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“Offer to Sell” Infringement Involving Cross-border Transactions: Lessons from *Transocean*

Yan Wang
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By Yan Wang*

I. INTRODUCTION

U.S. patent law has traditionally been territorial in nature, which limits direct infringement liability to activities in the territorial United States. In pertinent part, § 271(a) of the U.S. Patent Act provides, “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 . . . infringes the patent.”¹ However, exponential growth in intellectual property issues in international transactions during recent decades pushed Congress and the judiciary to adjust the extra-territorial reach of U.S. patent protection. To conform to the international trade community, Congress amended § 271(a) in 1994 to add two new forms of infringement: (1) “offers to sell . . . within the United States” and (2) “imports into the United States.”² This Note focuses on the definition of “offer to sell” infringement and recent progress within the Federal Circuit in interpreting the scope of offer to sell infringement under § 271(a).

Interpretation of the offer to sell provision has serious ramifications for both domestic and international companies involved in cross-border transactions. Although it seems likely that a court would find liability if both the offer and the contemplated sale occur in the United States, problems arise when only one of the two activities occurs domestically. While Congress intended the addition of offer to sell infringement to strengthen the protection afforded under § 271,³ the scant legislative history provides courts and litigants with little guidance in the construction and application of this statute.⁴ During the past decade, the Federal Circuit has only had a few opportunities to wrestle with the issues involved in cross-border deals. These decisions have sparked numerous academic comments and led to inconsistent holdings at the district court level. Although the debate over § 271(a) is far from over and will probably require congressional action to clean up the ambiguity of the statutory provision, the most recent Federal Circuit opinion on this issue, Transocean Offshore Deepwater Drilling, Inc. v. Maersk

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Contractors USA, Inc., may bring some clarity to the court’s approach toward offer to sell infringement.

In Transocean, the Federal Circuit considered a transaction that illustrated the problem of applying offer to sell infringement after its decision in Rotec Industries, Inc. v. Mitsubishi Corp. Two U.S. companies negotiated a contract in Norway to sell a drilling rig to a company located in the United States to be used in the Gulf of Mexico. The patentee of the drilling rig brought suit against the seller, Maersk USA, alleging, inter alia, infringement under § 271(a) by offering to sell the patented rig within the United States. The defendant cited the opinions of Rotec and MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp., which together suggest a requirement of domestic offering activity to find infringement for offering to sell within the United States. The defendant argued that negotiation and execution of a contract outside of the United States could not have given rise to liability under the offer to sell provision.

The Federal Circuit disagreed with the defendant’s position that, under Rotec and MEMC, offer to sell infringement requires offering activity to occur with the United States. The court noted that such a construction of § 271(a) would “exalt form over substance by allowing a U.S. company to travel abroad to make offers to sell back into the U.S. without any liability for infringement . . . creat[ing] a real harm in the U.S. to a U.S. patentee.” The court concluded that the location of the contemplated sale activity should control for the inquiry of whether there had been an offer to sell claim under § 271(a). It then held that the contract between two U.S. companies in Transocean for performance within the United States could constitute offer to sell infringement.

The holding of Transocean has significant implications for the application of the offer to sell provision under § 271(a). By shifting the focus from the location of the offer to the location of the contemplated sale and performance, Transocean may finally resolve much of the confusion surrounding the application of offer to sell infringement to cross-border transactions. This Note provides a detailed analysis of Transocean’s potential impact on the landscape of offer to sell infringement. It begins by providing a background for the evolution of offer to sell infringement under § 271(a) in Part II. Part III summarizes case law in the Federal Circuit prior to Transocean that has largely shaped offer to sell infringement. Part IV presents a snapshot of the post-Rotec divide at the district court level as to the exact scope of offer to sell infringement under § 271(a). Part V provides a detailed account of the decision in Transocean. Finally, Part VI attempts to reconcile Transocean with the previous decisions from the Federal Circuit and argues that Transocean is correctly decided.

