



Question Q204P

National Group: United States

Title: Liability for contributory infringement of IPRs – certain aspects of patent infringement

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Questions

I) Analysis of current legislation and case law

The acts constituting infringement of a United States patent are codified at 35 United States Code (U.S.C.) section 271. Subsection (c) was enacted in 1952, as part of the current patent statute, to make the sale of certain components, materials, or apparatus an act of contributory infringement. It was later amended in 1994 to include offers for sale and importation into the United States as potential acts of contributory infringement. The current version of subsection (c) provides as follows:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or

commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

To find contributory patent infringement under 35 U.S.C § 271(c), it is necessary that some direct infringement of the patent exists. It is not settled whether threatened direct infringement is adequate to satisfy this direct infringement requirement and thus, support a declaratory action for contributory infringement, or if actual direct infringement must exist at the time an action is brought. The amendment of 35 U.S.C § 271(c) in 1994 to include “offers to sell” would suggest, however, that threatened direct infringement would satisfy the direct infringement requirement. The addition of a separate “offers to sell” basis for contributory infringement presumes that no actual sale has occurred and thus, no actual direct infringement has occurred.

If the component is offered for sale or sold, with the intent that it be exported from the United States and combined to practice the invention outside of the United States, there would be no direct infringement in the United States and thus, there can be no contributory infringement under 35 U.S.C § 271(c). However, under subsection 271(f)(2), added to this section in 1984, such activity could be found to be infringing. This subsection 271(f)(2) provides:

Whoever without authority supplies or causes to be supplied in or from the United States any 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, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined 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.

Thus, under 35 U.S.C § 271(f)(2), a party can now be found liable in the United States for contributory patent infringement for supplying, or causing to be supplied, a component of a patented invention, which is intended to be combined outside the United States in a way that would practice the invention. It is noted that computer programs that are loaded on to computers outside the United States that are copied outside the United States from a master copy exported from the United States are not components of a patented invention for purposes of 35 U.S.C. § 271(f)(2). *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (U.S. 2007).

Both 35 U.S.C § 271(c) and § 271(f)(2) require that the combining of the components is to occur during the term of the patent alleged to be infringed. Thus, liability for contributory infringement does not attach where a party offers to sell, sells or supplies components of an invention that will not be combined to practice the invention, whether inside or outside of the United States, until after the expiration of the patent. *Joy Technologies, Inc. V. Flakt*, 6 F.3d 770, 776 (Fed. Cir. 1993). These sections also require that the accused contributory infringer had knowledge of the patent and that its customers had no right to practice the patent at the time of the infringing act. *Aro Mfg. Co. V. Convertible Top replacement Co.*, 377 U.S. 476, 488 (1964).

A distinction between these provisions is that contributory patent infringement of method claims can be found under 35 U.S.C § 271(c), but cannot be found under 35 U.S.C § 271(f)(2). *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1359 (Fed. Cir. 2009). Another distinction between these provisions is that direct infringement must be proven for liability to attach under 35 U.S.C § 271(c). *i4i Ltd. P’ship v. Microsoft Corp.*, 2010 U.S. App. LEXIS 5010 (Fed. Cir. Mar. 10, 2010); *Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1320 (Fed. Cir. 2009). Under 35 U.S.C. §

271(f)(2) it is sufficient, however, only to show that an accused infringer intended the component of an invention to be combined outside the United States, and not that it was actually combined outside the United States, in a way which would infringe if done in the United States. *Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1368 (Fed. Cir. 2001).

1. **a) Is it a separate condition for the supply or offering of means to qualify as contributory patent infringement that the means supplied or offered were suitable to be put to a use that would infringe the patent?**

For contributory patent infringement to exist under the Patent Laws of the United States, for the offer for sale, sale or importation of a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, that component, material or apparatus must be “especially made or especially adapted for use in an infringement of such patent.” 35 U.S.C. § 271(c). Further, for this contributory infringement liability to exist, actual, or possibly threatened, direct infringement of the patent through the use of this component, material or apparatus must also exist.

