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Life Technologies v. Promega: Exportation of Single Component Not Subject to Patent Liability Under Section 271(f)(1) of Patent Act

Article By:

John R. Hutchins

Jeff C. Dodd

Two patent cases that could have important implications for global supply chains were on the Supreme Court's docket for this term. One, ***Life Technologies Corp. v. Promega Corp***., 14-1538 (Feb. 22, 2017), was recently decided; the other, ***Impression Products, Inc. v. Lexmark International, Inc***., 15-1189, will be argued later this March. Before we preview *Impression Products*—a case that could have signal importance for licensing and supply chains depending on just how narrowly the Court decides the case—let us briefly review *Life Technologies*.

In *Life Technologies*, the Supreme Court clarified whether the exportation from the United States of a single component intended to be combined with other components abroad to create an invention patented in the United States may constitute infringement under Section 271(f)(1) of the Patent Act. In short, the Court held that Section 271(f)(1) did not cover the exportation of only a single component.

Section 271(f)(1) provides liability for patent infringement in certain instances where components of an invention are exported from the United States and combined abroad to create the invention. In particular, Section 271(f)(1) provides that "[w]hoever 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 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." This provision was enacted in reaction to *Deepsouth Packing Co. v. Laitram Corp*., 406 U.S. 518 (1972), which held that, under Section 271(a), the manufacture of all components of a patented machine in the United States that were then shipped to and assembled in another country did not give rise to infringement. But even after the enactment of Section 271(f), the Court had interpreted Section 271(f) through the lens of the presumption against extraterritoriality. *See, Microsoft Corp. v AT&T*, 550 U.S. 437 (2007).

The *Life Technologies* case required the Court to determine what it means to supply "a substantial portion of the components of a patented invention," and more particularly whether this was a

quantitative restriction (setting forth the number of components that must be exported) or a qualitative restriction (setting forth the importance of the exported component(s)). The Court of Appeals for the Federal Circuit had held that it was a qualitative restriction, so that the export of even a single component, if it were important to the invention, could trigger liability under Section 271(f)(1). The Federal Circuit thus had ruled that defendant Life Technologies could be liable for exporting just one component (a particular enzyme) of a patented genetic testing kit that was otherwise assembled abroad.

The Supreme Court reversed, holding that the language of Section 271(f) as a whole required that it be construed as referring to the quantity of components being exported, not their relative importance to the invention. The Court stated that this was the more administrable interpretation, given the difficulty in determining the qualitative importance of a particular component to an invention, further noting that for many inventions, every component is important. The Court thus established a bright-line rule that a single component, as a matter of law, cannot constitute "a substantial portion of the components of an invention" under Section 271(f)(1).

Nonetheless open questions remain with respect to the scope of Section 271(f)(1). For instance, the Court did not provide any guidance regarding how to delineate the "components" of an invention (in Life Technologies the parties had stipulated that only one of five components of the invention was exported). Going forward, patent owners will no doubt attempt to argue that whatever an accused infringer is exporting should be considered to be multiple components, as opposed to a single component.

Also, aside from clearly ruling that a single component could not meet the requirements of Section 271(f)(1), the Court did not determine when, for a particular invention, the exportation of multiple components constituted a "substantial portion" of the components of the invention. Justices Alito and Thomas wrote separately to highlight that exporting more than one component was a necessary, but not sufficient condition for liability under Section 271(f)(1). Thus, they would find that even if an accused infringer is exporting more than one component, it will still be able to argue that those components do not constitute a substantial portion of the components of the patented invention as a whole.

Finally, it should be noted that Section 271(f)(2) of the Patent Act, which was not the primary subject of the *Life Technologies* case, can provide infringement liability for the exportation of a single component that is intended to be used abroad with other components to assemble a claimed invention, if the single 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." In *Life Technologies*, the component that was exported (an enzyme) was a staple article capable of noninfringing use such that Section 271(f)(2) was not implicated. Following *Life Technologies*, it is clear that the export of a single, staple component will not implicate either Section 271(f)(1) or (f)(2).

The other case that we mentioned, *Impression Products*, will be argued on March 21, 2017. This case does not involve components or their assembly, but rather the sale of an article covered by U.S. patents. Two important issues will be addressed: (1) whether a "conditional sale" where title passes to a patented item but subject to post-sale restrictions on use or resale overcomes the patent-exhaustion doctrine and allows infringement actions to be maintained for use or resale outside the scope of the restrictions and (2) whether a sale of a patented article authorized by the U.S. patentee outside the United States exhausts the U.S. patent rights in that article even absent any effective post-sale restrictions, so as to allow the import of that patented article into the United States. Both issues have obvious implications for sale and distribution of products, domestically and internationally.

Where *Life Technologies* deals with export of components from the United States for assembly into an article overseas that would create infringement if imported, sold or offered in the United States, *Impression Products* involves the limitations that can be imposed through distribution channels and the implications of a failure to specify that an infringing product could be imported into the United States in an authorized sale of the product overseas. We will be addressing the implications of *Impression Products* in a later client alert. For now, it suffices to say that all those engaged in international manufacturing, assembly, sales and distributions will need to take into account both *Life Technologies* and, when decided, *Impression Products*. Stay tuned.

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