***WHO* INFRINGES?**

By Louis J. Hoffman
Hoffman Patent Firm
Phoenix, Arizona

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Background

- Claim drafting is an art, not a science.
- The Supreme Court has said that a patent is one of the most difficult legal instruments to draft.
- It is not simple to figure out what features of an invention should be included in a claim.

Claim scope

- This subject is important and much discussed – need to “define the invention”:
  - Eliminate unnecessary limitations, else infringers can easily design around
  - On the other hand, don’t cut out too much, else prior art will invalidate
  - Present a set of claims with a variety of levels of specificity
  - Present claims to different statutory classes

Our issue is not claim scope

After you figure out the proper definition of the invention, you need to worry about something else:

WHO IS THE INFRINGER?

Why worry about this issue?

- Because it is possible to write a claim
  - with proper scope,
  - accurately defining a novel invention,

THAT NO ONE CAN POSSIBLY INFRINGE!

- OR that someone can infringe

  BUT ONLY IN THEORY

  - (because they would have a defense)

Let’s consider an example

- Disclaimers –
  - (1) If anyone here wrote this claim, disregard my whole speech!
  - (2) If I ever write your client about paying a royalty on this patent, disregard my whole speech!
  - (3) Seriously, I may not know everything about this patent, and I might be missing something significant. I haven’t even read the file history.

United States Patent 6,755,741 (issued June 29, 2004)

- “Gambling game system and method for remotely-located players”
- Point of the Invention: Make casino table games more realistic when playing online

Simplified, modified version of claim 1

- Faithful to concept
- Has key limitations
- Narrowed a bit:
  - some concepts added from dependent claims
  - for clarity and ease of explanation

1. A gambling game system, comprising:

- A. a central station including a card table having a plurality of player positions at the card table;
- B. an electronic camera for each player position of the card table;
- C. a plurality of player stations remotely located from the central station, each of said player stations including a monitor, adapted to display a movie picture taken from said electronic camera, for displaying a selected player position at the card table at the central station,

Claim 1 (cont’d)

- D. input means for selecting a game device, placing a bet by a player at the player's station relating to an action involving an element of chance to occur at the selected card table and effectuating said action; and

Claim 1 (cont'd)

- E. data processing means for:
  - (a) establishing communication between said central station and each of said player stations;
  - (b) enabling a player at each player station via the input means at the player station to select a player position at the table, to see via the monitor at the player station what occurs at the table, and to place a bet at the table;
  - (c) displaying in the monitor at the player's station what happens at the table and whether the bet was won or lost; and
  - (d) maintaining accounting records.

Elements of invention (recap)

- A+B. CARD TABLE AT CENTRAL LOCATION WITH CAMERAS
- C+D. REMOTE PLAYER STATIONS WITH MONITORS AND INPUT MEANS
- E. CENTRAL COMPUTER

Assume elements are located:

- A+B in Costa Rica
- C+D in U.S., Canada, other countries
- E in Costa Rica

Conclusion

- Claimed invention (system) is not located in the U.S.

Let's get more general

- What is the lesson?
  - Always consider who is the infringer
- **Why?**
  - Because of limits on scope of possible enforcement of U.S. patents.
- Where are those limits found?
  - In the patent statute itself.

Two generally applicable legal issues

1. Patents have no extraterritorial effect:
   - Patents are U.S. patents, after all
2. There are limits on indirect infringement:
   - contributory infringement
   - inducement to infringe

Other practical or specialty issues

1. Collaboration
2. Internet
3. Specialty patent rules
   - especially in medical/drug field

1. Territorial scope of patents

- Infringement section of Patent Act, 35 U.S.C. §271(a):
  - (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, ***within the United States*** or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.
- BUT, there are exceptions to the U.S.-only rule

Exception #1: Exports (35 U.S.C. §271(f))

[statutory language restructured and abridged for clarity:]

- (f) Whoever without authority supplies or causes to be supplied ***in or from the United States***
  - (1) all or a substantial portion of the ***components of a patented invention***, or
  - (2) 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 components are uncombined in whole or in part,
    - *<and intending/actively inducing>* 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.

Exception #2: Imports (35 U.S.C. §271(g))

(g) Whoever without authority ***imports into the United States*** or offers to sell, sells, or uses within the United States

- ***a product which is made by a process patented in the United States***
- shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent.

Apply those rules to the gambling patent

- System claim (apparatus)
- Most of system located outside of U.S. territory
- Does §271(a) apply to the system claim?
  - Did target make the system within United States?
  - Did target sell or offer to sell the system within the United States?
  - Did target import the system into the United States?
  - Did target use the system within the United States?