Similarly, the supply of a component of a patented invention that will be exported from the United States can give rise to contributory patent infringement where the component is “especially made or especially adapted for use in the invention.” 35 U.S.C. § 271(f)(2). For this contributory patent infringement liability to attach, the accused infringer must supply the component “intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States.” 35 U.S.C. § 271(f)(2).

b) If yes to a), is it relevant that the means are also suitable to be put to other uses not related to the invention?

The contributory patent infringement provisions of the Patent laws of the United States specifically exclude liability for the offer for sale, sale or importation, or the supplying of or causing to be supplied, a “staple article or commodity of commerce suitable for substantial noninfringing use.” 35 U.S.C. § 271(c) & (f)(2). Thus, mere knowledge of an intended infringing use is insufficient to give rise to contributory infringement for the sale of a staple article of commerce having substantial noninfringing uses. Whether any such noninfringing use is “substantial” is a question of fact to be determined on a case by case basis.

In determining whether substantial noninfringing uses exist, it is to be noted that under 35 U.S.C. § 271(d) licensed uses of a patent do not preclude liability for contributory infringement, i.e., such uses do not qualify as substantial noninfringing uses. 35 U.S.C. § 271(d) provides:

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement; (3) sought to enforce his patent rights against infringement or contributory infringement ...

2. **a) Is it a condition for the supply or offering of means to qualify as contributory patent infringement that the person supplied intended, at the time of supply or offering, to put the means to an infringing use?**

Under 35 U.S.C § 271(c) the offer to sell, sale or importation of a component, material or apparatus “knowing the same to be especially made or especially adapted for use in an infringement” is a requirement for liability. Thus, for liability to attach under this section, it is the knowledge of the supplier that he or she is providing a product especially made or adapted for use in an infringement of a patent, as well as knowledge of the patent and that its customers do not have a right to practice the patent, which is relevant in determining whether there is contributory infringement. Although the intent of the supplied party is not relevant to a contributory infringement finding under this section, as a practical matter there can be no contributory infringement in the United States without some actual, or possibly threatened, direct infringement.

Liability for contributory patent infringement under 35 U.S.C. § 271(f)(2) will only exist where the accused infringer supplies a component of an invention “intending that such component will be combined outside the United States in a manner that would infringe the patent if such combination occurred within the United States.” For clarity it is noted that the ultimate use of that component will occur outside of the United States, and thus, is not “an infringing use.” Nonetheless, it is necessary for liability under this section that the accused infringer intends the component to be used in a way that practices the invention. Thus, it is the intent of the supplying party, and not the supplied party, that is the relevant inquiry for a determination of infringement under this section.

As stated above, 35 U.S.C § 271(c) & (f)(2) require either an intent that the component be combined in a way that would infringe a patent or be combined in a way that would infringe if the combination had occurred in the United States. Thus, there would be no infringement if the supplier intended that the component not be combined in a way claimed in a patent until after the patent expires.

b) If yes to a), is the element of intention a separate condition to any condition of suitability for an infringing use?

The element of knowledge or intent are separate conditions from that of suitability for an infringing use under 35 U.S.C § 271(c) and § 271(f)(2). 35 U.S.C § 271(c) requires knowledge that the component of a patented invention is “especially made or especially adapted for use in an infringement.” Therefore, it is not sufficient for a finding of infringement under this section that a component, material, or apparatus, was offered for sale, sold, or imported that is especially made or especially adapted for use in an infringement. For there to be infringement, the supplying party must know that the component, material, or apparatus is especially made or especially adapted for this use.

35 U.S.C § 271(f)(2) similarly requires, for a finding of infringement, that a component be supplied or caused to be supplied that is especially made or especially adapted for use in the invention, “knowing that such component is so made or adapted.” 35 U.S.C § 271(f)(2) further requires a finding of intent on the part of the contributory infringer that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States.

Therefore, in both 35 U.S.C § 271(c) and § 271(f)(2), the element of knowledge is separate from the condition of suitability for an infringing use. Under 35 U.S.C. §

271(f)(2) intent is also a separate condition from the condition of suitability for an infringing use.

c) If yes to a) is it a condition for the supply or offering of means to qualify as contributory patent infringement that the supplier was aware, at the time of supply or offering, that the person supplied intended to put the means to an actually infringing use?