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5 617 F.3d 1296 (Fed. Cir. 2010).
6 Id. at 1309 (citing Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246 (Fed. Cir. 2000)).
7 Id. at 1296.
8 Id. at 1308 (citing Rotec, 215 F.3d at 1258–60 and MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369 (Fed. Cir. 2005)).
9 Id.
10 Id. at 1309.
11 Id.
12 Id. at 1310.
II. Evolution of Offer to Sell Infringement

¶6 Congress amended § 271(a) to include the offer to sell provision in 1994. To understand and apply this provision properly, it is necessary to look back to the history and circumstances surrounding its creation. Section 271 of the U.S. Patent Act generally prescribes what constitutes patent infringement.\(^{13}\) Prior to 1994, only making, using, or selling patented inventions constituted direct infringement under § 271(a).\(^{14}\) A “threat of a sale,” on the other hand, did not constitute an act of infringement.\(^{15}\)

¶7 In 1994, the international community took a major step forward in an effort to harmonize international intellectual property laws. The participating nations of the Uruguay Round negotiations agreed to revise the General Agreement on Tariffs and Trade (GATT), which resulted in the establishment of the World Trade Organization (WTO) and the adoption of the leading international treaty on intellectual property laws\(^{16}\)—Trade-Related Aspects of International Property Rights (TRIPs).\(^{17}\)

¶8 The TRIPs Agreement, for the first time in the history of international trade, established minimum exclusive rights that the member countries should provide to the owners of intellectual property.\(^{18}\) To bring U.S. patent law into conformity with the obligations created by the TRIPs Agreement, Congress amended § 271(a), (c), (e), and (g) of the Patent Act to add two new forms of infringement conduct: offering to sell and importing a patented invention.\(^{19}\)

¶9 The 1994 amendment to § 271 significantly expanded the scope of protection offered by U.S. patent law, allowing the patentees to act against threats to its monopoly even when no actual sale had occurred within the United States.\(^{20}\) However, these amendments were accompanied by virtually no guidance on interpretation and application from Congress.\(^{21}\) Such lack of legislative guidance and the ambiguity of the statutory language resulted in a dispute over the scope of offer to sell infringement.

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\(^{16}\) For more information on GATT, the Uruguay Round negotiations, TRIPs, and the formation of the WTO, see generally WORLD TRADE ORG., http://www.wto.org (last visited June 5, 2012).
\(^{18}\) For patent, in particular, the TRIPs agreement provides:

A patent shall confer on its owner the following exclusive rights:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner’s consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product;

(b) where the subject matter of a patent is a process, to prevent third parties not having the owner’s consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

TRIPS, Id. at art. 28(1) (footnotes omitted).


\(^{20}\) See 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1378 (Fed. Cir. 1998) (“The amendment to § 271(a) represents a distinct change to the bases for patent infringement, because liability arose previously only as the result of an actual sale.”).

\(^{21}\) See Holbrook, supra note 4, at 753 & n.16.
The current language of § 271(a) reads: “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 patent invention during the term of the patent therefor, infringes the patent.”22 In contrast to the original forms of infringement, such as making, using, or selling, offer to sell infringement involves one extra layer of activity—i.e., there has to be an offer, and the offer has to be for a sale of the patented product. This extra layer created unique problems in interpreting the meaning of “offers to sell . . . within the United States.”23 To which action should the modifier “within the United States” apply?

Due to the lack of discernable legislative intent, the statute’s plain language gives rise to three equally plausible interpretations. The broadest of the readings would find infringement liability if a party makes an offer within the United States to sell the product, regardless of the location of intended sale.24 Alternatively, under a slightly stricter reading, an infringement will be found if a party, located anywhere in the world, offers to sell a patented invention within the United States.25 Lastly, under the strictest statutory interpretation, offer to sell infringement would require that both the offer and the sale occur within the United States. Congress has not yet addressed which of the above interpretations is most consistent with the policy behind the addition of offer to sell infringement to § 271. Shaping of the new offer to sell prong of § 271(a) has largely depended on the few encounters that the Federal Circuit has had with the provision over the past decade.

