

PATENT

Attorneys Weigh in on High Court ‘Substantial Portion’ Patent Debate

By Patrick H.J. Hughes

After the Supreme Court grilled biotech firms Life Technologies Corp. and Promega Corp. on the practical implications of finding that sending a single component of a patented invention abroad can constitute infringement, IP experts told Thomson Reuters how they expect the justices to decide the issue.

Life Technologies Corp. et al. v. Promega Corp., No. 14-1538, oral argument held (U.S. Dec. 6, 2016).

At oral argument Dec. 6, the justices weighed Life Tech’s request that they overturn the U.S. Court of Appeals for the Federal Circuit’s decision that under the U.S. Patent Act, one American-made component — a polymerase — was a “substantial portion” of a DNA test at the heart of the dispute.

The “substantial portion” verbiage comes from Section 271(f)(1) of the Patent Act, 35 U.S.C.A. § 271(f)(1), which lays out inducement liability for Americans supplying allegedly infringing components to foreign companies.

Promega has asked the Supreme Court to follow the Federal Circuit’s interpretation of Section 271(f)(1). Rather than applying a quantitative analysis, the appeals court favored a qualitative approach to determining whether a single component could constitute a substantial portion of a patented invention.

ATTORNEY OBSERVATIONS ON ORAL ARGUMENT

Baker Botts LLP partner Lisa M. Kattan, who previously served as a senior investigative attorney at the International Trade Commission, said the justices frequently raised questions about the “real-world implications” of their interpretation of Section 271(f)(1).

She found it noteworthy that Justice Anthony Kennedy commented on the complexity of global supply chains, while Justice Stephen Breyer expressed concern about the extraterritorial effects of the court’s decision.

Dori Hines, who leads the electrical and computer technology practice group at Finnegan, Henderson, Farabow, Garrett & Dunner in Washington, found that the justices’ examination of the Patent Act, and their examples of when components are substantial, foreshadowed an opinion in favor of a qualitative approach.

“This focus on the language of the statute and the practical implications of the decision should lead to a flexible standard for infringement under Section 271(f)(1), rooted in a qualitative analysis,” Hines said.

Morrison & Foerster IP partner Matthew D’Amore, who is based in New York, said he thought a key question at the oral argument was whether the presumption against extraterritoriality applied,

noting that statute expressly contemplates an extraterritorial impact as opposed to a statute that is silent as to its extraterritorial effect.

He also noted the specific facts in the dispute between Life Tech and Promega do not lead to a clear test for suppliers.

"While a qualitative test like that adopted by the Federal Circuit might benefit patent holders, it increases the uncertainty for suppliers, and unless the court comes out with a quantitative-type test, the court's decision may not resolve that uncertainty even if it reverses or remands," D'Amore said.

John DiMatteo, a partner at Holwell Shuster & Goldberg in New York, predicted the case would turn in favor of Life Tech.

"If the questioning at oral argument is any indication of how the court will rule, I expect that the Vegas odds makers are predicting that the Supreme Court will reverse the Federal Circuit and rule that 271(f)(1) applies to multiple components, not one," he said.

"Most of the justices seemed skeptical of the argument that one should construe 271(f)(1) as qualitative instead of quantitative, emphasizing the complexities that would result from the former compared to the latter," DiMatteo added.

Tom Duston, IP partner at Marshall, Gerstein & Borun in Chicago, said a decision in favor of patent owners may, ironically, disadvantage U.S. suppliers.

"Faced with such potential liability under U.S. patent law, foreign customers may simply turn to non-U.S. suppliers whose goods do not present these risks," Duston warned.

THE PATENT AND THE COMPONENT

Madison, Wisconsin-based Promega is the exclusive assignee of U.S. Patent Reissue No. 3,798,411, which covers a kit for determining a person's identity through DNA.

Promega accused Life Tech and several others of infringing the '984 patent in 2010 in the U.S. District Court for the Western District of Wisconsin.

Promega said California-based Life Tech, which had a license to sell the patented DNA-testing kit in certain fields, was making, using and selling the products to those in fields not covered by the license, such as clinical diagnostics and research markets.

While many of the kits were assembled and sold outside the U.S., Promega said Life Tech and others violated Section 271(f)(1) because the allegedly infringing product's five components included one supplied from the U.S.

In February 2012 the District Court tossed the \$52 million jury verdict, saying Life Tech could not be liable under Section 271(f)(1) because one component could never be a substantial portion of a multicomponent invention. *Promega Corp. v. Life Techs. Corp.*, No. 10-cv-281, 2012 WL 12862829 (W.D. Wis. Sept. 13, 2012).

On appeal, the Federal Circuit overturned the District Court ruling. *Promega Corp. v. Life Techs. Corp.*, 773 F.3d 1338 (Fed. Cir. 2014). The decision allowed Promega to salvage some of a \$52 million jury verdict that the trial court vacated on post-trial motions.

Life Tech filed a certiorari petition in June 2015.

SECTION 271(F)(1)

At the oral argument, Life Tech reiterated its objection to the Federal Circuit's interpretation of the Patent Act, saying its reading of Section 271(f)(1) conflicted with Section 271(f)(2), which says special circumstances have to exist for a single commodity to violate the Patent Act.

Justice Samuel Alito asked Life Tech for a specific number of components that would constitute “substantial portion.”

While Life Tech admitted that “substantial portion” is ambiguous, the company also said the term should be interpreted narrowly.

“The principle against extraterritoriality drives you in the direction of saying Congress meant only to allow U.S. patents to operate outside the United States in very narrow circumstances,” Life Tech said.

When Justice Alito asked Promega what “substantial portion” meant, Promega’s attorney said a jury should be told to follow the dictionary definition, which says “considerable in importance and/or amount.”

The polymerase’s importance to the DNA-kit shows it is a substantial portion of the product, Promega argued.

Promega also dismissed the fear that U.S. suppliers would be threatened if Section 271(f)(1) was interpreted broadly, saying the other elements of induced infringement also have to be shown.

“[Suppliers] have to, number one, know that there is a patent. They have to know that the product is going to be combined with others. They have to know that the combination, if practiced in the United States, would infringe,” Promega said.

Promega said Life Tech had to have known its product would have been combined with others, and if that combination would have happened in the U.S., the result would have been infringement.

The solicitor general’s office also offered the government’s view that a single commodity component is never enough to satisfy Section 271.

“We are asking the court to hold that (f)(1) reaches the supply of all or a large portion of the components of the invention, not any important portion of the invention. And the way we had put it is that it reaches the supply of all or something tantamount to all of the components,” the government argued.

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