

Client Alert

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Supreme Court to Consider Reach of U.S. Patent Laws to Exported Goods

By Matthew D'Amore

In an important case for manufacturers and life sciences companies that supply their products from the United States to overseas markets, the United States Supreme Court announced on June 27, 2016, that it will consider whether the shipment of a single non-infringing article from the United States could make the supplier liable for worldwide damages under the U.S. patent laws if that article is used in an infringing composition outside the United States.

EXECUTIVE SUMMARY

On June 27, 2016, the Supreme Court, at the urging of Petitioner Life Technologies Corporation (“LifeTech”) and the Solicitor General, the Supreme Court granted certiorari of the following question:

“Whether the Federal Circuit erred in holding that supplying a single, commodity component of a multi-component invention from the United States is an infringing act under 35 U.S.C. § 271(f)(1), exposing the manufacturer to liability for all worldwide sales.”

The Supreme Court will thus decide whether the manufacture of a product outside the United States, and the sale of that product outside the United States, could give rise to worldwide liability in the U.S. if that product would infringe a U.S. patent and if it contains a single component or ingredient supplied from the U.S. A decision in the case is expected by the end of June 2017.

BACKGROUND

LifeTech made or procured *Taq* polymerase, an enzyme used for amplifying DNA for analysis, in the United States and supplied that enzyme to a manufacturing center in the United Kingdom. There, the enzyme is packaged into a genetic testing kit to be sold worldwide, including in the U.S. Promega sued for patent infringement, contending, among other things, that the genetic testing kit manufactured in the UK would infringe a U.S. patent. It argued not only that the sales of that kit into the U.S. infringe its patents under 35 U.S.C. § 271(a), but also that LifeTech’s shipment from the U.S. of the kit’s *Taq* enzyme made LifeTech liable for damages based on sales of the kit worldwide, under 35 U.S.C. § 271(f)(1).¹

¹ 35 U.S.C. § 271(f)(1) provides that “[w]hoever without authority 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, shall be liable as an infringer.”

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The jury found for Promega, and awarded lost profits based on the worldwide sales of LifeTech's kits. The district court overturned that verdict, holding that because §271(f)(1) refers to the supply of "all or a substantial portion of the components of a patented invention," it could not apply to the export of a single component from the U.S.

In *Promega Corp. v. Life Technologies Corp.*, 773 F.3d 1338 (Fed. Cir. 2014), the Federal Circuit reversed. Focusing on whether the polymerase represented a "substantial portion" of the kit, the court observed that "[w]ithout *Taq* polymerase, the genetic testing kit recited in the [Promega] patent would be inoperable" and that "LifeTech's own witness admitted that the *Taq* polymerase is one of the 'main' and 'major' components of the accused kits." *Id.* at 1356. The appellate court thus found that § 271(f)(1) was satisfied by the supply of a single component: "The evidence demonstrates that LifeTech supplied a substantial portion of the patented invention — the polymerase — to its overseas facility as a component of its accused genetic testing kits." *Id.*

LifeTech petitioned for certiorari, and the Supreme Court asked for the views of the Solicitor General. After the SG filed a brief supporting LifeTech's position, the Supreme Court granted certiorari to consider LifeTech's liability.²

IMPORTANCE OF THE DECISION

Under the Federal Circuit's decision, U.S. manufacturers, including chemical companies, pharmaceutical manufacturers, and component manufacturers, could be liable for patent infringement for the shipment of a single non-infringing component or ingredient from the U.S. to another country — if that component or ingredient represented a "substantial portion" of the patented product made outside the United States, and if the manufacturers actively induced the combination or assembly of that patented product. The Federal Circuit's decision has created substantial ambiguity, because it forces U.S. producers to guess at whether their single component is itself a "substantial portion" of combinations assembled outside the U.S. The appellate court's decision also expands the extra territorial reach of the U.S. patent laws. The Supreme Court's decision may clarify these questions and provide increased certainty to U.S. exporters.

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² The Supreme Court did not grant review of another question presented by LifeTech — whether 35 U.S.C. §271(f)(1) required the inducement of a third party. The Federal Circuit held that it did not — that the combination is what must be induced, not a separate actor. The SG argued against certiorari on that question, contending that the Federal Circuit's decision was correct and also that the question need not be reached because it appeared that separate but affiliated companies were involved in LifeTech's conduct.

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