III. FEDERAL CIRCUIT’S INTERPRETATION OF OFFER TO SELL INFRINGEMENT PRIOR TO TRANSOCEAN

Since offer to sell infringement is a recent addition to U.S. patent law, federal case law interpreting the provision has just begun to evolve. Prior to Transocean, the Federal Circuit addressed offer to sell infringement in only two cases: 3D Systems, Inc. v. Aarotech Laboratories, Inc.26 and Rotec.27 Because 3D Systems only addressed the reach of offer to sell claims in the context of personal jurisdiction, most of the literature refers to Rotec as the leading authority on the actual merits of offer to sell infringement.28

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23 Id.
24 See David Sulkis, Note, Patent Infringement by Offer to Sell: Rotec Industries, Inc. v. Mitsubishi Corporation, 38 Hous. L. Rev. 1099, 1103, 1124–28 (2001) (arguing that an offer to sell made within the United States “is an infringement of the patentee’s exclusionary right, regardless of whether or where the product is ultimately sold, or whether or where it is delivered”); accord Wesley Jessen Corp. v. Bausch & Lomb, Inc., 256 F. Supp. 2d 228, 234 (D. Del. 2003) (rejecting the defendant’s argument that “an ‘offer to sell’ [infringement] can only take place if there is also an unlawful sale within the United States” and holding that to require so would “make[] the ‘offer to sell’ language in § 271(a) superfluous”).
25 See Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1258–60 (Fed. Cir. 2000) (Newman, J., concurring) (arguing that an offer can be infringing only if the contemplated sale would infringe the patent, and therefore, the sale must be contemplated to occur within the United States).
26 160 F.3d 1373 (Fed. Cir. 1998).
27 215 F.3d 1246.
The Rotec court approached the offer to sell infringement issue by first examining whether an offer was made within the United States.\textsuperscript{29} After finding no evidence of such an offer, the court stopped its analysis and refused to extend any offer to sell liability to the seller.\textsuperscript{30} The Federal Circuit followed the same methodology in a subsequent case, \textit{MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.},\textsuperscript{31} which dealt with a situation similar to Rotec. The court in MEMC also started its analysis with an inquiry of domestic offer activity and found no offer to sell infringement after finding no domestic offers.\textsuperscript{32} Many lower courts have interpreted these two cases, taken together, to require an offer within the United States in cases of offer to sell infringement.\textsuperscript{33} To better explain the status of offer to sell infringement, this Part provides a detailed account of the milestone decisions leading up to \textit{Transocean}.

\textbf{A. 3D Systems: The Federal Circuit’s First Encounter with Offer to Sell Infringement}

\textit{3D Systems} was the first offer to sell infringement case that came before the Federal Circuit.\textsuperscript{34} However, unlike Rotec, this case focused on whether state or federal law should apply when defining what constituted an offer under § 271(a).\textsuperscript{35} The plaintiff sued Aarotech for soliciting business in California using certain kinds of promotional materials. Aarotech (a West Virginia company) argued that the district court in California lacked personal jurisdiction over it because, under California state law, the quotation letters did not constitute offers to sell. The Federal Circuit rejected this argument. Recognizing that this was a case of first impression, the court held that Aarotech’s activities in the forum state were sufficient to establish personal jurisdiction for the purpose of offer to sell infringement under § 271(a). The court further concluded that Aarotech’s price quotation letters constituted offers to sell within the meaning of § 271(a) even though the letters purported to not be offers.\textsuperscript{36} In reaching this conclusion, the court noted, “[o]ne of the purposes of adding ‘offer[] to sell’ to § 271(a) was to prevent exactly the type of activity [Aarotech] has engaged in. \textit{i.e.}, generating interest in a potential[ly] infringing product to the commercial detriment of the rightful patentee.”\textsuperscript{37}

