Keywords: **35 U.S.C. § 271(b); Patent Infringement – Inducement**

General: **Defendants in action for infringement of patent are not entitled to summary judgment on plaintiff's claim for inducement under 35 U.S.C. § 271(b) since defendants had knowledge of plaintiff's patent, as well as knowledge of allegedly infringing activities in United States, and there is evidence that defendants provided substantial technical support to U.S. company that used accused wafers and that defendants were not only aware of potentially infringing activities by U.S. company, but also intended to encourage those activities.**

MEMC Electronic Materials Inc. v. Mitsubishi Materials Silicon Corp.
420 F.3d 1369, 76 U.S.P.Q.2d 1276 (Fed. Cir. 2005)
Decided August 22, 2005

I. Facts

MEMC Electronic Materials Inc. ("MEMC") is the assignee of record of U.S. Patent No. 5,919,302 (the "'302 patent") relating to the preparation of semiconductor grade single crystal silicon, which is used in wafer form in the manufacture of electronic components such as integrated circuits. MEMC brought suit in the United States District Court for the Northern District of California against Mitsubishi Materials Silicon Corp. et al. ("SUMCO"). In its suit, MEMC alleged direct infringement of the '302 patent under 35 U.S.C. § 271(a) and inducement of infringement under 35 U.S.C. § 271(b). The district court granted summary judgment in favor of SUMCO on the grounds that, as a matter of law, they could not be liable for either direct infringement or inducement of infringement.

SUMCO sells the accused silicon wafers to Samsung Japan, which then sells the wafers to Samsung Austin. The wafers are manufactured exclusively outside of the United States at SUMCO's manufacturing plant in Yonezawa, Japan according to specifications provided by Samsung Korea. Typically, Samsung Japan sends SUMCO an electronic purchase order specifying the number of wafers to be manufactured. At some point after the purchase order is received, SUMCO processes the order and manufactures the wafers. The wafers then are packed in boxes at the Yonezawa plant and delivered to a Yonezawa packaging company. SUMCO attaches a packaging label that indicates the destination of the wafers to be Austin, Texas. The packaging company, in turn, transports the boxes to its own facility for shipment to Samsung Austin's semiconductor fabrication plant in Austin, Texas.

MEMC contends that contracts were actually formed between SUMCO and Samsung Austin. MEMC submitted a series of e-mails between SUMCO and a Samsung Austin engineer, which suggest that SUMCO provides Samsung Austin with detailed electronic test data on the wafers for the purpose of obtaining Samsung Austin's approval for shipment before SUMCO turns the wafers over to the packaging company for shipment to the United States. These e-mails also suggest that SUMCO and Samsung Austin communicated directly and independently of Samsung Japan in order to coordinate shipment dates and the quantity of wafers sent in each shipment, subject to Samsung Austin's final approval. In addition, the e-mails represent communications directly between Samsung Austin and SUMCO that address various problems Samsung Austin encountered with the wafers.

In addition, MEMC presented evidence suggesting that SUMCO personnel made several on-site visits to the Samsung Austin plant. MEMC pointed to deposition testimony of Yoshihiro Wakisawa, an engineer at SUMCO, and Toshihiro Awa, SUMCO's International Sales Manager. These SUMCO employees admitted taking trips to the Samsung Austin facility in 2000 and 2001, where they made technical presentations concerning the accused wafers.

II. Issues

A. Did the district court err in granting summary judgment to SUMCO on the issue of direct infringement?

B. Did the district court err in granting summary judgment to SUMCO on the issue of inducement of Samsung Austin's infringement?

III. Discussion

A. No. The first question in this case is whether SUMCO's activities in the United States, as would be construed by a reasonable jury, are sufficient to establish an "offer for sale" or "sale" within the meaning of 35 U.S.C. § 271(a). It is well-established that the reach of section 271(a) is limited to infringing activities that occur within the United States. Liability for an "offer to sell" under section 271(a) is defined "according to the norms of traditional contractual analysis." Thus, the defendant must communicate a "manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it."

MEMC has not presented any relevant evidence to support its claim that SUMCO offered to sell the accused wafers to Samsung Austin in the United States. MEMC points to no evidence of negotiations occurring in the United States between SUMCO and Samsung Austin. At the same time, transmittal of e-mails containing technical data from SUMCO to Samsung Austin cannot constitute an "offer for sale."

The e-mails, while containing a description of the allegedly infringing wafers, do not contain any price terms. Accordingly, on their face, the e-mails cannot be construed as an "offer" which Samsung Austin could make into a binding contract by simple acceptance. MEMC contends that the e-mails contain an implicit price term – one that has been previously agreed upon by Samsung Japan and SUMCO. However, in the circumstances of this case (where the e-mails did not incorporate a price term), any negotiations that may have occurred between Samsung Japan and SUMCO outside of the United States are irrelevant to the inquiry of whether, in the United States, SUMCO has offered to sell the accused wafers.

