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Supreme Court Update: Supreme Court To Review Whether Single Commodity Component Can Satisfy The "Substantial Portion" Requirement Of 35 U.S.C. § 271(f)(1)

June 29, 2016

On June 27, 2016, the Supreme Court granted a petition for writ of certiorari in the case of *Life Technologies Corp. v. Promega Corp* (14-1538). The Supreme Court will review the question of whether "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." 35 U.S.C. § 271(f)(1) states:

> Whoever 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.

35 U.S.C. § 271(f)(1)

Case History

Life Technologies Corp ("Life Tech") manufactures genetic testing kits that generate DNA profiles. The kits "contain a number of components,

including: (1) a primer mix; (2) Taq polymerase; (3) PCR reaction mix including nucleotides; (4) a buffer solution; and (5) control DNA." *Promega Corp. v. Life Technologies Corp.*, 773 F.3d 1338 , 1344 (Fed. Cir. 2014). Life Tech manufactures one component of its kits in the United States, the Taq polymerase, which it ships overseas to a Life Tech manufacturing facility in the United Kingdom.

In 2010, Promega sued Life Tech for patent infringement in the Western District of Wisconsin. After a jury trial in which the jury found that Life Tech's sales of kits infringe Promega's asserted patent under 35 U.S.C. § 271(f)(1), the district court granted judgment as a matter of law and vacated the verdict. The district court found that because § 271(f)(1) requires the accused infringer to "actively induce" the combination of components it supplies from the United States, it requires the presence of a third party who is being induced. The district court also found that because § 271(f)(1) uses the phrase "all or a substantial portion of the components," instead of "any component" as used in § 271(f)(2), § 271(f)(1) does not apply to cases where a single component is supplied from the United States.

On appeal, the Federal Circuit reversed the district court's grant of Life Tech's motion for judgment as a matter of law. *Promega Corp. v. Life Technologies Corp.*, 773 F.3d 1338 (Fed. Cir. 2014). The Federal Circuit concluded that "to actively induce the combination" does not require the involvement of a third party. *Id.* at 1351. The Court concluded that if "Congress wanted to limit 'induce' to actions completed by two separate parties, it could easily have done so by assigning liability only where one party actively induced "another" to combine the patented components. *Id.* According to the Federal Circuit, the focus of the statute is on inducement of "the combination of the components of the patented invention." *Id* at 1351-52. Because §271(f) was enacted to close the loophole created by *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), where an accused infringer avoided a finding of infringement by shipping the components of the infringing machine overseas to be assembled in a manner that would practice the patented invention if the combination occurred in United States, the Federal Circuit concluded that it is unlikely that Congress intended to hold companies liable only for shipping components overseas to third parties, but not for shipping those same components overseas to themselves or their foreign subsidiaries. *Id.* at 1352. The Federal Circuit also declined to draw a parallel to the phrase "actively induces infringement" in § 271(b), noting that because § 271(f)(1) lacks the strict liability companion statute, i.e., § 271(a), comparisons to § 271(b) are of limited value.

The Federal Circuit also held that export of a single component is sufficient for liability to attach under § 271(f)(1). The Court explained that nothing in the ordinary meaning of the word "portion" suggests that it necessarily requires "a certain quantity or that a single component cannot be a 'portion' of a multi-component invention." *Id.* at 1353. To the contrary, the Court

noted, the ordinary meaning of "substantial portion" suggests that a single important or essential component can be a "substantial portion of the components" of a patented invention. *Id.* The Federal Circuit, then determined that there was substantial evidence to support the jury's conclusion that the kit components supplied by Life Tech from the United States to its foreign facility is a "substantial portion" of the components of Life Tech's accused genetic testing kit because without it the testing kit recited in the asserted patent would be inoperable. *Id.* at 1356.