\textbf{B. Rotec: The Leading Interpretation}

\textit{Rotec} was the first Federal Circuit case that addressed whether offer to sell infringement should be construed to require an offer be made within the United States. In 1995, the government of the People’s Republic of China solicited bid proposals for concrete delivery systems for the Three Gorges Dam project on the Yangtze River.\textsuperscript{38} Defendant Mitsubishi, a Japanese company, entered into a joint venture with a French

\begin{footnotesize}
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\item \textsuperscript{29} Rotec, 215 F.3d at 1256.
\item \textsuperscript{30} Id. at 1257.
\item \textsuperscript{31} 420 F.3d 1369 (Fed. Cir. 2005).
\item \textsuperscript{32} Id. at 1375.
\item \textsuperscript{33} See discussion infra Part IV.
\item \textsuperscript{34} 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373 (Fed. Cir. 1998).
\item \textsuperscript{35} Id. at 1378.
\item \textsuperscript{36} Id. at 1379 (stating that the price quotation letters “state[d] on their face that they [we]re purportedly not offers, but to treat them as anything other than offers to sell would be to exalt form over substance”).
\item \textsuperscript{37} Id. (second alteration in original).
\item \textsuperscript{38} Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1249 (Fed. Cir. 2000).
\end{itemize}
\end{footnotesize}
company and a U.S. company to prepare and submit a bid in response to the solicitation. The plaintiff was a U.S. company and the owner of a patent covering the concrete delivery systems that the defendant planned to deliver to the Chinese government. It was undisputed that the contemplated sale was to take place in China and all manufacturing and assembly of the component took place outside of the United States.\(^{39}\)

Rotec sued Mitsubishi and its partners for, \textit{inter alia}, direct infringement of its patent by offering to sell a patented product within the United States.\(^{40}\) Rotec procured several pieces of evidence to support its proposition that an offer to sell had been made within the United States, including: (1) a meeting between Mitsubishi and its partners in the United States; (2) visits by the Chinese representative to the U.S. company’s headquarters in Illinois; (3) the U.S. company’s involvement in preparing and submitting the bid—particularly its involvement in pricing, product design, and some financial aspects of the bid, which were carried out in the U.S. company’s Illinois headquarters; and (4) the offer stipulated that non-staple components of the systems were to be made within the Unites States by a domestic supplier.\(^{41}\)

Mitsubishi countered by offering evidence that “the bid proposal for the systems was finalized at a meeting in Hong Kong, that the bid proposal was presented in China, that all negotiations with the Chinese government prior to signing the contract occurred in China, and that the contract was signed in China.”\(^{42}\)

1. The Majority’s Opinion

Confronted for the first time with deciding the merits of an offer to sell infringement claim, the Federal Circuit’s analysis in \textit{Rotec} provided significant guidance on both the definition and application of the offer to sell provision under § 271(a). The court began its analysis by pointing out the strong territorial nature of U.S. patent law: “[T]he right conferred by a patent under [U.S. patent] law is confined to the United States and its territories, and infringement of this right cannot be predicated of acts wholly done in a foreign country.”\(^{43}\) However, the majority did not use this territorial principle to decide whether a domestic offer to sell products to a foreign country fell within the purview of § 271(a). Instead, the court applied this principle to confine the range of activities that would be considered for the meaning of “offer” and held that only activities within the United States could be considered in determining whether an infringing offer for sale was made.\(^{44}\)

The majority then proceeded to reaffirm the purpose of offer to sell infringement articulated by the court in \textit{3D Systems}.\(^{45}\) The court stated that by amending § 271(a) to include the offer to sell prong, “Congress sought to strengthen the protections afforded”

\(^{39}\) \textit{Id.} at 1249–50.

\(^{40}\) \textit{Rotec Indus., Inc. v. Mitsubishi Corp.}, 36 F. Supp. 2d 810, 812 (C.D. Ill. 1998).

\(^{41}\) \textit{Rotec}, 215 F.3d at 1249.

