

ITC Upholds Invalidation Of Cognex Machine Patents

By Erin Coe

Law360, New York (November 17, 2010) -- The U.S. International Trade Commission has affirmed an administrative law judge's ruling that Cognex Corp.'s two machine vision software patents asserted against MVTec Software GmbH and others were invalid because they were not patent-eligible.

Although the full commission on Tuesday set aside Judge Carl C. Charneski's finding that Cognex's U.S. Patent Number 7,065,262 was invalid due to anticipation, it supported the rest of his final initial determination in July and ended the investigation with a finding of no violation of Section 337.

The ITC agreed with Judge Charneski's holding that the '262 patent and U.S. Patent Number 7,016,539, which both claimed to cover a method of "finding and locating patterns representing real-world objects in images for the machine vision industry," could not be enforced because they failed to claim patent-eligible subject matter in light of the U.S. Supreme Court's *Bilski v. Kappos* decision.

That 5-4 ruling found that business methods were not excluded from patent protection and that the machine-or-transformation test was not the sole test but rather a "useful and important clue" to determining patentability.

"The asserted claims of both patents cover an idea without a link to any real-world undertaking," the ITC opinion said.

Although the patent specifications taught that many imaging devices, including X-rays, TV cameras and MRI machines, existed for implementing the claimed technology, the ITC concluded that the claims did not tie the subject matter to any particular machine.

"The asserted claims have unbridled scope and attempt to preempt any use of the claimed idea regardless of the machinery used to implement the idea," the ITC said. "In fact, any system that can deliver an image would be covered by the asserted method claims because the claims are not limited to any specific machine vision device."

The ITC further noted that the asserted claims did not transform anything, but simply collected data. Therefore, the patents were invalid because they failed to satisfy the machine-or-transformation test and did not cover more than abstract ideas, the ITC held.

This ruling marks the first ITC decision related to patentable subject matter following the Supreme Court's *Bilski* decision in June, according to Matthew Lowrie, chair of Foley & Lardner LLP's intellectual property litigation team who is representing respondents MVTec, Daiichi Jitsugyo Viswill Co. and Omron Corp.

“Obviously, we’re pleased with the ruling,” he said. “The ITC found no violation, affirming the noninfringement findings and also affirming the administrative law judge’s determination that both patents are invalid for failure to claim patent-eligible subject matter.”

Lowrie said the decision would provide guidance to administrative law judges on how to resolve issues related to patentable subject matter and could affect pending and new suits before the ITC.

“The ruling does show the ITC will invalidate patents on Bilski grounds,” he said. “If complainants have patent claims that are difficult to defend on Bilski, they may be somewhat concerned about going to the ITC.”

An attorney representing Cognex was not immediately available for comment.

The ITC in July 2009 launched an investigation based on Cognex’s complaint alleging several respondents’ machine vision software products infringed its patents and should be barred from entering the U.S.

Cognex had reached a settlement with Fuji Machine Manufacturing Co. Ltd. in the case, licensing nine patents in exchange for royalties. It also had agreed to withdraw claims against several others, including Delta Design Inc., E. Zoller GmbH & Co. KG, Zoller Inc., IDS Imaging Development Systems GmbH and IDS Development Systems Inc.

The patents-in-suit are U.S. Patent Numbers 7,016,539 and 7,065,262.

Cognex is represented by Adduci Mastriani & Schaumberg LLP.

Foley & Lardner LLP represents the respondents.

The case is In the Matter of Certain Machine Vision Systems, Software and Products Containing Same, case number 337-ta-680, in the U.S. International Trade Commission.