Under 35 U.S.C. § 271(c) the offer to sell, sale or importation of a component, material or apparatus “knowing the same to be especially made or especially adapted for use in an infringement” is a requirement for liability. Thus, for liability to attach under this section, it is only required that the supplier have knowledge that it is providing a product especially made or adapted for use in an infringement of a patent and has knowledge of the patent and that its customers have no right to practice that patent. Although it is not a separate requirement for liability under this section that the supplier was aware of an intent by the supplied party to put the means to an actually infringing use, as a practical matter, there can be no contributory infringement without some actual, or possibly threatened, direct infringement.

Liability for contributory patent infringement under 35 U.S.C. § 271(f)(2) will only exist where the accused infringer supplies a component of an invention “intending that such component will be combined outside the United States in a manner that would infringe the patent if such combination occurred within the United States.” Thus, the intent of the supplying party that the component be put to an actually infringing use is a necessary element of a determination of infringement under this section.

3. If it is a condition for the supply or offering of means to qualify as contributory patent infringement that the means relate to an essential, valuable or central element in the invention or that the means relate to an essential, valuable or central element in the product or service that constitutes direct infringement, what is the test for determining whether an element is essential, valuable or central?

35 U.S.C. § 271(c) requires that the component, material or apparatus be “a material part of the invention.” This language has not been interpreted, however, to impose any degree of materiality to the component, material or apparatus. Thus, so long as the component, material or apparatus is found to be especially made or adapted for use in an infringement and is not a staple article or commodity of commerce suitable for substantial noninfringing use, it will provide sufficient basis for contributory patent infringement to attach.

There is no materiality language contained in 35 U.S.C. § 271(f)(2). Thus, as with 35 U.S.C. § 271(c), so long as the component is found to be especially made or adapted for use in an infringement and is not a staple article or commodity of commerce suitable for substantial noninfringing use, it will provide sufficient basis for contributory patent infringement to attach.

4. To the extent the means supplied or offered are staple commercial products, is it an additional condition for the supply or offering of means to qualify as contributory patent infringement that the supplier provides any instruction, recommendation or other inducement to the person supplied to put the goods supplied or offered to an infringing use?

If a component, material, or apparatus is “a staple article or commodity of commerce,” it cannot provide the basis for contributory patent infringement under 35 U.S.C. § 271(c) irrespective whether any other activity occurs in connection with the supply of this staple article of commerce. Similarly, if a component is a staple article of commerce, it cannot provide the basis for contributory patent infringement under 35 U.S.C. § 271(f)(2).

The separate act of supplying instructions, recommendation or inducement to the person who is supplied the goods, including end users, can be the basis for infringement under 35 U.S.C. § 271(b) which provides:

“Whoever actively induces infringement of a patent shall be held liable as an infringer.”

It is not a requirement of 35 U.S.C. § 271(b), however, that any component, material or apparatus which forms part of the invention, or is used in practicing the invention, be supplied.

5. a) Is injunctive relief available against acts of contributory infringement?

The remedy of an injunction under 35 U.S.C. § 283 is available as relief against acts of contributory infringement. Injunctive relief is not automatically imposed upon a finding of contributory infringement. Instead, to obtain injunctive relief the patent owner would need to demonstrate: “(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.” *Ebay Inc., et al. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

b) If yes to a), may injunctive relief be directed against the manufacture of the means per se or the supply of the means per se?