Research-In-Motion v. NTP (Blackberry case)

- The site of use of a patent is “the place at which the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system obtained.”

Do §271(f)/(g) apply? (System claim)

§271(g)?

- Applies only to patented methods.

§271(f)?

- Did target export a substantial portion of the components of the system?
- Did target export a key component of the system that isn't a staple article?
- What if target exported the *software*?

Eolas Technologies, Inc. v. Microsoft Corp., 399 F.3d 1325 (Fed. Cir. 2005)

- Export of “golden master disks” containing infringing software for inclusion into a foreign-made product constitutes the “supply” of a “component” of a patented invention under §271(f)

AT&T Corp. v. Microsoft Corp.,

Appeal No. 04-1285 (Fed. Cir. July 13, 2005)

- "sending a single copy abroad with the intent that it be replicated invokes §271(f) liability for those foreign-made copies" because master disk was "component" of patented invention
- ***Dissent*** (Judge Rader): copies of software made abroad are manufactured abroad, and are therefore outside the reach of U.S. patent law

What is a “component”?

- §271(f) “components” not limited to physical components – a chemical catalyst qualified as a supplied “component”
  - *Union Carbide Chemicals & Plastics Tech. Corp. v. Shell Oil Co.*, Appeal No. 04-1475, -1512 (Fed. Cir. Oct. 3, 2005)
- §271(f) “component” does not cover export of plans/instructions of patented item to be manufactured abroad
  - *Pellegrini v. Analog Devices*, 375 F.3d 1113 (Fed. Cir. 2004)
- §271(g) “component” does not apply to importation of ‘intangible information’
  - *Bayer v. Housey Pharms.*, 340 F.3d 1367 (Fed. Cir. 2003)

What about the patent's method claim?

- Method claim (abridged but not edited at all):

27. A method of providing gambling services, comprising:
    A. providing a central station with … an electronic camera for each game device;
    B. providing each of a plurality of player stations, remotely located with respect to said central station, with a monitor … and input means …; and
    C. providing data processing means at said central station and said player stations for ….

- This method is not wholly practiced in the United States

Does §271(a) apply? (Method claim)

- "Make" or "import" branches seem inapplicable to patented methods.
- Did target use the method within the United States?
  - *Research-In-Motion v. NTP* (Blackberry case)
  - "We therefore hold that a process cannot be used 'within' the United States as required by section 271(a) unless each of the steps is performed within this country."
- Are sell or offer to sell branches applicable to patented methods?
  - *Research-In-Motion v. NTP* (Blackberry case) (not holding)
  - "It is difficult to envision what property is transferred merely by one party performing the steps of a method claim in exchange for payment by another party. Moreover, performance of a method does not necessarily require anything that is capable of being transferred"

Do §271(f)/(g) apply? (Method claim)

- §271(g)? Did target import a product made by the method?
- §271(f)?
  - Can §271(f) apply to methods in the first place?
    - *NO: NTP v. Research in Motion (*Blackberry case):
    - *YES: AT&T v. Microsoft*, 414 F.3d 1366 (Fed. Cir. 2005), cert. filed.
    - *YES: Eolas v. Microsoft*, 399 F.3d 1325 (Fed. Cir. 2005)
  - Did target export a substantial portion of the components needed to practice the method?
  - Did target export a key component needed to practice the method that isn't a staple article?
    - *NTP v. Research in Motion:* supplying U.S. customers with products not a §271(f) issue, even if customers plan to perform a method using the product partially abroad that would infringe if performed wholly within the U.S.

2. Limits on Indirect Infringement (wholly U.S. activities)

- Issue: Suppose multiple persons or entities are needed to create an infringement
- §*271(b) – inducing infringement*
  - Must actively and knowingly aid and abet direct infringement by another person or entity
  - Must know of the patent
  - Still requires that the other person or entity directly infringe all alone
  - If you don't take active steps to encourage direct infringement, then merely selling an article that has a substantial noninfringing use does not amount to inducement

Section 271(c) – contributory infringement

- Must sell component of patented invention
- Component must be material part of the invention
- Knowledge/intent requirement
- Especially adapted for infringement; not staple or commodity suitable for substantial noninfringing use

Conspiracy to infringe/joint infringements?

- Developing issue
  - *On Demand Machine Corp. v. Ingram Indus., Inc.*, (Fed. Cir. 3/31/06)
    - In dicta, approving following jury instruction:

"It is not necessary for the acts that constitute infringement to be performed by one person or entity. When infringement results from the participation and combined action(s) of more than one person or entity, they are all joint infringers and jointly liable for patent infringement. Infringement of a patented process or method cannot be avoided by having another perform one step of the process or method. Where the infringement is the result of the participation and combined action(s) of one or more persons or entities, they are joint infringers and are jointly liable for the infringement."

