

**FEDERAL CIRCUIT HOLDS THAT METHOD CLAIMS ARE NOT INFRINGED
WHEN DEVICES FOR PRACTICING THE METHOD ARE EXPORTED**

Sitting en banc, the Federal Circuit recently held that § 271(f) of the Patent Act does not apply to method claims, absolving from liability parties who export devices for practicing a claimed method. The court overruled a precedential panel decision holding the opposite. The decision in *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*¹ continues the trend toward limiting the extraterritorial reach of U.S. patent law and of method claims generally.²

Background

Cardiac sued St. Jude for infringing a patent directed to a method of using an implantable heart stimulator, or ICD. An issue on appeal was whether St. Jude infringed a method claim by exporting its ICDs for use. Applying the Federal Circuit's decision in *Union Carbide Chem. & Plastics Tech. Corp. v. Shell Oil Co.*,³ the district court found that 35 U.S.C. § 271(f), which imposes liability upon parties who supply "components of a patented invention" for combination abroad, applied to both apparatus and method claims.⁴ Taking up this issue en banc, the Federal Circuit reversed, holding that § 271(f) does not apply to method claims and overruling *Union Carbide*.

35 U.S.C. § 271(f)

Section 271(f) was enacted in reaction to the Supreme Court's 1972 decision in *Deepsouth Packing Co., Inc. v. Laitram Corp.*⁵ *Deepsouth* held that exporting unassembled parts of a patented device did not constitute an act of infringement, because making or using the assembled device outside the United States was not an act of infringement. Section 271(f) imposes liability on parties who supply "components of a patented invention" outside the United States if the

¹ Nos. 2007-1296, -1347, slip op. (Fed. Cir. Aug. 19, 2009).

² Like the courts, we divide the universe of patent claims conceptually into those for a method/process (a way of doing something) or for a compound/apparatus/device (a tangible thing).

³ 425 F.3d 1366 (Fed. Cir. 2005).

⁴ 418 F. Supp. 2d 1021, 1042-44 (S.D. Ind. 2006).

⁵ 406 U.S. 518 (1972).

combination of such components in the United States would infringe.⁶ Although the Federal Circuit has applied § 271(f) numerous times since its enactment, it did not specifically address § 271(f)'s applicability to method claims until its 2005 decision in *Union Carbide*. The *Union Carbide* panel expressly held that “§ 271(f) governs method/process inventions.”⁷ The panel concluded that the defendant could be liable for exporting a catalyst needed for performing a patented method for producing a chemical compound, because the catalyst was a “component” of the invention.⁸

The Cardiac Pacemakers Decision

Bound by its earlier decision in *Union Carbide*, a panel of the Federal Circuit initially affirmed the district court's finding that St. Jude could be held liable for exporting ICDs used to practice Cardiac's patented method abroad.⁹ The court granted rehearing en banc and reversed.

Writing for the en banc court, Judge Lourie explained that a plain reading of § 271(f) conflicted with *Union Carbide*.¹⁰ Section 271(f) provides for liability when a party “supplies” one or more “components” of “a patented invention.” The term “patented invention” is used throughout the Patent Act to refer to all patentable subject matter, including both methods and devices.¹¹ In addition, the term “component” could refer to a portion of either a device or a method:

⁶ 35 U.S.C. § 271(f) provides (emphasis added):

- (1) 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.
- (2) 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.

⁷ 425 F.3d 1366, 1379-80 (Fed. Cir. 2005) (“[B]ecause § 271(f) governs method/process inventions, Shell's exportation of catalysts may result in liability . . .”).

⁸ *See id.*

⁹ 303 F. App'x. 884, 893 (Fed. Cir. 2008).

¹⁰ The opinion by Judge Lourie was joined by Chief Judge Michel and Circuit Judges Mayer, Rader, Schall, Bryson, Gajarsa, Linn, Dyk, Prost, and Moore. Judge Newman filed a dissenting opinion.