The remedy of injunction under 35 U.S.C. § 283 can be directed against the manufacture of the component, material or apparatus forming the basis for the contributory infringement of the patent if that manufacture occurs in the United States. A party cannot be enjoined from manufacturing a component, material or apparatus outside the United States, but can be enjoined from importing, offering for sale or selling that product in the United States under 35 U.S.C. § 271(c). Similarly, a party can be enjoined from supplying or causing that component to be supplied in or from the United States under 35 U.S.C. § 271(f)(2).

c) If no to b), must the injunction be limited to manufacture or supply of the means in circumstances which would amount to contributory infringement?

d) If yes to c), how in practice should this limitation be included in injunction orders, for example:

i) may claims for injunctive relief be directed for example against the abstract or hypothetical situation that the means are supplied in circumstances where the supplier is aware that the person supplied intends to put the means to an infringing use, and/or

35 U.S.C § 271(c) limits contributory patent infringement to components, materials or apparatus that have no substantial noninfringing use. Direct infringement is also required for a finding of contributory infringement under 35 U.S.C § 271(c) although it is unsettled whether contributory infringement can only be found in instances where actual direct infringement exists or if contributory infringement can also be found where threatened direct infringement exists. To the extent threatened direct infringement would support a finding of contributory infringement and thus, injunctive relief, it would appear that proof of the supplier's knowledge that a component, material or apparatus is "especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use" would be required as well as proof of the supplier's knowledge of the intent of the person supplied to put the means to an infringing use.

For injunctive relief to be directed under 35 U.S.C. § 271(f)(2), the supplying party must have knowledge that a component 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." The component must also be supplied or caused to be supplied "intending that such component will be combined outside of the United States in a matter that would infringe the patent if such combination occurred within the United States." Thus, injunctive relief may be directed under 35 U.S.C. § 271(f)(2) where there is an intent that the means be put to an infringing use although, to the extent the distinction is meaningful as a practical matter in a particular circumstance, it is the intent of the supplier and not the supplied party that is the relevant determination.

ii) must claims for injunctive relief be directed against particular shipments of means for which the supplied person's intent and the supplier's knowledge has been proven?

Because both 35 U.S.C § 271(c) and § 271(f)(2) require that the supplier has knowledge that it is providing a product especially made or adapted for use in practicing a patent, the intended use of all shipments would be presumed to be the practicing of the patent. A claim for injunctive relief would ordinarily, therefore, be directed against all shipments. However, under 35 U.S.C § 271(c) and § 271(f)(2), where the acts that would practice the invention are not to occur until after the patent expires there would be no liability for contributory infringement. Thus, to the extent particular shipments are intended for use in practicing a patent before expiration of the patent but other shipments are intended for use in practicing a patent after the expiration of the patent, an injunction should only be available for the pre-expiration uses.

Similarly, where one shipment of components is intended for use in practicing a patent inside the United States while another shipment is intended for use in practicing a patent outside of the United States, liability for contributory infringement would have to be found separately under each of 35 U.S.C § 271(c) and § 271(f)(2). Whether injunctive relief could be directed against each shipment would therefore depend on whether that particular shipment were found to be an act of contributory infringement under the relevant statutory provision.

6. Is it a condition for the supply or offering of means to qualify as contributory patent infringement that the intended use of means for actual infringement is intended to take place in the country where the means are supplied or offered?

Under 35 U.S.C. § 271(c), contributory patent infringement can only exist where direct infringement, or possibly threatened, direct infringement exists. Direct infringement under 35 U.S.C. § 271(a) exists where one without authority “makes, uses, offers to sell, or sells any patented invention, within the United States....” In general, therefore, it is irrelevant under 35 U.S.C. § 271(c) where the party intended the full invention to be practiced and instead, it is only relevant whether the invention was actually practiced or, possibly, will be practiced in the United States.

If the sale occurs in the United States and contributes to infringement in the United States, the sale is a contributory infringement under 35 U.S.C. § 271(c), so it does not matter whether the offer for sale was also in the United States.

