IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

PATENT HARBOR, LLC,	§	
	§	
Plaintiff,	§	
	§	
vs.	§	**No. 6:10cv607 LED-JDL**
	§	
TWENTIETH CENTURY FOX HOME ENTERTAINMENT LLC, et al.,	§	**JURY DEMANDED**
	§	
Defendants.	§	
	§	

REPORT AND RECOMMENDATION OF UNITED STATES MAGISTRATE JUDGE

Before the Court is Defendants'[1] Motion for Partial Summary Judgment with Respect to 35 U.S.C. § 271(g). (Doc. No. 584). The matter has been fully briefed. (Doc. Nos. 609 & 626). The Court heard argument on August 14, 2012. For the reasons stated below, the Court **RECOMMENDS** that Defendants' Motion be **GRANTED.**

BACKGROUND

Relevant to Defendants' instant Motion, Plaintiff Patent Harbor, LLC, alleges that the authoring of scene selection menus included in Defendants' DVDs and Blu-ray discs infringes Claim 6 of U.S. Patent No. 5,684,514 entitled "Apparatus and Method for Assembling Content Addressable Video" ("the '514 patent") under 35 U.S.C. § 271(g). The '514 patent describes an improvement to an interactive video system capable of displaying content based on video. '514 patent at 4:27-29.

Claim 6 states the following:

[1] The moving defendants are Twentieth Century Fox Home Entertainment, LLC, The Weinstein Company LLC, Warner Bros. Entertainment Inc., Home Box Office, Inc., and Buena Vista Home Entertainment, Inc. (Collectively the "Studio Defendants"). Lions Gate Entertainment Inc. and Summit Entertainment, LLC, original movants, have since been dismissed from the case.

A method for assembling content addressable video, comprising:

storing, in an addressable memory, a plurality of [frames] of video data in storage locations having addresses, each frame defining a video image having a content for display;

storing tags in memory for [frames] of video data in the plurality, the tags indicating the contents of the video images defined by the associated [frames];

executing program steps which assemble and display a content video image in response to the tags, the content video image including positions indicating the content of corresponding [frames] of video data in the plurality; and

executing program steps which associate the positions in the content video image with addresses of storage locations storing corresponding frames of video data.

’514 patent, 14:35-52.

LEGAL STANDARD

“Summary judgment is appropriate in a patent case, as in other cases, when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law.” *Nike Inc. v. Wolverine World Wide, Inc.,* 43 F.3d 644, 646 (Fed. Cir. 1994); FED.R.CIV.P. 56(c). The moving party bears the initial burden of “informing the district court of the basis for its motion” and identifying the matter that “it believes demonstrate[s] the absence of a genuine issue of material fact.” *Celotex Corp. v. Catrett,* 477 U.S. 317, 323, 106 S.Ct. 2548, 2553 (1986). If the moving party meets this burden, the nonmoving party must then set forth “specific facts showing that there is a genuine issue for trial.” FED.R.CIV.P. 56(e); *see also T.W. Elec. Serv., Inc. v. Pacific Elec. Contractors Ass’n,* 809 F.2d 626, 630 (9th Cir. 1987).

DISCUSSION

I. Parties’ Contentions

The Studio Defendants are all domestic distributors of DVDs and Blu-ray discs that have been created by domestic third-party authoring houses using the accused infringing authoring process. DEFENDANTS’ MOTION FOR SUMMARY JUDGMENT (Doc. No. 584, at 1). As a result, Defendants argue that summary judgment is proper because purely domestic activities cannot be

a basis of liability under § 271(g), and Patent Harbor does not dispute that the accused authoring process occurs entirely within the United States. DEFENDANTS' MOTION FOR SUMMARY JUDGMENT at 8; PATENT HARBOR'S RESPONSE TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT (Doc. No. 609, at 1).

Specifically, Defendants argue that applying § 271(g) to the sale of domestically-manufactured processes is inconsistent with the statute's purpose and legislative history. DEFENDANTS' MOTION FOR SUMMARY JUDGMENT at 8. To support this argument, Defendants cite *Hughes Aircraft Co. v. Nat'l Semiconductor Corp.*, 857 F.Supp. 691 (N.D. Cal. 1994), in which the court stated the purpose of the statute was "to modernize our patent laws' by providing 'patent protection against the importation, and subsequent use or sale, of products made abroad … using a process patented in the United States." *Id.* at 698. Defendants also cite case law in which courts decided that § 271(g) does not apply to domestically-manufactured goods. *See Asahi Glass Co. v. Guardian Industries Corp.*, 813 F.Supp.2d 602 (D. Del. 2011); *Boston Scientific Corp. v. Johnson & Johnson*, 534 F.Supp.2d 1062 (N.D. Cal. 2007).