\(^{42}\) \textit{Rotec}, 36 F. Supp. 2d at 817.


\(^{44}\) \textit{Id.} (“[W]e must establish whether Defendants’ activities in the United States . . . are sufficient to establish an ‘offer for sale.’”).

\(^{45}\) \textit{Id.} at 1255.
to patent owners.\(^{46}\) It pointed out, however, that “[t]he question remains . . . as to how much strength Congress wished to add to the parameters of a patent grant.”\(^{47}\)

In defining what activities would constitute an offer, the court rejected the broad definition used by 3D Systems and embraced the narrower “norms of traditional contract law,” requiring a formal “commercial offer for sale.”\(^{48}\) Applying this standard, the court found that the activities alleged by Rotec did not show that Mitsubishi “communicated 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.’”\(^{49}\) As a result, there was insufficient evidence that Mitsubishi “generated interest in a potential[ly] infringing product to the commercial detriment of the rightful patentee.”\(^{50}\) Finding that there was no evidence that an offer to sell happened within the United States, the majority ended its analysis, concluding that there was no other genuine dispute regarding the material facts and entering judgment as a matter of law for the defendant.

The majority’s analysis stopped short once it found no evidence of a domestic offer—it did not address the question of whether a domestic offer contemplating a foreign sale would constitute direct infringement under § 271(a). This holding left open the question of how to interpret offer to sell infringement in the context of cross-border transactions. However, many perceived this opinion to imply that had the court found evidence of an offer being made within the United States, it would have found direct infringement even though the manufacturing and delivery all took place outside the United States.\(^{51}\)

2. Judge Newman’s Concurring Opinion

Judge Newman, concurring only in the judgment, noted the underlying problem in the majority’s holding: “[T]he majority opinion necessarily accepts the critical premise that an ‘offer to sell’ made in the United States can constitute patent infringement even when the contemplated sale could not infringe the patent. I do not believe that 35 U.S.C. § 271 is correctly so interpreted.”\(^{52}\) In her view, the court should not have found that Mitsubishi infringed, not because there was no evidence that Mitsubishi made an offer within the United States, but because the contemplated sale would occur outside of the United States. Judge Newman reasoned that “[t]he purpose of § 271(a) was to permit a patentee to act against threatened infringing sale by establishing a cause of action before actual sale occurred.”\(^{53}\) Therefore, “an offer to sell a device or system whose actual sale can not infringe a United States patent is not an infringing act under § 271.”\(^{54}\)

While Rotec’s majority and concurrence seemingly disagreed on whether a domestic offer contemplating a foreign sale constitute direct infringement under § 271(a),

\(^{46}\) Id. at 1252.

\(^{47}\) Id.

\(^{48}\) Id. at 1254 (citing Pfaff v. Wells Elecs. Inc., 525 U.S. 55, 67 (1998)).

\(^{49}\) Id. at 1257 (quoting RESTATEMENT (SECOND) OF CONTRACTS § 24 (1979)).

\(^{50}\) Id. at 1255 (first alteration in original) (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 n.4 (Fed. Cir. 1998)) (internal quotation marks omitted).

\(^{51}\) See Sulkis, supra note 24, at 1101.

\(^{52}\) Rotec, 215 F.3d at 1258 (Newman, J., concurring).

\(^{53}\) Id. at 1259.

\(^{54}\) Id.
this dispute might reflect a more fundamental disagreement. What exactly was the purpose of adding offer to sell infringement? Was it to grant patentees a cause of action at an earlier stage of infringement, or was it to create a new and independent cause of action with the same force as the infringement of making, using, and selling? As shown by the following discussion, a subsequent Federal Circuit opinion interpreting Rotec seemingly followed the latter line of reasoning while several district court cases insisted on applying the former policy, creating the current split among district courts over the issue of cross-border deal-making.  

