
**IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

2007-1296, -1347

CARDIAC PACEMAKERS, INC.
AND GUIDANT SALES CORPORATION,

Plaintiffs-Appellants,

AND

MIROWSKI FAMILY VENTURES, LLC AND ANNA MIROWSKI,

Plaintiffs-Appellants,

v.

ST. JUDE MEDICAL, INC.
AND PACESETTER, INC.,

Defendants-Cross Appellants.

On Appeal From The United States District Court
For The Southern District Of Indiana
In No. 96-CV-1718, Judge David F. Hamilton

**BRIEF OF *AMICI CURIAE* FEDERAL CIRCUIT BAR ASSOCIATION
AND AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT
OF CROSS-APPELLANTS' PETITION FOR REHEARING *EN BANC***

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The Federal Circuit Bar Association
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2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus* represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or who are expected to appear in this court are:

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STATEMENT OF INTEREST OF *AMICI CURIAE*

This brief is submitted jointly by the Federal Circuit Bar Association (FCBA) and the American Intellectual Property Law Association (AIPLA), reflecting their common view.

The FCBA is a national bar association with over 2,600 members from across the country, all of whom practice before or have an interest in the decisions of the Court of Appeals for the Federal Circuit. The FCBA offers a forum for discussion of common concerns of the Court and the bar. One of the FCBA's purposes is to render assistance to the Court in appropriate instances, both in procedural and substantive practice areas.

The AIPLA is a national bar association of more than 16,000 members drawn from private and corporate practice, government service, and the academic community. The AIPLA represents a diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law. AIPLA members represent both owners and users of intellectual property.

The FCBA and AIPLA have a substantial interest in this patent case because of the need to reflect the important views of the Federal Circuit bar, the intellectual property law bar, and the inventing community. This joint submission seeks to

resolve conflicts between the Panel decision in this case and other decisions of this Court and the Supreme Court.

Defendants-Cross Appellants consented to the filing of this brief; Plaintiffs-Appellants did not consent to the filing of this brief. The FCBA and AIPLA are therefore concurrently filing a motion for leave to file this brief pursuant to Federal Rule of Appellate Procedure 29.

SUMMARY OF THE ARGUMENT

Relying on *Union Carbide Chemicals & Plastics Technology Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005), the Panel in this case perpetuates the erroneous extension of 35 U.S.C. § 271(f) to process patents. In doing so, the Panel fails to recognize that *Union Carbide's* expansive reading of the statute was substantially undermined by intervening Supreme Court authority in *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 127 S. Ct. 1746 (2007), which deprived *Union Carbide* of the two principal authorities underlying its interpretation of Section 271(f).

In addition, the Panel decision here ignores this Court's earlier binding precedent in *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 953 F.2d 1360 (Fed. Cir. 1992). Long before either *Union Carbide* or *Microsoft*, *Standard Havens* held that Section 271(f) is not implicated by foreign sales of products used in a patented process – the same activity at issue in the present case.

Even aside from *Microsoft* and *Standard Havens*, the language, structure, and legislative history of Section 271 all demonstrate that Congress never intended Section 271(f) to apply to process patents.

For all of these reasons, this Court should reconsider the unjustified expansion of Section 271(f).

I. THE RATIONALE FOR *UNION CARBIDE'S* EXPANSIVE READING OF SECTION 271(F) WAS UNDERMINED BY THE SUPREME COURT'S DECISION IN *MICROSOFT V. AT&T*

In the present case, the Panel erroneously affirmed recovery of damages attributable to foreign use of a patented process, rejecting the argument that Section 271(f) does not reach process patents. Relying on the 2005 *Union Carbide* decision that Section 271(f) applies to process patents, the Panel failed to recognize the effect of the Supreme Court's 2007 *Microsoft* ruling.

Although the Supreme Court in *Microsoft* refrained from deciding whether a method can be a "patented invention" within the meaning of Section 271(f), 127 S. Ct. at 1756 n.13, its statutory analysis compels the conclusion that *Union Carbide* was wrongly decided. *Microsoft* addressed an alleged Section 271(f) violation based on the "supply" from the United States of "components" (software) of a "patented invention" (a specially-configured computer) for combination (installation) outside the United States. A key finding of *Microsoft* was that software, in its abstract form, cannot qualify under Section 271(f) as a "component" that is either "supplied" or "combined," but instead must exist in a physical embodiment to fall within the scope of the statute. *Microsoft*, 127 S. Ct. at 1755. The Supreme Court thus imposed a physicality requirement on the "components" covered by Section 271(f), thereby implying that the combination of supplied components must produce a "patented invention" that is physical as well.

The Supreme Court's interpretation of Section 271(f) is contrary to the authority on which *Union Carbide* relied.

