FINNEGAN

Comcast v. Rovi

By Doris Johnson Hines

On March 2, the Federal Circuit issued a decision following an ITC investigation involving Comcast and its suppliers Arris and Technicolor, and patent owner Rovi. The ITC had issued exclusion orders against Comcast, Arris and Technicolor, the rationale for which The Federal Circuit affirmed. The exclusion orders themselves were not affirmed because while the appeal was pending, both asserted patents had expired. Because there were "collateral consequences" with respect to two pending ITC investigations, however, the Federal Circuit found that it could address the issues.

Those issues were: (1) was an exclusion order appropriate when the accused set-top boxes alone did not infringe and there was no infringement until a customer used a set-top box with their mobile device; (2) was Comcast properly subject to an exclusion order when it did not itself import the set-top boxes; and (3) were Arris and Technicolor properly subject to exclusion orders when both were found to not infringe.

As to the first issue, it was undisputed that Comcast's set-top boxes alone do not infringe Rovi's patents. Instead, infringement only occurred when a Comcast customer used the set-top box with their mobile device. The ITC concluded that Comcast induced its customers to infringe by instructing them how to use a smartphone to schedule recordings with a set-top box. The Federal Circuit agreed, holding that the Comcast set-top boxes are "articles that infringe" under Section 337.[1] Importantly, the Federal Circuit confirmed that "Section 337 applies to articles that infringe after importation."[2]

The Federal Circuit's decision expands on its 2015 en banc decision in Suprema,[3] in which the court found the ITC could issue exclusion orders with respect to products involved in induced infringement. In Suprema, the accused fingerprint scanners were imported into the U.S. with an SDK (software development kit) which was used to develop software, with which the product infringed. In Comcast, the set-top boxes when combined with other components — Comcast servers and a user's mobile device — infringed. Even though additional components were required for an infringing system, the Federal Circuit confirmed that Comcast's set-top boxes were "articles that infringe"

As to the second and third issues, the Federal Circuit found that Comcast and suppliers Arris and Technicolor were both properly subject to exclusion orders. The Federal Circuit confirmed that Comcast was an "importer" even though its set-top boxes were physically brought to the U.S. by Arris and Technicolor. Noting the "extensive evidence" identified by the ITC "of Comcast's control over the importation" of the set-top boxes, the Federal Circuit held that the ITC's "determination of violation of Section 337 is in conformity to the statute and precedent."[4]

As to Arris and Technicolor, even though neither infringed, the Federal Circuit concluded that each was properly subject to an exclusion order because each "exclusion order is limited to articles imported on behalf of Comcast."[5] The Federal Circuit also specifically noted the Commission's "discretion in selecting a remedy that has a reasonable relation to the unlawful trade practice."[6]

Takeaways from the Comcast decision are potentially expanded allegations of induced infringement at the ITC, including with respect to imported components not combined into an infringing system until post-importation. Also, companies that do not actually import but that direct importation activities may be subject to an ITC exclusion order and companies that do not infringe but import products on behalf of a company that is found to infringe may also be subject to an exclusion order.

1. 19 U.S.C. § 1337(a)(1)(B).
2. Slip Op. at 11.
3. *Suprema, Inc. v. U.S. Int'l Trade Comm'n*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc).
4. Slip Op. at 13-14.
5. Id. at 15.
6. Id.

Doris Johnson Hines
Partner
Washington, DC
+1 202 408 4250
dori.hines@finnegan.com