  - *Freedom Wireless, Inc. v. Boston Communications Group, Inc.*, Nos. 06-1020 and -1078 to 99 (Fed. Cir. 12/15/05)
    - Unpublished order vacating an injunction pending appeal because: "This court has not directly addressed the theory of joint infringement and there is relatively little precedent on that issue."

Conspiracy to infringe/joint infringements?

- Some contrary authority and criticism
  - Lemley et al., *Divided Infringment Claims*, 33 AIPLA Q.J. 255 (2005) (summarizing law as follows: No direct infringement occurs for divided infringement and indirect infringement is not present without showing an intent to infringe or agency, lest the purposes of the patent statute provisions on contributory infringement and inducing infringement are circumvented).

Suppose Costa Rica was in Nevada …

- Import and export rules completely inapplicable.
- For the gambling patent: Direct infringement (§271(a))?
  - WHO makes the system?
    - Computer maker?
    - Camera maker?
  - WHO sells (or offers for sale) the system?
    - Equipment supplier/OEM to the casino?
    - Casino?
  - WHO uses the system/method?
    - Casino?
    - Gambler?

Indirect infringement?

- Inducement to infringe (§271(b))?
  - WHO infringed?
  - WHO induced that infringement?
- Contributory infringement (§271(c))?
  - WHO sells (or offers for sale) a specially adapted, non-staple, material component (i) of the system or (ii) of an apparatus used in practicing the method?
    - Computer maker?
    - Camera maker?
    - Software supplier? *** *(Best bet, but…)*

3. Statutory "Free Passes"
(for infringement by certain persons)

- §271(b), (c), (f), (g): Free pass for unintentional infringement in inducement/contribution/Process Patent Act cases – must show knowledge of the patent
- §105: Inventions made, used, or sold in outer space (ordinarily considered U.S.); free pass for inventions used under international agreements
- §271(e)(1),(3): Free pass for use of site-specific genetic manipulation techniques used for development and submission of information required by the FDA in approving new drugs
- §272: Free pass for inventions used on, and for the needs of, vessels, aircraft, or vehicles entering the U.S. temporarily or accidentally

More Statutory "Free Passes"

- §273: Partial free pass for certain "prior users" of patented methods of doing or conducting business
- §287(a): Free pass for unintentional infringement in cases where an apparatus is not marked with patent markings
- §287(c): Free pass for medical practitioners or related health care entities for practicing medical or surgical procedures on the human body or in animal research (but does not apply to medical equipment patent claims or drug/biotech method claims)
- U.S. Const., 11th Amend.: Free pass for states and state agencies (notwithstanding §296)

Statutory “Free Passes”- Lesson

- “FREE PASSES” PROVIDE ADDED REASONS TO CONSIDER WHO INFRINGES, FOR CERTAIN TYPES OF PATENTS

4. Practical considerations

- Cross-licenses or other previously granted contract rights
- Desire to avoid suing sympathetic defendants (*e.g.*, Napster instead of file sharers in the general public)
- Desire to avoid suing defendants who have leverage (*e.g.*, customers instead of competitors)
- Desire to keep damages, license fees high (*e.g.*, who benefits most from the invention?)
- Desire to avoid diffuse infringement situations (small damage or multitude of infringers)

Practical considerations - Lesson

- SUCH PRACTICAL CONSIDERATIONS PROVIDE ADDED REASONS TO CONSIDER WHO INFRINGES

What does all this mean for our practices?

- When claim drafting, consider who infringes
- Consider especially carefully those inventions that (usually or always):
  - Can be practiced by multiple actors or combinations of equipment
  - Can be practiced remotely, especially in international contexts
- Write different claims directed at different sorts of infringers

Example #1: Novel email system

Possible claims:

- Program/computer/method at the email "client"
- Email in network (or propagated-signal claim?)
- Program/method of retrofitting a conventional email program

Directed at:

- End user
- Network administrator
- Software company

Example #2: Offsite internet advertising system

Possible claims:

- Method of marketing
- Method of advertising with referrals
- Method of placing advertisers and ad space providers together
- System with computers at two websites linked by the Internet

Directed at:

- Referring website
- Advertising website accepting referral
- Broker/agent
- No one <?!>

Example #3: Automobile anti-theft device

Possible claims:

- Automobile with device installed
- Device itself
- Method of retrofitting device
- Method of using device

Directed to:

- Car manufacturer
- Auto supplier
- Aftermarket installer
- End user

Conclusion

When writing a claim,

Always think:

Who infringes?