However, there is a special case if the means are supplied outside the United States to produce an infringing product that is imported into the United States. (The importation into the United States is then the direct infringement.) The issue whether “offers to sell... within the United States” includes “offers” in the United States to sell outside the United States, so as to give rise to liability for contributory infringement has not been fully resolved in the United States. Lower courts that have addressed this issue have found that contributory infringement under 35 U.S.C. § 271(c) exists only when the offer occurs in the United States for a sale intended to occur in the United States. A more recent decision of the United States Court of Appeals for the Federal Circuit has suggested that where an offer for sale in the United States is a direct infringement under 35 U.S.C. § 271(a), it is sufficient for the offer to be in the United States even if the actual sale takes place outside the United States. *Rotec Indus. v. Mitsubishi Corp.*, 215 F.3d 1246 (Fed. Cir. 2000). Extending this reasoning to contributory infringement under 35 U.S.C. § 271(c), where the final product is imported to the United States, it is possible that contributory infringement would be found if an offer to sell a component, material, or apparatus of that product was made in the United States, but the sale of that component, material, or apparatus occurred outside the United States. However, the wording of 35 U.S.C. §§ 271(a) and (c) is slightly different. Thus, for “offers to sell” it remains to be determined whether, under 35 U.S.C. § 271(c), it is only relevant in which country an offer occurred, or whether it is also relevant in which country the actual sale occurred or was intended to occur.

35 U.S.C. § 271(f)(2) was enacted to provide a cause of action for contributory infringement where a component part of an invention is to be supplied from the United States. For liability to exist under that section it is necessary for the accused infringer to intend that the invention be practiced somewhere outside of the United States. It is not necessary, however, that the accused infringer intend the invention to be practiced in the country where the components are shipped. Thus, if an accused infringer ships components of a patented invention from the United States to a first country intending those components to be sent to another country outside the United States, either in the same or modified form, for use in practicing the patented invention, there would be liability. It has not been settled whether “causes to be supplied in or from the United States” in 35 U.S.C. § 271(f)(2) requires the “supply” to be from the United States, or only the “cause.”

7. How is it to be determined where means are supplied or offered? For example:

- **Supplier X conducts business in country A, X agrees to supply person Y with means for an infringing use in country B. Are the means supplied in country A or B or in both?**

Contributory patent infringement in the United States is always determined based upon United States law and applied to the activities occurring within the United States.

Setting aside the question of whether an offer by X in the United States could give rise to contributory infringement, if country A in the example is the United States, then (unless the final infringing product is to be imported back into the United States) liability can arise only under 35 U.S.C. § 271(f)(2). Liability is then for “supplying in or from the United States.” If the means is exported from or through the United States, there is “supplying in or from” the United States regardless of where the transfer from X to Y occurs. If the means are supplied from country B or some third country C, there is no liability under 35 U.S.C. § 271(f)(2) merely for an offer in the United States. It is therefore not meaningful to answer the specific question.

If in this example country B is the United States, there would be liability under 35 U.S.C. § 271(c) because the product is supplied in country B and would thus, at a minimum, be imported into the United States. The practical standard for holding that X “supplies” the means in the United States is that if X has sufficient contacts with the United States for a United States court to exercise personal jurisdiction over X, then the court will usually hold X to be the infringing importer regardless of any provisions of the supply contract.

- ***Supplier X undertakes to deliver means “free on board” in a harbour in country A in the same circumstances. Are the means supplied in country A or B or in both?***

For purposes of contributory infringement under 35 U.S.C. § 271(c) and (f)(2), the location in which title to goods are transferred will not necessarily be determinative of liability. It has been held by the courts in the United States that shipping product f.o.b. with a location outside of the United States does not preclude that “sale” from having occurred inside the United States for purposes of 35 U.S.C. § 271. Instead, courts have found that shipments to the United States can be “sales” in the United States regardless of whether title to the goods was legally transferred in another country. *Litecubes, LLC, et al. V. Northern Light Products, Inc.*, 523 F.3d 1353, 1370 (Fed. Cir. 2008). Thus, it is possible that shipping product f.o.b. outside of the United States may still give rise to liability for contributory infringement under both 35 U.S.C. § 271(c) and (f)(2).