In reaching its decision, the Supreme Court not only reversed *AT&T v. Microsoft Corp.*, 414 F.3d 1366 (Fed. Cir. 2005), but also rejected the rationale of *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005), the other decision on which *Union Carbide* relied. *See Microsoft*, 127 S. Ct. at 1755-57. *Eolas* decided that the exact same activity at issue in *Microsoft*, namely, Microsoft's supply of a Windows master disk to foreign computer manufacturers, was an infringement. In holding that Microsoft's activity infringed Eolas' patent under Section 271(f), the panel found that the intangible software code on the master disk was a "component" of a patented invention that was "supplied from the United States." *Eolas*, 399 F.3d at 1341. That finding, however, cannot be reconciled with the Supreme Court's contrary finding in *Microsoft*. 127 S. Ct. at 1755-57. Thus, the portion of *Eolas* relied upon by the *Union Carbide* panel was effectively overruled.

The Supreme Court in *Microsoft* explained that Section 271(f) was specifically enacted to remedy a perceived loophole in U.S. patent law regarding *product* patents, not process patents. 127 S. Ct. at 1751-52. The decision also noted that the statute is addressed to a "component of a patented invention" that is both "combinable" and capable of being "supplied from the United States," neither

of which logically can be said about the intangible steps that make up a process. *Id.* at 1755-57. The Supreme Court further cautioned that Section 271(f) must be construed narrowly, as it reflects an exception to the general rule that U.S. patent law does not apply extraterritorially. *Id.* at 1758. Construing Section 271(f) broadly to reach process patents ignores that caution.

II. EVEN WITHOUT MICROSOFT, THERE IS AMPLE AUTHORITY FOR THIS COURT TO FIND THAT UNION CARBIDE AND THE PANEL DECISION HERE WERE WRONGLY DECIDED

Independent of the *Microsoft* decision, both this Court's own precedent and the Congressional intent embodied in the language and framework of 35 U.S.C. § 271 counsel strongly in favor of this Court reconsidering the extension of Section 271(f) to process patents.

A. In *Standard Havens*, This Court Previously Ruled That Section 271(f) Does Not Reach Process Patents

The question of whether Section 271(f) applies to process patents was answered in the negative by the earlier panel decision in *Standard Havens*. That decision should have controlled in *Union Carbide*. However, the *Union Carbide* decision failed to even acknowledge *Standard Havens*, let alone distinguish it, even though that case was generally understood to have held that Section 271(f)

does not apply to process patents.¹ *See, e.g., Synaptic Pharms. Corp. v. MDS Panlabs, Inc.*, 265 F. Supp. 2d 452, 464 (D.N.J. 2002) (relying on *Standard Havens* and collecting cases holding that Section 271(f) does not apply to process patents); *Enpat, Inc. v. Microsoft Corp.*, 6 F. Supp. 2d 537, 539 (E.D. Va. 1998) (“Clearly, had Congress intended to prohibit U.S. companies from exporting products which allow foreign companies to make unauthorized use of patented methods, it could have done so in clear, unambiguous language like that found in § 271(g).”). In fact, before *Union Carbide*, leading patent scholars had considered the issue settled. *See, e.g., Mark A. Lemley et al., Divided Infringement Claims*, 6 Sedona Conf. J. 117, 121 (2005) (“Section 271(f) does not apply at all to process claims”); Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 Va. J. Int’l L. 603, 607 (1997) (Section 271(f) “does not cover manufacture and export of a component for use in a patented process”).

¹ Four members of this Court dissented from the decision not to rehear the *Union Carbide* case *en banc*. *See Union Carbide Chems. & Plastics Tech Corp. v. Shell Oil Co.*, 434 F.3d 1357, 1358 (Fed. Cir. 2006) (Lourie, J., dissenting) (“The present holding is also contrary to our holding in *Standard Havens*, where we held that ‘we do not find the provisions of 35 U.S.C. § 271(f) (1988) to be implicated’ in a situation where an apparatus for use in a patented process was sent abroad.”) (citation omitted).

Standard Havens has never been explicitly overruled, and the *Union Carbide* decision could not have had the effect of silently overruling it. *Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988) (prior panel decisions govern later panel decisions until overturned *en banc*).

B. By Its Plain Language, Section 271(f) Does Not Reach Process Patents

The extension of Section 271(f) to process patents, as first announced in *Union Carbide*, is at odds with the statute's requirement that, to be covered, "patented inventions" must have "components" that can be "supplied." *Union Carbide's* novel treatment of processes as consisting of "components" rather than "acts" is inconsistent with the text of Section 271 and years of precedent.