The undisputed evidence is as follows: (1) Samsung Japan alone controls when SUMCO receives an electronic purchase order and how many wafers are ordered, (2) Samsung Japan designates a third party packaging company to transport the wafers to Samsung Austin, (3) Samsung Japan arranges for the packaging, labeling, and shipping of the wafers, and (4) Samsung Japan pays SUMCO electronically for the wafers after they are delivered by the packaging company. Significantly, as far as the sale is concerned, MEMC points to no additional evidence. Thus, any "sale" of the wafers took place between SUMCO and Samsung Japan, and the sale occurred in Japan where all of the essential activities took place.

In short, MEMC has presented no evidence demonstrating that SUMCO sold the accused wafers to Samsung Austin in the United States. Based upon the foregoing, the district court did not err in granting summary judgment of no direct infringement under 35 U.S.C. § 271(a).

B. Yes. Under section 271(b), "[w]hoever actively induces infringement of a patent shall be liable as an infringer." In order to succeed on a claim of inducement, the patentee must show (1) that there has been direct infringement and (2) that the alleged inducer knowingly induced infringement and possessed specific intent to encourage another's infringement. While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice.

As a preliminary matter, the indemnity provision in this case may have facilitated the sale of the accused wafers, but there is no evidence that the primary purpose of the agreement was to induce Samsung Japan to infringe the '302 patent. As noted by SUMCO, given that the sale of the wafers from SUMCO to Samsung Japan occurred in Japan, it is more reasonable to conclude that the indemnity clause relates to claims of patent infringement under Japanese law.

There are genuine issues of material fact with respect to whether SUMCO induced infringement of the '302 patent on the part of Samsung Austin. First, SUMCO had knowledge of MEMC's patent as well as knowledge of Samsung Austin's potentially infringing activities. Second, there is evidence that SUMCO provides substantial technical support to Samsung Austin in the form of e-mail communications. The series of e-mails between SUMCO and the engineer at Samsung Austin also demonstrate that SUMCO works with Samsung Austin to coordinate shipment dates and the quantity of wafers sent in each shipment and that SUMCO makes adjustments in the manufacturing process in order to address problems Samsung Austin encounters with the wafers. Third, there is evidence that in 2002, SUMCO sent a shipment of wafers directly to Samsung Austin in order to address technical problems with previously-supplied SUMCO wafers. Fourth, there is evidence that SUMCO personnel made several on-site visits to Samsung Austin, making technical presentations regarding the SUMCO wafers. Finally, evidence was offered that Samsung Austin will not enter into an agreement to buy wafers from a wafer supplier unless the supplier will also provide Samsung Austin with technical support for the wafers.

Based on this evidence, viewed in the light most favorable to MEMC, a reasonable jury could have found intent to induce infringement. A reasonable jury could conclude that the e-mail communications between SUMCO and Samsung Austin in the United States represent product support which enabled Samsung Austin to purchase and use the accused wafers. As for the requirement of specific intent to encourage infringement, it is undisputed that SUMCO knew of the existence of the '302 patent because it received a letter concerning it.[1] Moreover, the series of e-mails between SUMCO and Samsung Austin provide sufficient circumstantial evidence for a reasonable jury to conclude that SUMCO was not only aware of the potentially infringing activities in the United States by Samsung Austin, but also that SUMCO intended to encourage those activities.

IV. Conclusion

Summary judgment of non-infringement on MEMC's direct infringement claim was proper. However, because there are genuine issues of material fact with regard to whether SUMCO is liable for induced infringement of the '302 patent under 35 U.S.C. § 271(b), the district court erred in granting summary judgment in favor of SUMCO on that claim. That part of the district court's judgment is reversed, and the case is remanded to the district court for further proceedings. Those proceedings will, of course, involve (1) construing the claims of the '302 patent, (2) determining whether Samsung Austin directly infringes, and (3) determining whether, if there is direct infringement on the part of Samsung Austin, SUMCO induces that infringement.

[1] Note how the court glosses over a fairly significant issue regarding the required intent to induce infringement. Footnote 4 on page 1283 discusses how "there is a lack of clarity concerning whether the required intent must be merely to induce the specific acts [of infringement] or additionally to cause an infringement." This is due to an intra-circuit conflict arising from the *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 16 U.S.P.Q.2d 1587 (Fed. Cir. 1990) and *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 15 U.S.P.Q.2d 1525 (Fed. Cir. 1990) cases. The court sidesteps this ambiguity based on direct evidence that SUMCO knew of the '302 patent and, therefore, MEMC need only show intent to induce the specific acts.