- ***Supplier X undertakes to deliver means “free on board” in a harbour in country B in the same circumstances. Are the means supplied in country A or B or in both?***

For purposes of contributory infringement under 35 U.S.C. § 271(c) and (f)(2), the location in which title to goods are transferred will not necessarily be determinative of liability. It has been held by the courts in the United States that shipping product f.o.b. with a location outside of the United States does not preclude that “sale” from having occurred inside the United States for purposes of 35 U.S.C. § 271. Instead, courts have found that shipments to the United States can be “sales” in the United States regardless of whether title to the goods was legally transferred in another country. *Litecubes, LLC, et al. V. Northern Light Products, Inc.*, 523 F.3d 1353, 1370 (Fed. Cir. 2008). Thus, it is possible that shipping product f.o.b. outside of the United States may still give rise to liability for contributory infringement under both 35 U.S.C. § 271(c) and (f)(2).

- ***If the offer was made in country A but accepted in country B, are the means supplied in country A or B or in both?***

In the United States, offers and supply are treated as two distinct acts for purposes of determining the existence of contributory infringement.

An offer for sale has been held to be outside the scope of coverage under 35 U.S.C. § 271(f)(2) and thus, where the offer is made is not relevant for purposes of determining infringement under this section. Further, it is the supplying of a component, or the causing of that component to be supplied, in or from the United States, that triggers liability under 35 U.S.C. § 271(f)(2). Thus, it not relevant under this section in what countries the offer or acceptance occur.

8. If means suitable for being incorporated into a patented product P are supplied by supplier X in country A to person Y, in circumstances where it was known to X (or it was obvious in the circumstances):

i) that Y intended to export the means to country B and complete product P in country B; and

ii) that Y intended to export the completed product P into country A,

would Y then be regarded as having intended to put the means to an infringing use in country A by importing and selling product P in country A, with the consequence that X could be held liable for contributory infringement in country A by supplying the means to Y?

Under 35 U.S.C. § 271(f)(2), the intent of the supplied party (Y) is irrelevant in determining liability for contributory infringement. It is, however, necessary to prove that the accused infringer supplied or caused to be supplied in or from the United States a component of a patented invention with the intent that it be combined in an infringing manner. The “intent” element of 35 U.S.C. § 271(f)(2) has not been interpreted by case law and thus, it has not been determined whether the scope of that section encompasses circumstances where it was merely known or obvious that the supplied party intended to use the component in a manner that practices the invention. However, in view of the requirement that the component be especially made or especially adapted for use in an infringement of the patent, and that X know that such component is so made or adapted, it is likely that infringement would be found under 35 U.S.C. § 271(f)(2) where Y’s intent is known or obvious.

9. a) Is the question of contributory infringement determined in accordance with the law of the country in which the means are:

i) offered; or

ii) supplied?

Contributory patent infringement in the United States is always determined based upon United States law and applied to the activities occurring within the United States.

35 U.S.C. § 271(c) recites “offer to sell or sells” as an act that can give rise to contributory patent infringement, and thus, if under United States law, the product is offered for sale or sold in the United States, there may be contributory infringement under this section. The offer for sale or sale or other supply in a foreign country would not be relevant to a determination of contributory infringement under this section.

35 U.S.C. § 271(f)(2) prohibits only the “supplying or causing to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention.” Thus, the country to which the product is offered is not determinative of contributory patent infringement. Instead, it is only the country in or from which the product is supplied that determines contributory patent infringement.

b) What is the applicable law if the means are offered in country A but supplied in country B?

Contributory patent infringement in the United States is always determined based upon United States law and applied to the activities occurring within the United States.

Thus, if the United States is country A in this example, there may be liability for contributory patent infringement under 35 U.S.C. § 271(c) because the offer for sale occurs in the United States, but only if the means, or the final infringing product, is to be imported into the United States. As explained above, however, it has not been finally resolved whether it is sufficient for only the offer to occur in the United States.

There would be no liability for contributory patent infringement under 35 U.S.C. § 271(f)(2) by virtue of the offer, because it has been determined by case law in the United States that an “offer for sale” does not fall within the language, “supplies or causes to be supplied,” of that section. Liability could be found under 35 U.S.C. § 271(f)(2), however, for the supply in country B if the means is being supplied or caused to be supplied “from the United States”.

If the United States is country B in this example, liability for contributory infringement can exist under 35 U.S.C. § 271(c) because the component, material, or apparatus is being imported into or otherwise supplied in the United States. The offer in country A is then irrelevant.

c) Are there any other relevant principles to determine the applicable law?