C. MEMC: Subsequent Federal Circuit Guidance

¶24 The implied emphasis on a domestic offer by the Rotec majority was further affirmed by MEMC, which involved a similar transaction. The plaintiff in MEMC claimed a Japanese manufacturer directly infringed by offering to sell patented silicon wafers to a U.S. subsidiary of a Japanese buyer. The court noted in its analysis that “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.” Applying the Rotec test, the court concluded that e-mails exchanged between the Japanese manufacturer and the U.S. subsidiary, containing no detailed price terms, could not be construed as a commercial offer for sale that would bind the transaction once accepted.

¶25 The MEMC court analyzed whether a domestic offer to sell was made despite the fact that it found no sale had occurred or was contemplated to occur within the United States. As noted by Judge Newman’s concurrence in Rotec, such an approach necessarily accepts the premise that an offer to sell made within the United States contemplating a sale outside the United States could still constitute direct infringement under § 271(a). Curiously, Judge Newman was also on the MEMC panel and joined the opinion in full, leading courts and one commentator to speculate that the Federal Circuit would adopt Rotec’s approach in analyzing offer to sell infringement.

IV. Confusion in the District Courts After Rotec

¶26 The Federal Circuit’s guidance on offer to sell infringement in Rotec and MEMC, or the lack thereof, has led to conflicting decisions at the district court level. Many courts interpret Rotec and MEMC together as indicating that offer to sell infringement requires

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56 420 F.3d 1369.

57 Id.

58 Id. at 1376 (quoting Rotec, 215 F.3d at 1255) (internal quotation omitted).

59 Id. at 1377.

60 Id.

61 Rotec, 215 F.3d at 1258.

that an offer be made within the United States.\textsuperscript{63} Other courts have sided with Judge Newman’s concurrence in reaching the opposite conclusion—that an offer made in the United States that contemplates a foreign sale cannot constitute patent infringement under § 271(a).\textsuperscript{64}

An empirical analysis of nine district court opinions that adjudicated offer to sell infringement claims under § 271(a) after Rotec reveals that although courts generally agree on infringement liabilities of domestic transactions, there is a sharp division in courts over transactions involving domestic offers contemplating foreign sales.\textsuperscript{65}

\section{Opinions that Followed the ROTEC Majority}

\begin{figure}[h]
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\caption{Findings from District Court Cases on Offer to Sell Infringement Claims Involving Cross-Border Transactions}
\end{figure}

The cases following Rotec (included in Figure 1) interpreted MEMC to propose that the focus of an offer to sell analysis is whether there was a domestic offer, regardless of where the sale was contemplated. These district courts adopted this approach and reasoned that the adoption of § 271(a) offer to sell infringement was to provide U.S. patentees a separate cause of action against domestic offering activities.

\textsuperscript{63} See discussion infra Part IV-A.
The first district court decision adopting the position that offers made within the United States to sell a patented invention outside of the United States may constitute direct infringement under § 271(a) was *Halmar Robicon Group v. Toshiba International Corp.* In *Halmar Robicon*, the court dealt with an offer made in Houston to sell a patented invention in Canada. After finding that an offer was made within the United States, the court denied defendant’s motion for summary judgment, suggesting that the court must have considered a domestic offer for foreign sale as a possible infringement.

The U.S. District Court for the District of Delaware has also expressly found infringement for a domestic offer contemplating a sale outside of the United States. In *Wesley Jessen Corp. v. Bausch & Lomb, Inc.*., the defendant was accused of infringement for making an offer within the United States to sell patented contact lenses outside the country. The court noted that the precedents in Federal Circuit case law with regard to offer to sell infringement supported a separate cause of action for patent infringement based solely on the domestic offer. The court explicitly rejected the notion that offer to sell infringement must involve a contemplated sale within the United States and stated that “[t]he geographic location and physical destination of the subject matter of the ‘offer’ appear to be immaterial to the analysis, so long as the ‘offer’ was made in the United States.”

