



THINK FORWARD

When Your Export Business Suddenly Becomes Substantial: Are Your Export Commodities Substantial Enough To Induce Infringement Under §271(f)(1) of the Patent Act?

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35 U.S.C. § 271(f)(1) requires that an accused infringer supply “all or a substantial portion of the components of a patented invention” for combination outside the United States. The Supreme Court is poised to determine whether the exportation of a single, commodity component can constitute a “substantial portion” of the components of a patented invention for purposes of § 271(f)(1). Six Amici Curiae Briefs were filed this month with the Court in *Life Technologies Corp. v. Promega Corp.*, delineating policy concerns and potential business implications for U.S. suppliers of global commodities.

Can One Component Ever Constitute A “Substantial Portion” Of The Components Of A Patented Invention?

In the initial case, Promega alleged patent infringement under 35 U.S.C. § 271(f)(1) by defendants (“LifeTech”) who manufactured certain genetic testing kits containing components for the amplification of DNA sequences. Each of kit includes five components: (1) a primer mix; (2) a polymerase enzyme; (3) polymerase chain reaction (PCR) mix with nucleotides; (4) a buffer solution; and, (5) control DNA. Promega did not additionally assert infringement under § 271(f)(2) because the polymerase enzyme at issue is a commodity product used to amplify DNA, and 35 U.S.C. § 271(f)(2) applies only in situations where a “component of a patented invention [that] is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use.”

LifeTech manufactures the enzyme component in the United States and ships it to its United Kingdom facility for assembly and subsequent global distribution. LifeTech targets sales of these kits to law enforcement agencies for use in forensic identification and to clinical and research institutions. During trial, the jury found that export of the enzyme component in LifeTech’s genetic testing kits was sufficient to meet the “substantial portion of the components” statutory requirement imposed by 35 U.S.C. § 271(f)(1). The parties stipulated that LifeTech grossed \$707,618,247 in worldwide sales and the jury returned a verdict of willful infringement.

After the entry of judgment, LifeTech moved for a judgment as a matter of law (JMOL). In granting the JMOL, the district court vacated the jury’s finding of infringement, concluding that Promega failed to present sufficient evidence showing that a substantial portion of components were exported from the U.S. in order to sustain a jury verdict under § 271(f)(1).

Promega sought to appeal the judgment with the Federal Circuit. In reversing the District Court’s bright line rule on what a “substantial portion” is not, the Federal Circuit held that “there are circumstances in

which a party may be liable under § 271(f)(1) for supplying or causing to be supplied a single component for combination outside the United States.” *Promega Corp. v. Life Techs. Corp.*, 773 F.3d 1338, 1353 (Fed. Cir. 2014). Noting that the ordinary meaning of “portion” does not suggest a certain quantity, the Federal Circuit found that the term “substantial portion” does not necessarily exclude situations where a single important or essential component may be considered a “substantial portion of the components” of a patented invention. The Supreme Court granted LifeTech’s Petition for Writ of Certiorari to address 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. No. 14-1538 (cert. granted June 27, 2016).

In its petition, LifeTech asserts that the Federal Circuit’s holding will interfere with overseas conduct and that it improperly expands the extraterritorial reach of U.S. patent law. LifeTech further contends that, no matter how important or central to the invention, a single component can never constitute a substantial portion of the components of a patented invention, because “substantial portion” refers to quantity, not the subjective importance of the supplied components. Promega argues in the alternative that there is no error in the Federal Circuit’s rejection of this bright-line rule. Promega contends that substantiality is a fact question that requires a case-specific analysis by a jury of what is being supplied from the United States and its relative importance to the patented invention. Promega also submits that petitioners’ strictly quantitative focus would lead to absurd results, whereby the shipment of two unimportant components of a multi-component invention could give rise to liability while the shipment of one particularly important component of a two-component invention could not. In addition, Promega asserts that an infringer’s knowledge of the patent and intent to cause the infringing act as required by the statute eliminate the risk that an unwitting supplier of a single component would be held liable under § 271(f)(1).

The Amici Curiae Briefs

Four briefs were submitted in support of petitioners, including those filed by the U.S. government, Agilent Technologies, Inc. (a spinoff of Hewlett-Packard), the Federation of German Industries (Bundesverband der Deutschen Industrie e.V.), and law professors. In reminding the Court that U.S. laws do not apply extraterritorially, the briefs ask the Court to consider the potential for conflicts with foreign law and construe § 271(f)(1) to minimize its impact on foreign conduct. They also note that the Federal Circuit’s holding is unsupported by Congress’ intent, the statutory scheme of § 271 or its language, and that affirming such a holding would endanger U.S. manufacturing operations, driving component manufacturing overseas, and interfere with cross-border trade of off-the-shelf components.

Two briefs were submitted without supporting either party. The Intellectual Property Owners Association (IPO) agrees with the Federal Circuit’s interpretation of § 271(f)(1) in *Promega*, and that the interpretation of a “substantial portion of the components of the patented invention” should be based on a case-by-case analysis that, in addition to their numerical proportion, takes into account an exported component’s (or combination of components’) relative importance to the patented invention. The brief filed by the American Intellectual Property Law Association (AIPLA) urges the Court to hold that infringement determination under § 271(f)(1) requires an analysis of all relevant factors, including: whether the portion of component(s) supplied in light of the patent claims and specification is substantial, both qualitatively and quantitatively; whether the component(s) are commodities; and, whether accused infringer actively induced the combination of the supplied component(s) outside the U.S. in a manner that would infringe if such combination occurred in the U.S.

The Potential Implications And Likely Outcome

If the majority of the Amici Curiae Briefs are correct, the outcome of this case may have a substantial impact on U.S. suppliers of global commodities. By expanding the extraterritorial reach of patent law, the Federal Circuit’s ruling has the potential to impact the business plans of many domestic manufacturers that supply components overseas. If Promega is correct, the factual circumstances presented in this case are unlikely to recur, and a fact finder could properly assess the evidence on a case-by-case basis.

While the practical implications and potential repercussions could be extensive under certain circumstances, the Court is more likely to fashion a fact-based test that considers the totality of circumstances. Such an inquiry would likely require additional discovery and further raise costs associated with litigation.

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