Modern technology allows contracts to be executed across international boundaries where, for example, a person in country A emails an offer to a person who accepts that offer in country B. Under United States law, an acceptance of a non-instantaneous communication is effective when mailed or dispatched (“mailbox rule”) while an acceptance of an instantaneous communication of an offer is effective upon receipt by the offeror. United States common law has suggested that email communications are considered substantially instantaneous communications, such that the offeror must receive the acceptance for it to be effective.

By contrast to United States common law, much of international law governing contracts provides that acceptance becomes effective when the communication is delivered to the place of business or mailing address of the offeror. This approach is in line with the minimal focus international law places on the mailbox rule in determining choice of law questions. International law instead focuses upon the place of business of the party that is to perform the specifications of the contract, not on the place of contract formation. The Rome Convention, which harmonized choice of law principles for the European Union, has adopted this approach whereby the laws of the country of the seller’s principal place of business should apply in determining disputes arising from a contract.

For questions of jurisdiction, the United States places more importance on the location where a contract is performed, rather than where it is executed or formed. In relation to jurisdiction, the place of performance is more significant than the place of the execution of a contract. In determining jurisdiction questions, case law within the United States has found that one meeting in a city may not allow a finding of jurisdiction when that meeting does not result in the execution of a contract. *Cooper, Robertson & Partners, L.L.P. v. Vail*, 143 F. Supp. 2d 367, 372 (S.D.N.Y. 2001). Courts, however, have held that a meeting which is essential or key to the execution of a contract, along with other factors, may lead to a finding of jurisdiction. *Id.* In addition, New York courts determine whether there was a “purposeful act” related to the transaction at issue in its

state in order to determine whether there is jurisdiction. *Metropolitan Air Service, Inc. v. Penberthy Aircraft Leasing Co.*, 648 F. Supp. 1153, 1155 (S.D.N.Y. 1986). Thus, for example, a critical meeting and performance of a contract in New York can lead to a finding of jurisdiction in that area.

II) Proposals for substantive harmonisation

The Groups are invited to put forward their proposals for adoption of uniform rules, and in particular consider the following questions:

1. In a harmonised system of patent law, what should be the conditions for an act of supply or offering of means to qualify as a contributory patent infringement?

In a harmonized system of patent law, it should be fundamental conditions of contributory infringement of a patent that:

1. The component means have limited utility other than in a way that falls within the language of a claim of the patent, e.g., the component means are specifically made or adapted for an infringing use and the component means at issue have no substantial non-infringing use;

2. The component means or final combination which includes the component means at some point touches the jurisdiction that issued the patent, e.g., the component or final combination are sold in, imported to or exported from the jurisdiction;

3. The component means at issue are intended to be used in a way which directly infringes the patent within the jurisdiction that issued that patent or the component means at issue are intended to be combined outside the jurisdiction that issued the patent in a way which would be covered by the patent if the combination had occurred in the jurisdiction;

4. The supplier has knowledge of the foregoing intended use of the components means,

There should be no liability for contributory infringement under a harmonized system where a supplier provides a product into the stream of commerce with no knowledge of the possibility that a downstream user could incorporate that product into an infringing system. A general knowledge of potential infringement should be insufficient to attach liability for contributory infringement where noninfringing uses exist for the product. Extending liability for contributory infringement under these circumstances would likely have undesirable effects (e.g., product cost increases, reduced product availability, etc.) because immense networks of product suppliers would be exposed to potential infringement liability, even through unknown applications of their products.

To mitigate this risk, liability for contributory infringement, under a harmonized system, should be limited to the special situation where the supplier shares with the downstream user some of the culpability for direct infringement and also control over whether the combination which a patent claim reads on occurs. For example, if the supplier provides a product that has been specially adapted to infringe a patent, and there are no substantial non-infringing uses for that product, then the downstream user's options are limited. Any use of the product will result in infringement. In this

situation, it is appropriate for the supplier to share in the liability for infringement, as the supplier knowingly and intentionally enabled the direct infringement.

