Keywords: **offer to sell; obviousness; enablement; collateral estoppel; willfulness**

General: **An "offer to sell … within the United States" occurs when a company makes an offer, whether made inside or outside of the United States, to sell a product that the buyer will use in the United States. In addition, an "offer to sell" occurs when the product specified in the contract infringes a patent, notwithstanding the state of the product ultimately delivered.**

Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.
(Fed. Cir. Docket 07-CV-2392; 2009-1556)
Decided August 18, 2010

I. Facts

Offshore drilling involves lowering a variety of equipment, including the drill bit, a series of long pipes, and a blowout preventer, to the ocean floor in order to drill and stabilize a borehole that reaches a subterranean oil reservoir. These components are typically moved by a derrick, which is equipped with a station that raises and lowers them to the ocean floor. To begin the drilling process, the rig lowers the drill bit to the ocean floor, adding sections of pipe until the bit reaches the floor. Periodically, as the drill descends into the seabed, it must be brought back up to the surface so that casings can be inserted into the borehole. Conventional rigs utilize a derrick with only a single station for performing these steps, thus requiring that they be performed sequentially – a time consuming process. Transocean Offshore Deepwater Drilling, Inc. ("Transocean") owns three patents that relate to a derrick that includes two stations – a main advancing station and an auxiliary advancing station – that can each assemble drill strings and lower components to the seabed. According to the patent, this "dual-activity" rig can significantly decrease the time required to complete a borehole.

Transocean brought suit against Maersk Contractors USA, Inc. ("Maersk USA") for infringement of these patents. Maersk USA, a U.S. company, had contracted with a U.S. company to build a rig with two stations for use in the Gulf of Mexico. Although the contract at issue was between two U.S. companies, and specified an "Operating Area" for the rig that was in U.S. territorial waters, it was negotiated and signed outside of the United States. In addition, prior to delivery of the rig, Maersk USA implemented a modification (a casing sleeve) that was held to not infringe the claims at issue in separate litigation ("the GSF litigation"). As such, Maersk USA argued non-infringement based on the fact that the delivered rig was held to not infringe the claims at issue in the GSF litigation. Maersk USA also argued that the claims were invalid based on obviousness and enablement.

The district court granted summary judgment in favor of Maersk USA, holding that the asserted claims were both obvious and not enabled. The court further ruled that Maersk USA's activities did not constitute either an offer for sale or a sale within the United States. Transocean appealed these rulings, along with the district court's grant of summary judgment of collateral estoppel and no willful infringement.

II. Issues

A. Did the district court err in granting summary judgment on the issue of obviousness?

B. Did the district court err in granting summary judgment on the issue of enablement?

C. Did the district court err in granting summary judgment on the issue of infringement?

D. Did the district court err in granting summary judgment on the issue of collateral estoppel?

E. Did the district court err in granting summary judgment on the issue of willfulness?

III. Discussion

A. Yes. The district court had held that the claims at issue would have been obvious over U.K. patent application GB 2 041 836 to Horn and U.S. patent number 4,850,439 to Lund. The Federal Circuit agreed that the teachings of the cited references, as well as the reason to combine, supported a *prima facie* case of obviousness. However, the Federal Circuit also concluded that the district court had erred by ignoring Transocean's significant objective evidence of nonobviousness. This included evidence of industry skepticism about a dual drill string approach, industry praise for its dual activity rig, copying, and commercial success, in that its dual activity rigs commanded a higher licensing premium than standard rigs. Although Maersk USA presented counter evidence, the Federal Circuit concluded that it was improper to resolve these disputes on summary judgment.

B. Yes. The district court had held that the asserted claims did not satisfy the enablement requirement in that one of ordinary skill in the art could not practice the invention without undue experimentation. In particular, the district court relied on evidence that Transocean had difficulty building its first commercial embodiment, as well as inventor testimony that the embodiment included "software they had never done before," and open issues such as "the weight it could handle," "the speed it could travel," "the hoisting range we needed," "the size of the tubular it could handle," and "the capability to rotate without friction." The Federal Circuit reversed the grant of summary judgment of lack of enablement, finding that factual issues precluded such a ruling. In particular, it noted that while the patent must enable one of ordinary skill in the art to practice the claimed invention without undue experimentation, it does not need to enable the most optimized configuration (unless it is an explicit part of the claims).

C. Yes. The district court's noninfringement ruling did not rest on a comparison of the accused device to the claims, but rather on a conclusion that there was no offer for sale or sale within the United States because the contract had been negotiated and signed outside of the United States. The Federal Circuit disagreed that these activities fell outside the scope of 35 U.S.C. 271(a). With respect to the "offer for sale" provision, after reviewing the legislative history of this language, analyzing its literal text, and considering the policy implications, the Federal Circuit concluded that it covered a contract between two U.S. companies for performance in the U.S., regardless of whether it was negotiated or signed within the U.S. In particular, the Federal Circuit stated that "the focus should not be on the location of the offer, but rather the location of the future sale that would occur pursuant to the offer." Likewise, the Federal Circuit concluded that, because the contract was for the sale of a patented invention with delivery and performance in the U.S., it constituted a sale for purposes of 271(a) as a matter of law. In addition, the Federal Circuit concluded that the potentially infringing article was the rig sold in the contract, not the altered rig that Maersk USA delivered to the U.S.

D. No. The Federal Circuit affirmed the district court's ruling that Transocean was collaterally estopped from arguing that the rig Maersk USA ultimately delivered infringed the patents. In the GSF litigation, Transocean had obtained an injunction requiring GlobalSantaFe Corp. ("GSF") to make a particular modification to its rig in order to avoid infringing the patents-in-suit. As discussed above, prior to delivering the rig to the United States, Maersk USA had learned about this injunction and made a similar modification. The Federal Circuit concluded that the ruling in the GSF litigation estopped Transocean from arguing that rigs with the modification infringed its patents. More specifically, the Federal Circuit made clear that whether Maersk USA is complying with other requirements of the GSF injunction (i.e., periodic reporting to Transocean, and so forth) does not change a noninfringing design to an infringing one.

E. No. The Federal Circuit affirmed the district court's ruling of no willful infringement, concluding that Maersk USA's activities were insufficient to create an objectively high risk of infringement. In particular, the Federal Circuit noted that although the contract does show that Maersk USA knew of Transocean's patents, it also shows intent to avoid infringement in that Maersk USA reserved the right to modify the rig in response to any court proceeding that favored "the validity or infringement arguments of Transocean." Indeed, Maersk USA did modify its rig once the court in the GSF litigation issued an injunction defining a noninfringing alternative.

IV. Conclusion

An "offer to sell … within the United States" occurs when a company makes an offer, whether made inside or outside of the United States, to sell a product that the buyer will use in the United States. In addition, an "offer to sell" occurs when the product specified in the contract infringes a patent, notwithstanding the state of the product ultimately delivered.