based analysis of the relevant statute.

VastFame argues that the enforcement proceeding, which was expressly conducted under 19 C.F.R. § 210.75(b), constituted an investigation under § 1337(b) because that is the only provision that authorizes the type of inquiry engaged in by the Commission in this case. The Commission argues that § 1337 provides the Commission with general authority to conduct exclusion orders. . . .

Neither party cites express statutory authority for enforcement proceedings, and we have found none. Because the statute is silent with respect to the Commission’s authority specifically to conduct enforcement proceedings, the Commission’s interpretation of § 1337 may be entitled to deference “if it is reasonable in light of the language, policies and legislative history of the statute.” . . .

We cannot agree with the Commission that, if no specific statutory authority exists, the Commission has the inherent authority to conduct enforcement proceedings. Such a view is not reasonable in light of the express powers provided in § 1337 and the fact that the Commission is a creature of statute. . . . Because the Commission’s proffered interpretation of the statute is unreasonable, we reject it. . . .

Although the Commission seeks to avoid basing its enforcement proceeding on § 1337(b), we hold that the Commission has authority to conduct proceedings to enforce general exclusion orders, and that its authority to conduct such proceedings arises under and is subject to the provisions of § 1337(b).

Subsection (b) of § 1337 states that the Commission shall investigate violations. Subsection (c) governs investigations and states that “all legal and equitable defenses may be presented in all cases.”

The Commission contends, however, that the nature of a general exclusion order and the considerable burden in establishing the need for such an order to support the Commission’s view that general exclusion orders may not be collaterally attacked.

The court rejected this argument as unsupported by § 1337(d)(2), as proposed by the Commission. The court also rejected the argument that “a general exclusion order, like a district court injunction, should not be subject to collateral attack.”

Additionally, the Commission cites Multi-Level Touch Control Lighting Switches, Inv. No. 337-TA-225 (Int’l Trade Comm’n July 16, 1987), as evidence of its long standing policy of not hearing challenges to the validity of a patent underlying a general exclusion order in enforcement or advisory proceedings. It sets forth three public policy arguments to support this position: (1) the difficulty in administering the statute if general exclusion orders are subject to repeated challenges; (2) the necessity of preserving the original complainant’s remedy once it has been issued; and (3) the public interest in avoiding uncertainty in the marketplace. One can argue that all of these policies would be similarly served by preventing subsequent accused infringers in district courts from challenging the validity of a patent that had been previously adjudicated to be not invalid. However, that is not the law. These policies do not justify the Commission’s interpretation in the absence of a showing that the statute may be fairly read the way the Commission interprets it.