



Archetype IPSM

Federal Circuit Friday

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In *Enplas Display Device v. Seoul Semiconductor* (November 19), the Federal Circuit provided guidance on the circumstances under which acts occurring outside the United States can support liability for induced infringement within the United States.

An affirmative act to encourage or facilitate infringement is one of the elements of inducement infringement under 271(b).¹ It has long been the law that affirmative acts occurring wholly outside the United States **can** form the basis for inducing infringement within the United States.

For example, in *Merial Ltd. v. Cipla Ltd.*,² the defendant (i) assisted in developing a product, (ii) manufactured the product, and (iii) shipped the finished product to a third party, all outside the United States. Viewing those extraterritorial acts in the context of defendant's knowledge of the patents, knowledge that the product was within the scope of the claims, and knowledge that the third party would import the product for sale in the United States, the Federal Circuit affirmed the district court's finding of inducement infringement.³ The court explained that "where a foreign party, with the requisite knowledge and intent, employs extraterritorial means to actively induce acts of direct infringement that occur within the United States, such conduct is not categorically exempt from redress under § 271(b)."

In *Enplas*, the extraterritorial acts were (i) manufacturing lenses for light bars used for backlighting display panels, (ii) selling the lenses to third party customers who incorporated them into flat-panel television sets, and (iii) providing specifications to the customers that recommended the use of lens configurations that were within the scope of US patents. The Federal Circuit crisply explained the general rule for this situation:

Unlike direct infringement under 35 U.S.C. § 271(a), which must occur in the United States, liability for induced infringement under § 271(b) can be imposed based on extraterritorial acts, provided that the patentee proves the defendant possessed the requisite knowledge and specific intent to induce direct infringement in the United States.⁴

¹ See, e.g., *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011) ("The addition of the adverb 'actively' [in 271(b)] suggests that the inducement must involve the taking of affirmative steps to bring about the desired result") (underline added); *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904 (Fed. Cir. 2014) ("To prove inducement of infringement, the patentee must [among other things] show that the accused inducer took an affirmative act to encourage infringement") (underline added); *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006) ("specific intent and action to induce infringement must be proven") (underline added).

Probably the most common forms of affirmative act are advertising an infringing use or providing instructions for using a product in an infringing way. See, e.g., *Takeda Pharmaceuticals v. Hikma Americas*, 785 F.3d 625, 630-31 (Fed. Cir. 2015) ("Inducement can be found where there is '[e]vidence of active steps taken to encourage direct infringement,' which can in turn be found in 'advertising an infringing use or instructing how to engage in an infringing use.'") (quoting *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005)). But, as exemplified in the *Merial* and *Enplas* cases, other kinds of acts are also commonly found sufficient to support inducement liability.

² 681 F.3d 1283 (Fed. Cir. 2012).

³ 681 F.3d at 1302-03. Although the determination of inducement infringement was in the context of a contempt proceeding for violation of a permanent injunction (imposed after trial for patent infringement), the issue squarely was whether the enjoined defendant induced infringement.

⁴ Slip op. at 14.

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Because there was evidence that the defendant lens manufacturer in *Enplas* knew of the patents, knew that the patentee believed the lenses were within the scope of the US claims, knew of its own 50% world-wide market share for the lenses, and knew that the patentee believed that it had found infringing lenses in televisions sold in the United States, the Federal Circuit determined that there was substantial evidence to support the jury verdict of inducement infringement.⁵

Merial and *Enplas* demonstrate that the *context* of extraterritorial acts is important to their sufficiency as inducing acts. For example, the extraterritorial acts at issue in *Merial* and *Enplas* would not have been inducing acts if the defendant did not know or have reason to believe that the product would subsequently be sold in the United States⁶ or if the defendants did not know (and were not willfully blind to the fact that) that the products were within the scope of a US patent.

The principle point is that acts are not insulated from being inducing under 271(b) merely because they occur outside the United States. From what I have seen over the years as outside counsel and managing in-house teams, this is not a widely-known or well-understood point and is often overlooked or misunderstood.

Here's a hypothetical to illustrate:

- Your company sells antibodies specific for a protein associated with risk of a specific cancer.
- The use of such antibodies in identifying persons at risk for that cancer are covered by US patents but not by EU patents.
- Your company sells the antibodies in both the US and EU, but in the EU your company affirmatively markets them for use in identifying persons at risk of that cancer (e.g., via application notes, other marketing collateral, seminars, or instructions included with the EU version of the product).
- If customers in the United States access the EU application notes, other marketing collateral, seminars, or instructions, and purchase the antibodies to use in identifying persons at risk of that cancer within the United States, is your company liable for inducement infringement?

There is no simple answer. Certainly, the company's efforts (if any) in limiting dissemination of the application notes, etc., to customers outside the United States would be useful evidence, as could other things like infringement warnings accompanying US sales. But one need not be very creative to imagine internal emails, sales projections, marketing plans, and discussions between salespeople and US customers that would seriously undermine your defense. To answer the question correctly (and to provide sound legal advice), it is important to thoroughly investigate the relevant facts. To reduce the risk of subsequent arising liability, one should periodically police the relevant company activities.

A secondary point is that most of the inducing acts at issue in *Merial* and *Enplas* (e.g., developing, manufacturing, selling) were not acts that themselves specifically encouraged someone to infringe. Thus, where other evidence of intent is present, then the requisite act, whether occurring in the United States or elsewhere, need not itself encourage infringement – an act that "facilitates" or is otherwise causally associated with the ultimate infringement can suffice.

⁵ *Id.* at 14-15.

⁶ Developing, manufacturing, selling, and providing instructions for a use that would be infringing in the United States all happen every day outside the United States without incurring liability under any US patent – *i.e.*, where the product is ultimately sold and used outside the United States.