

Keywords: 271(f); foreign sales; willful infringement

General: Sales of a component used in infringement of a patented method abroad may be considered in a damages award under 35 U.S.C. 271(f). The failure to obtain a legal opinion does not create a negative inference in determination of willful infringement.

Union Carbide Chemicals & Plastics v. Shell Oil Co.

76 U.S.P.Q.2d 1705 (Fed. Cir. 2005)

Decided October 3, 2005

I. Facts

Union Carbide owns several patents relating to the manufacture of ethylene oxide (EO) used to make polyester fibers, resins and films, and that can be converted to monoethylene glycol (MEG). One of its patents, U.S. patent no. 4,916,243 (the '243 patent) claims processes for producing EO under specified conditions and with particular catalysts, including combinations of silver, cesium and alkali metal. A dependent claim 4 specifies that the alkali metal is lithium. The independent claim in question here also recites a specific "characterizing test" for infringement along with a recitation of enhanced efficiency computed by a specified formula.

Shell makes EO, among other products. Shell became aware of the '243 patent during a routine patent monitoring program, but did not believe that the efficiency equation component was met. Shell, apparently following threats by Union Carbide, sued Union Carbide in 1999 in Texas, requesting declaratory judgment of non-infringement and invalidity. Union Carbide also sued Shell in the District of Delaware for infringement. The two cases were consolidated for trial in Delaware.

A jury trial eventually ensued, followed by an appeal to the Federal Circuit, then another jury trial on remand, and this appeal to the Federal Circuit. The second jury trial resulted in a finding of infringement by Shell, and an award of some \$111 million in damages.

Shell appealed on a number of grounds, including on findings by the jury of infringement, the tests used to determine infringement, and so forth. Many of these issues were similar to those reviewed previously by the Federal Circuit.

Among the other issues reviewed on appeal were a cross appeal by Union Carbide of the damages award. Shell exported a catalyst determined to correspond to that defined in the '243 claims (although the claims at issue were method claims) to its subsidiaries abroad that was used in the production of EO. Union Carbide contended that 35 U.S.C. 271(f) would make the sales of EO made abroad subject to the awards calculation.

Union Carbide also cross appealed the denial of a finding of willful infringement on the basis that Shell knew of the '243 patent and continued with infringing activity.

II. Issue

- A. Was the exclusion of Shells exportation of catalyst from the damages award in error?
- B. Was the denial of a finding of willful infringement by Shell in error?

III. Discussion

A. Yes. 35 U.S.C. 271(f) provides:

- (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.

The Federal Circuit had already decided in the *Eolas v. Microsoft* case that 271(f) applies to both apparatus (physical “component” supply) and to methods. That case concerned the supply of a master disc with code that was used to program computers abroad in a manner that infringed Eolas’ patented method.

In another Federal Circuit case, *NTP v. Research in Motion*, handheld devices were sold in the U.S. and could sometimes be used abroad. The court held that potential foreign use of the devices did not warrant damages for such use.

In this case, the court found that Shell’s activities were more similar to Microsoft’s in the *Eolas* case. Perhaps even more compelling, Shell sold the catalyst to its subsidiaries for the express purpose of making EO and MEG. Because the catalyst was expressly made and supplied to carry out the method of claim 4 of the Union Carbide patent, the court reversed the district court’s denial of inclusion of such sales in the damages award, and remanded the case for review of the award.

- B. No. The court reiterated that no negative inference necessarily flowed from the absence of a written opinion. Rather, the issue appears to turn on whether the infringing party acts reasonably with knowledge of the patent. In this case, the court found that Shell’s counsel had considered the patent reasonably. Indeed, the first district court ruling (later reversed by the Federal Circuit) had generally followed the reasoning of Shell’s counsel. The fact that he was ultimately wrong, and even deemed an opinion unwarranted did not imply that Shell had acted unreasonably.