

Supreme Court Limits Potential Liability for Overseas Patent Infringement

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Sale from the U.S. to overseas destination of a single component cannot violate § 271(f)

On February 22, the Supreme Court announced its latest unanimous decision in a patent case. In *Life Technologies v. Promega*, the Supreme Court reversed and remanded the decision below of the U.S. Court of Appeals for the Federal Circuit in a case regarding the reach of U.S. law over acts of infringement outside the territory of the United States. At issue was a sub-section of the patent infringement statute, § 271(f)(1). Section 271(f)(1) governs the situation where an accused infringer "supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States."

The case hinged on the meaning of "substantial portion:" Can a single "component" constitute a "substantial portion?" The Federal Circuit had ruled that it could. The Supreme Court reversed and found it could not: "We hold that a single component does not constitute a substantial portion of the components that can give rise to liability under §271(f)(1)." Slip Op. at 1.

U.S. Reissue Patent No. RE 37,984 claims a toolkit for genetic testing. Slip Op. at 2. Promega, the exclusive licensee of the '984 patent, sublicensed Life Technologies for certain uses in certain fields. *Id.* Life Technologies manufactured one critical component of the kits, an enzyme (the "Taq" enzyme)[1], in the U.S. It then combined the enzyme with four other components of the kit in the United Kingdom. *Id.* at 3. Promega sued for use outside the licensed fields and a jury trial resulted in a verdict of infringement under §271(f)(1). *Id.* The District Court overturned the verdict, finding that there could be no infringement under that section because only one component was exported. *Id.* at 4. The Federal Circuit overturned and was itself subsequently overturned as well. Critically, the parties had agreed in the context of the litigation that the kits in question constituted five components. *Id.* at 2.

The Supreme Court overturned the Federal Circuit on the reasoning that § 271(f)(1) defines a quantitative, not qualitative, measure of 'components.' First, the Court found that the language of the statute supported a quantitative approach, including the terms "all," "portion," and the plural form of "components." *Id.* at 6-7.

Second, the Court reasoned that a 'qualitative' approach would overtax juries in interpreting ambiguous cases. *Id.* at 7. The Court also contrasted §271(f)(1) with its companion section, §271(f)(2). *Id.* at 8-9. Section 271(f)(2) states that it could be an infringement to export "any component." *Id.* Finally, the Court resolved that a single component can never satisfy the "substantial" test of § 271(f)(1) based, again, primarily on the language of the statute but also on a very short discussion of the legislative history. *Id.* at 10-11.

In a short concurrence, Justices Alito and Thomas noted that while one component is insufficient, it is not necessarily true that any number over one will satisfy the "substantial" test. *Id.* at 12.

The Court's decision fits a familiar trend in recent Supreme Court patent jurisprudence: a Federal Circuit test intended to provide predictable outcomes and based on practicality is overturned in favor of a more textual test, one that many feel will lead to less predictable outcomes. Primarily, the Court's ruling seems to set a bright line rule regarding the need for one or more 'components,' but it is based on factual backdrop where the parties agreed definitively as to what components constituted the infringing kit. Because of the Court's new test, that is a situation unlikely to be repeated. Now, patentees will be highly motivated to argue that that which is sent overseas by accused infringers is in fact more than one 'component.' Correspondingly, accused infringers will be motivated to argue that such material is a single component. Juries will be tasked with resolving this new battleground, compounding the over-taxation that concerned the Supreme Court.

While the holding is primarily regarding §271(f), a passing footnote might have an effect on allegations of domestic infringement, specifically induced (§271(b)) and contributory (§271(c)) infringement. The Court primarily relied upon the number of components exported as the distinguishing characteristic between §271(f)(1) and §271(f)(2). *Id.* at 9-10. The only other difference the Supreme Court noted was §271(f)(2)'s requirement that the component be "especially made or especially adapted for use in the invention." *Id.* at 9. However, the Court noted that Promega argued the main difference between §271(f)(1) (induced infringement) over §271(f)(2) (contributory infringement) was that §271(f)(1) required a showing of specific intent for active inducement. *Id.* at 10, n.8. The Court, though, cited to its earlier decision in which it "substantially equated" the intent requirements of §§271(b) and (c). *Id.* (citing *Global-Tech Appliances, Inc. v. SEB S. A.*, 563 U. S. 754, 765-766 (2011)). This footnote might imply that the intent element of contributory and induced infringement is the same.

If this were the case, patentees may find induced infringement under §271(b) is easier to prove. Patentees may argue that by showing knowledge and intent, they have shown a specific intent to induce infringement under §271(b). Contributory infringement under §271(c) would, however, require the additional elements of supplying a component and where that component is "especially made or especially adapted for use in the patented invention." The Court noted, however, that it was not resolving the question of whether contributory and induced infringement had the same intent in the *Life Technologies* decision. *Id.* At a minimum, the



Supreme Court seems to explicitly acknowledge that its earlier decisions like *Global Tech* might not necessarily be properly read as conflating the state of mind requirements of induced and contributory infringement, yet the phrasing of the footnote implies that such a conclusion may not be off base.

Following the Court's decision, parties would be well-advised to carefully consider their theories of infringement, the necessary state of mind requirements, and quantitative requirements. Including additional, overlapping theories of liability when applicable continues to be worthy of consideration. It will also be advisable to carefully track legal trends concerning the state of mind requirements for indirect infringement in both the foreign and domestic contexts.

If you have questions regarding this alert, please contact your Lathrop Gage attorney or the attorneys listed above.

[1] In an interesting historical note, the Taq enzyme was the subject of previous litigation involving Promega. In 1990, Promega licensed the patent to the Taq enzyme before breaching the license and arguing that the patent was unenforceable due to inequitable conduct. *Hoffmann-La Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1359 (Fed. Cir. 2003). Promega went so far as to offer evidence calling the inventor "a fraud." *Id.* at 1380.