Patent Harbor argues that the plain language of § 271(g) gives rise to a cause of action for infringement for the sale of domestically-manufactured products using a patented process. PATENT HARBOR'S RESPONSE TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT at 1–2. Specifically, Patent Harbor points to the fact that a geographic limitation exists for the sale and importation of the patented products (in the United States), but no corresponding non-U.S. limitation exists for the processes, as demonstrative of Congress' intent not to limit the scope of statute to non-domestic processes. *Id.* Additionally, Patent Harbor cites Judge Plager's concurring opinion in *SGS-Thomson Microelec., Inc. v. Int'l Rectifier Corp.*, Nos. 93-1356 and 93-1409, 1994 U.S. App. LEXIS (Fed. Cir. July 14, 1994), as well as Senate Report 100-83 to

demonstrate why Congress removed the non-domestic limitation from the statute prior to its enactment. PATENT HARBOR'S RESPONSE TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT at 4–5.

II. § 271(g)

In relevant part, § 271(g) reads as follows:

> Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent.

35 U.S.C. § 271(g) (2010).

The issue for the Court is whether § 271(g) applies to domestically manufactured and distributed processes. Other courts have previously resolved this issue stating that § 271(g) does not apply to domestically-manufactured goods. For example, in a closely related case, *Hughes Aircraft Co. v. Nat'l Semiconductor Corp.* 857 F.Supp. 691 (N.D. Cal. 1994), the court held:

> Based on its legislative history, it appears that [§ 271(g)] was designed to provide a remedy within the United States for United States process patent holders whose processes were being used in other countries to manufacture goods for importation into the United States. It does not appear to have been designed to provide a basis for holding a domestic, downstream seller of goods … liable for infringement merely because it has incorporated an allegedly infringing good produced by a domestic, upstream manufacture … into its finished product.

Id. at 698–99.

Here, the Studio Defendants moving for summary judgment are "*domestic downstream sellers*" of an "*allegedly infringing good produced by a domestic, upstream manufacturer*;" they distribute alleged infringing discs manufactured entirely within the United States. *Id.* (emphasis added); DEFENDANTS' MOTION FOR SUMMARY JUDGMENT at 1. Defendants are the type of downstream domestic distributor not intended to be encompassed by the statute. *Id.*

Several other courts have also declined to apply § 271(g) to domestically-manufactured goods. *See, e.g., Boston Scientific Corp.*, 534 F.Supp.2d at 1080–81; *British Telecommunications v. SBC Communications Inc.*, Civ. Nos. 03-526, 03-527 and 03-528, 2004 WL 5264272 (D. Del. Feb. 24, 2004); *Asahi Glass Co.,* 813 F.Supp.2d at 614. Similarly, this Court declines Patent Harbor's invitation to broaden the statute's coverage based on an ambiguity in the legislative history. *See Bayer AG v. Housey Pharma., Inc*., 340 F.3d. 1367, 1376 (Fed. Cir. 2003) ("[i]n the face of silence in the legislative history … courts are reluctant to broadly interpret the legislation.")

As Patent Harbor argues, the plain language of the statute does not expressly preclude liability for domestically-manufactured processes, and Congress did not expressly limit the scope of the statute to non-domestic processes. However, the reason for removal of the non-domestic limitation, set out in both of the authorities Patent Harbor cites, was apparently to refrain from trade discrimination against foreign manufacturers, not to provide a remedy for the domestic distribution of allegedly infringing domestically-manufactured goods. *SGS-Thomson Microelec., Inc.,* 1994 U.S. App. LEXIS at *33–35; S. REP. NO. 100-83, at 46–47 (1987). Further, another rationale is that Congress simply "recognized that § 271(g) did not have to address unauthorized domestic uses of patented processes because there are already remedies for such conduct under 35 U.S.C. § 271(a)." *Asahi Glass Co.,* 813 F.Supp.2d at 614. Absent any controlling authority on the issue, this Court finds the analyses of *Hughes* and its progeny persuasive, and therefore **RECOMMENDS GRANTING** Defendants' Motion for Summary Judgment on Patent Harbor's § 271(g) claim.

CONCLUSION

For the reasons stated herein, the Court **RECOMMENDS GRANTING** Defendants' Motion for Partial Summary Judgment**.**

Within fourteen (14) days after receipt of the Magistrate Judge's Report, any party may serve and file written objections to the findings and recommendations contained in the Report. A party's failure to file written objections to the findings, conclusions and recommendations contained in this Report within fourteen (14) days after being served with a copy shall bar that party from *de novo* review by the district judge of those findings, conclusions and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. *Douglass v. United States Auto. Ass'n*, 79 F.3d 1415, 1430 (5th Cir. 1996).

So ORDERED and SIGNED this 7th day of September, 2012.

JOHN D. LOVE
UNITED STATES MAGISTRATE JUDGE