2. In a harmonised system of patent law, to what extent should injunctive relief be available to prevent contributory patent infringement?

Under a harmonized system and assuming that contributory infringement is found to exist, injunctive relief should be available to prevent such contributory infringement in all circumstances, subject to the applicable standards for providing injunctive relief for direct infringement. For example, injunctive relief should be available to preclude the infringing activities of a supplier within a country that knowingly provides products to an end user in that country for use in a system that infringes a patent. The same injunctive relief should be available with respect to the activities of the supplier even where the supply chain includes entities outside of the supplier's country. To the extent a supplier exerts control over the entities in the supply chain outside of the supplier's country, injunctive relief should also be available to preclude the relevant activities of those entities (e.g., importation into the country, etc.).

3. In a harmonised system of patent law, how should it be determined where means are supplied or offered?

It is recommended that, in the absence of controlling choice of law and/or choice of forum provisions imposed by contract, an emphasis on performance be adopted under a harmonized system of patent law, such that the place of performance of the supply or offer is the relevant inquiry in determining where that supply or offer took place. This question becomes relevant where, for example, a person orders or offers a component, material, or apparatus of a patented product in country A, but that component, material, or apparatus is supplied in country B. With emphasis on performance, the harmonized system of patent law would look to the country where that component, material, or apparatus is actually supplied.

4. Should special rules apply to offers transmitted via electronic devices or placed on the internet?

By contrast to United States common law, the majority of international contract law provides that acceptance becomes effective when the communication is delivered to the place of business or mailing address of the offeror. The United Nations Convention on Contracts for the International Sale of Goods ("CISG") adopted this approach and simplified the analysis of contract formation over email by providing that the only two methods of communication for forming a contract are "oral declarations" and "other" types of declarations (which would include emails).

Because email communication is commonplace today, an international approach that explicitly defines when acceptance of an offer over email is effective would be helpful in determining contract formation questions. This special rule should first bundle email communications and technological developments into "other" types of declarations, similarly to the CISG approach. Second, a special international rule should state that email communications will be effective upon dispatch given that a person sending an email has a reasonable expectation that the communication will be received as long as the recipient opens it. This bright line approach would go far in eliminating confusion as to the country of origin of a contract where contract formation spans boundaries. For example, if a person in country B accepts an offer by email, that acceptance should be effective upon dispatch.

5. In a harmonised system of patent law, how should it be determined which country's law should apply to acts of offering or supplying means where persons or actions in more than one country are involved?

A harmonized system of patent law should include a requirement that the infringer intended the component means be supplied in the country whose laws are to be applied or had knowledge that, by introducing the product into the stream of commerce, it would enter into the country whose laws are to be applied. Thus, the mere offering of a component means in country A, with the product to be supplied from country B to country B or C, would be an insufficient basis for the laws of country A to apply. Similarly, the fact that a component means supplied by a party are exported to country A would be an insufficient basis for the laws of country A to apply against that supplier if there was no intent by, or knowledge of, that supplier that the component be exported to country A. Thus, in determining which country's laws should apply in a contributory infringement action where contracts and actions span international boundaries, two inquiries should be made: 1) is the offer to sell or sale occurring within that country, and 2) did the party have intent that the product be sold in that country.

6. Does your Group have any other views or proposals for harmonisation in this area?

None, other than the views expressed in the answers to the questions above.

Summary:

The United States' federal patent infringement statute is codified at 35 United States Code section 271 and sets forth provisions to determine whether an act constitutes contributory infringement. Contributory patent infringement in the United States is determined based on United States law and applied to activities occurring in the United States. This federal statute is implicated in situations when an infringing component, material, or apparatus crosses multinational borders. In determining whether an act constitutes contributory infringement, relevant considerations under the statute include, the location of an infringing act in the United States, knowledge of the infringing act, and the substantial noninfringing use of the component, material, or apparatus. A harmonized system of patent law should provide that an infringer have intent or knowledge that a component, material, or apparatus be supplied in the country whose laws are to be applied or aimed at its stream of commerce.