¹¹ *See Cardiac Pacemakers*, slip op. at 22.

[A] component of a tangible product, device, or apparatus is a tangible part of the product, device, or apparatus, whereas a component of a method or process is a step in that method or process. . . . Thus, method patents do have “components,” the steps that comprise the method, and thus they meet that definitional requirement of 271(f), but the steps are not the physical components used in performance of the method.¹²

Coverage of method claims was foreclosed, however, by § 271(f)’s use of the terms “supplies” and “supplied.” Judge Lourie reasoned that unlike tangible ingredients, it is not possible to “suppl[y]” a step of a method, because this term “impl[ies] the transfer of a physical object.”¹³ Accordingly, the “suppl[y]” requirement “eliminates method patents from Section 271(f)’s reach.”¹⁴

Judge Lourie went on to discuss the legislative history of § 271(f), which disclosed Congress’s intent to overturn *Deepsouth* but was “almost completely devoid of any reference to the protection of method patents”¹⁵ Judge Lourie noted as well that the court’s holding was in accord with the presumption against the extraterritorial scope of the patent laws, which applied even though § 271(f) was directed specifically to extraterritorial activities.¹⁶

Judge Newman dissented, writing that § 271(f) unambiguously applies to all “patented invention,” including method claims.¹⁷ Judge Newman also took issue with the court’s conclusion that it is not possible to “supply” a “component” of a method: “process information, as well as the results of process steps, are readily supplied from one entity to another.”¹⁸ Turning to the facts of the case, Judge Newman noted that the method claim at issue included “both

¹² See *id.* at 23, 25 (internal citation omitted).

¹³ See *id.* at 26.

¹⁴ *Id.*

¹⁵ See *id.* at 27.

¹⁶ See *id.* at 28-29; see also *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 442 (2007) (“Recognizing that § 271(f) is an exception to the general rule that our patent law does not apply extraterritorially, we resist giving the language in which Congress cast § 271(f) an expansive interpretation.”); *id.* at 455-56 (“[T]he presumption is not defeated . . . just because [a statute] specifically addresses [an] issue of extraterritorial application”; it remains instructive in determining the extent of the statutory exception.”) (quoting *Smith v. United States*, 507 U.S. 197, 204 (1993)).

¹⁷ See *Cardiac Pacemakers* (Newman J., dissenting), slip op. at 2.

¹⁸ See *id.* at 11; *id.* at 13 (noting that given the court’s prior holdings that method claims may be infringed when their steps are performed by multiple parties acting in concert, it was not physically impossible, as the majority suggested to “suppl[y]” a step of a method).

method and structural aspects,”—e.g., the “mode of operation of [an] implantable heart stimulator”—and was not so intangible as to defy logical application of § 271(f).¹⁹ Judge Newman concluded by noting that the sovereignty issues underlying the presumption against extraterritoriality were not implicated because § 271(f) is directed to domestic conduct.²⁰

Implications

Cardiac Pacemakers extends recent decisions that limit the extraterritorial application of U.S. patent law²¹ and limit the scope and enforceability of method claims generally.²² The Federal Circuit’s near-unanimous decision avoids the need to make complex, case-by-case determinations of as to whether a component step of a claimed method is “supplied” by the acts or tangible contribution of a party. At the same time, the court has highlighted an avenue for avoiding infringement of method claims, weakening the protection for these inventions.

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August 21, 2009

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¹⁹ See *id.* at 12 (quoting U.S. Patent No. 4,407,288 claim 4.)

²⁰ See *id.* at 14-15.

²¹ See, e.g., *Microsoft Corp.*, 550 U.S. 437 (holding that because master copies of software exported by Microsoft were not actually installed on the accused computer devices, Microsoft had not supplied a component of the invention).

²² See, e.g., *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), *cert. granted*, *Bilski v. Doll*, 129 S. Ct. 2735 (2009) (holding that to be patentable, a process must be tied to a particular machine or transform an particular article into a different state or thing).