It is well understood that processes consist of steps and nothing more. *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1322 (Fed. Cir. 2005) ("A method, by its very nature, is nothing more than the steps of which it is comprised."). That processes can involve the use of materials does not change this — the materials acted upon are not "components" of the process. Indeed, this Court has expressly rejected the suggestion that a process is comprised of the materials used to perform it. *In re Kollar*, 286 F.3d 1326, 1332 (Fed. Cir. 2002)

(noting that a “process, however, is a different kind of invention; it consists of acts”).²

By its express terms Section 271(f) is implicated only upon the supply of a “component” of a “patented invention,” and the panel in *Union Carbide* concluded that the phrase “patented invention” must be construed to cover all patentable subject matter, whether claimed as a product or a process. *Union Carbide*, 425 F.3d at 1378-79. In reaching that conclusion, however, the panel ignored the context of the phrase, which is modified by the terms “supplies” and “any components.” This context necessarily limits the scope of the phrase “patented invention” to *products*, because no *process* includes “components” that can be “supplied.” In addition, the surrounding text makes clear that the “component” must be “especially made or especially adapted for use in the invention” and cannot be a “staple article or commodity of commerce suitable for substantial noninfringing use.” 35 U.S.C. § 271(f)(2). One cannot make or adapt a process step — an act — that can be supplied, nor can an act be a staple article or commodity of commerce. *Cf. Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367,

² In addition, Section 271(c) distinguishes between a “component” of a “patented machine, manufacture, combination or composition” and a “material or apparatus for use in practicing a patented process,” reinforcing the notion that materials used in processes are not themselves “components.” 35 U.S.C. § 271(c).

1374 (Fed. Cir. 2003) (limiting Section 271(g) to articles “manufactured” abroad due to “made” requirement).

Indeed, in *NTP* this Court expressed doubt about whether, given the fundamental difference between process and product claims, Section 271(f) could apply to processes:

[I]t is difficult to conceive of how one might supply or cause to be supplied all or a substantial portion of the steps of a patented method in the sense contemplated by the phrase ‘components of a patented invention’ in Section 271(f).

NTP, 418 F.3d at 1322. *Union Carbide* reached its erroneous result only by treating processes as comprising not only the claimed steps, but also the materials used to perform those steps — a view this Court has historically rejected.

C. The Statutory Framework and Legislative History Confirm That Section 271(f) Does Not Apply to Process Patents

The statutory framework and legislative history of 35 U.S.C. § 271 also demonstrate unequivocally that Congress intended to confine Section 271(f) to product patents. Sections 271(f) and (g) were added to the Patent Statute as complementary measures, each aimed at providing a cause of action for a different form of foreign “infringement” of U.S. patents. Congressional discussion of the measures confirms that Section 271(g) was drafted to govern *process* patents, while Section 271(f) was drafted to cover *product* patents:

The first change concerns *process patents*. Subsection (2) [now § 271(g)] amends section 271 of the patent law to add to the exclusive

rights provided by a patent the right to exclude others from importing into the United States products produced by the patent.

* * *

The second major change made by section 101 [now § 271(f)] will prevent copiers from avoiding U.S. patents by supplying components of a *patented product* in this country so that the assembly of the components may be completed abroad.

130 Cong. Rec. H10,525 (1984) (emphasis added).

Before the bill went to a vote, proposed Section 271(g) was tabled for further discussion, while proposed Section 271(f) was pushed ahead. Mr. Kastenmeier, then chairman of the House Judiciary Subcommittee on Intellectual Property, juxtaposed the “process” protection of Section 271(g), no longer in the bill, with the “product” protection of Section 271(f):

I note parenthetically that the two most controversial provisions – relating to *process patent protection* and changes in the rules with respect to foreign license filing – have been omitted.

* * *

Section 101 [now § 271(f)] of the bill provides that a *product’s patent* cannot be avoided through the manufacture of component parts within the United States for assembly outside the United States.

Id. at H12,231 (emphasis added).

When Congress revisited the process patent issue in 1988, it acknowledged that even with Section 271(f) in the statute there was no protection against foreign use of a patented process:

Under existing conditions ... in the case of a process patent there is no effective way by which a patent owner can prevent a firm from

duplicating and using the protected process overseas and then selling the product of that process in the United States.

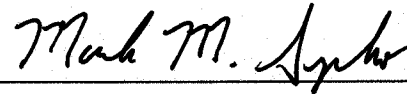
135 Cong. Rec. H5,526 (1988).

Thus, Congress viewed its corrective amendments to the patent law as separate and distinct prongs — Section 271(f) regulated the export of unassembled parts of patented products, and Section 271(g) regulated foreign use of patented processes. The *Union Carbide* panel upset this carefully-crafted statutory framework when it construed Section 271(f) as extending to process patents, and the Panel decision in this case propagated that error.

III. CONCLUSION

For the foregoing reasons, this Court should grant the Cross-Appellants' petition for rehearing *en banc*. The Panel decision adopted an erroneous extension of Section 271(f) to process patents, following *Union Carbide*. This Court should correct that error and bring its decisions into line with the language, structure and legislative history of Section 271(f), as recently clarified by the Supreme Court in *Microsoft*.

Respectfully submitted,



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The undersigned hereby certifies that, on January 30, 2009, two true and correct copies of the foregoing Brief of Amici Curiae Federal Circuit Bar Association and American Intellectual Property Law Association in Support of Cross-Appellants' Petition for Rehearing En Banc were served via Federal Express, next day delivery, to the attorneys of record as follows:

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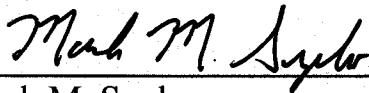
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