ALERT MEMORANDUM

The Supreme Court Limits U.S. Patent Infringement Liability For Goods Sold Overseas

February 27, 2017

Last week the Supreme Court held that, standing alone, the manufacture in the United States of a single component of a multicomponent product that is assembled outside the U.S. cannot give rise to patent infringement liability in the U.S. In *Life Technologies Corporation v. Promega Corporation*,[1] the Court reversed the Federal Circuit's holding that a single component could be considered a "substantial portion" of the components of a patented invention sufficient to trigger liability under 35 U.S.C. § 271(f)(1), a provision that was enacted to stop infringers from evading liability by manufacturing components of patented inventions in the U.S. and then shipping them overseas for assembly there. (Any sale of the assembled product in the U.S. still would be independently subject to a patent infringement claim based on that domestic sale.) While the Court declined to define how many more components are necessary to comprise a "substantial portion" of the components of a patented invention, and thus expose parties to liability in the U.S., this case serves as an example of the Court's reluctance to extend the application of U.S. patent law beyond our borders.

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[1] *Life Techs. Corp. v. Promega Corp.*, No. 14-1538, slip op. at 2 (U.S. Feb. 22, 2017).

Background

The case involves a dispute between two biotech companies. In 2010, Promega Corporation sued Life Technologies, alleging infringement of Promega's rights to a patent for a genetic testing kit.[2] Life Technologies manufactured one component of the genetic testing kits in the U.S., while the other four were manufactured in the United Kingdom. The kits were then sold worldwide.[3] Life Technologies was authorized under a licensing agreement with Promega to sell the kits to law enforcement agencies, but when Life Technologies began to sell the kits for other uses, Promega filed suit.[4]

The statute at issue is § 271(f)(1) of the Patent Act, which extends U.S. patent liability to "[w]hoever . . . supplies . . . in or from the United States all or a substantial portion of the components of a patented invention . . . in such manner as to actively induce the combination of such components outside of the United States."[5]

At trial a jury found that that Life Technologies had willfully infringed the patent under § 271(f)(1), and Promega was entitled to $52 million in lost profits.[6] The District Court, however, overturned that award and held that, because only one component of the genetic testing kits was supplied from the U.S., it did not constitute "all or a substantial portion" of the components of the patented invention under § 271(f)(1).[7]

The Federal Circuit reversed and held that, under some circumstances, one component could be considered "a substantial portion" under the statute, particularly if that component is important or essential to the invention.[8]

The Supreme Court's Decision

On February 22, 2017, the Supreme Court rejected the Federal Circuit's qualitative interpretation of the statute and held that a single component of a multicomponent invention can never be considered a "substantial portion" under § 271(f)(1).[9] While the term "substantial" is not defined in the statute, the Court nonetheless held that the context in which is it used—"all or a substantial portion of the components of a patented invention"—can only have a quantitative meaning.[10] Further, another part of the statute provides for liability when "any component of a patent that is especially made or especially adapted for use in the invention" is shipped overseas.[11] The Court determined that Congress's use of the singular and plural references to component parts must have been deliberate and thus "a substantial portion" could only refer to multiple components.[12]

Significance

While the issue at stake in this case is framed by the Court as one that turns on statutory interpretation and legislative intent, it is clear that the Court is concerned about the extent of the exterritorial application of U.S. patent law to conduct outside the U.S. This may be why the Court was wary of adopting an analytical framework that would let juries decide whether one or more components could constitute "a substantial portion" of the components of a patented invention,[13] and would not adopt a rule that allowed a single component to satisfy the statute.[14] Justice Breyer signaled this concern at oral argument when he cautioned that the Supreme Court should not "interpret

[2] *Promega Corp. v. Life Techs. Corp.*, 773 F.3d 1338, 1344 (Fed. Cir. 2014).
[3] *Id*.
[4] *Id*.
[5] 35 U.S.C. § 271(f)(1).
[6] *Promega Corp.*, 773 F.3d at 1345.
[7] *Id*.
[8] *Id*. at 1356 ("Without [component manufactured in the U.S.], the genetic testing kit recited in the Tautz patent would be inoperable.").
[9] *Life Techs.*, slip op. at 1.
[10] *Id*. at 7-8.
[11] *Id*. at 11 (citing 35 U.S. § 271(f)(2)).
[12] *Id*. at 10.
[13] *Id*. at 7.
[14] *Id*.

American patent law so that it runs the world."[15] While there remains the unresolved question of how many components are necessary to constitute "a substantial portion," this ruling attempts to balance the purpose of the statute—to close a loophole through which infringers could evade liability—against the possibility of overreaching by the U.S. in its application of patent law abroad.

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[15] Oral Arg. Tr. at 31, *Promega Corp v. Life Techs. Corp.*, No. 14-1538, (U.S. Dec. 6, 2016).