After the Federal Circuit denied a petition for en banc review, Life Tech filed a petition for writ of certiorari, presenting two questions:

> 1. Whether the Federal Circuit erred in holding that a single entity can "actively induce" itself to infringe a patent under 35 U.S.C. § 271(f)(1).
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> 2. 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.

You Can "Actively Induce" Yourself for Purposes of 35 U.S.C. §271(f)(1)

The Supreme Court declined to review the portion of the Federal Circuit's ruling that § 271(f)(1) does not require an entity to "actively induce" a third party, cementing the Federal Circuit's ruling on the applicability of § 271(f)(1) to the actions of a single party. This decision has particular importance for companies that engage in distributed manufacturing in the United States and abroad. As long as the accused infringer "supplies . . . a substantial portion of the components" for the infringing product, it will be liable under § 271 (f)(1).

Does "All or a Substantial Portion of the Components of a Patented Invention" Require At Least Two Components?

The Supreme Court granted review of the Federal Circuit's ruling on whether § 271(f)(1) can be satisfied by supplying a single component. To answer this question, the Federal Circuit focused on the language of the statute itself, and found that "an important or essential component can be a 'substantial portion of the components' of a patented invention." *Id.* at 1353. The Federal Circuit found that the component shipped from the United States (Taq polymerase) is a "substantial portion" of Life Tech's genetic testing kits because the recited genetic testing kits could not function in the absence of Taq polymerase. *Id.* at 1354.

In its petition for review, Life Tech argued that the Federal Circuit erroneously interpreted the phrase "substantial portion" in a qualitative sense rather than in a quantitative sense. By equating "substantial portion of the components" to an "important or essential component," Life Technology argued, the Federal Circuit interpreted § 271(f) "so broad as to render the 'substantial portion' limitation all but meaningless. Petition at 22.

> A component of a patented invention will rarely, if ever, be unnecessary

> to the functioning of that invention. Indeed, if the product could operate in the same way without the component, it is questionable whether the supposed "component" would be a part of the "patented invention" at all. Here, for instance, the patented genetic testing kit would not operate correctly if any one of its five components were removed. By reading "substantial portion of the components" of an invention to mean "any individual component necessary to the operation of the invention," the Federal Circuit has made virtually every component of a patented invention, by itself, a "substantial portion of the components" of that invention. But if that were the purpose of the language, then Congress would have simply written "any component of a patented invention," rather than choosing "substantial portion" that so clearly suggests something narrower.

Petition at 22-23.

In a string of decisions in recent years, the Supreme Court has consistently rejected what it characterizes as "rigid" tests used by the Federal Circuit. *See* e.g., *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, No. 14-1513, --- S.Ct. ---- (June 13, 2016). The test of "substantial portion" used by the Federal Circuit in Promega-whether the patented invention can function without the component in question-may also be considered "rigid." On the other hand, it is also unlikely that the Supreme Court will set forth a bright line rule that excludes supply of a single component from the scope of § 271(f)(1), no matter how important that component is to the invention. Thus, we expect the Supreme Court to opt for a case-by-case analysis that considers the importance of the component in question in comparison to the invention as a whole and to the other components of the invention.

Practice Pointers

The Federal Circuit's ruling that § 271(f)(1) does not require an entity to "actively induce" a third party is not subject to the Supreme Court's review. Thus, an entity can actively induce itself to infringe claims of a U.S. patent under § 271(f)(1) by sending a portion of the components of a claimed invention outside of the U.S. for assembly. Although the question of how many components needs to be manufactured in the U.S. and shipped abroad before infringement is found under § 271(f)(1) is now subject to review, manufacturers who manufacture components for assembly abroad should note that they cannot avoid infringement just because the assembly is performed by the same entity rather than a third party. While the Supreme Court has yet to pronounce its ruling on precisely what constitutes a "substantial portion" of the components of a patented invention, it is likely that Supreme Court will reject a rigid numerical rule that prevents a single component from ever satisfying the "substantial portion" requirement.

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