A more recent case in New York also adopted the same position as *Rotec* and *Wesley Jessen*. The facts in *SEB, S.A. v. Montgomery Ward & Co.* are similar to those in *Wesley Jessen*, in that the defendant was accused of infringement for making an offer to sell within the United States (in this case, deep fryers). The court largely employed the same analysis from *Wesley Jessen* and concluded that the plaintiff had presented sufficient evidence to allow a reasonable jury to conclude that the defendant made an offer to sell within the United States. The court emphasized that a patentee may suffer economic harm even if the offer contemplates foreign sale, and allowed the plaintiff’s case to survive summary judgment.

**B. Opinions that Followed Newman’s Concurrence**

Another line of district court cases reached the opposite conclusion and followed the reasoning of Judge Newman’s concurrence. Shortly after the *Rotec* opinion was issued, the U.S. District Court for the Central District of California tackled a similar scenario where a Hong Kong telephone manufacturer was sued for infringement by allegedly making offers in the United States to sell the infringing product overseas. The court in *Cybiotronics* noted that the *Rotec* opinion did not decide the question of liability

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67 Id.
68 256 F. Supp. 2d 228.
69 Id. at 232.
70 Id. at 233–34.
71 See *SEB, S.A. v. Montgomery Ward & Co.*, 412 F. Supp. 2d 336 (S.D.N.Y. 2006), aff’d on other grounds, 594 F.3d 1360 (Fed. Cir. 2010) (avoiding the offers to sell issue but finding infringement based on the conclusion that the sale actually occurred within the United States).
72 Id. at 341 n.6 (“Any offers that Defendants made in the United States would work to the commercial detriment to SEB, regardless of whether the resulting sales took place in the United States or China.”).
on an offer to sell goods outside of the United States. Instead, the court found the opinion from the Southern District of Texas in Quality Tubing, Inc. v. Precision Tube Holdings Corp., although issued prior to Rotec, to be “highly persuasive.” The court noted Quality Tubing’s reasoning that the addition of offer to sell infringement to § 271(a) “was not intended to add a whole new substantive basis for liability . . ., but was merely intended to incorporate . . . activities that might pre-date the actual consummation of an [infringing] sale within the United States.” As a result, the court dismissed the plaintiff’s direct infringement claim, reasoning that even if the plaintiff could present sufficient evidence to show that an offer was made within the United States, there could be no offer to sell infringement if the parties contemplated that the sale would be consummated outside the American market.

A second case along this line is Wing Shing Products v. Simatelex Manufactory Co., in which a U.S. patent holder sued a Hong Kong-based manufacturer for offering infringing coffeemakers in the United States that were delivered in Hong Kong. The court recognized the conflicting opinions within the Federal Circuit and among district courts. Furthermore, it drew support for limiting liability under offer to sell infringement to offers contemplating domestic sales only from the language of § 271(a) and (f), rejecting the SEB court’s reasoning that reading § 271(a) to require a contemplated sale within the United States would render the offer to sell language superfluous. Interestingly, both SEB and Wing Shing came out of the Southern District of New York, representing a split within the same district.

Shortly after Wing Shing, a Northern District of California case, Semiconductor Energy Laboratory v. Chi Mei Optoelectronics Corp., embraced Judge Newman’s position and that of the courts in Cybiotronics, Wing Shing, and Quality Tubing. Finding a lack of controlling authority from the Federal Circuit and a division among the district courts on this issue, the court in Semiconductor turned to United States Supreme Court precedent for guidance. In Microsoft Corp. v. AT&T Corp., the Supreme Court emphasized the presumption of United States patent law against extraterritorial application. Drawing from this presumption, the Semiconductor court chose to side with the proposition that offer to sell infringement only stands if the contemplated sale is within the United States.

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74 Id. at 1170.
75 75 F. Supp. 2d 613 (S.D. Tex. 1999).
76 Cybiotronics, 130 F. Supp. 2d at 1171.
77 Id.
78 Id. at 1170.
80 Id. at 406–07.
83 Id. at 1111 (citing Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007)). Semiconductor was the first court to address the scope of offer to sell infringement after the Supreme Court’s decision in Microsoft.
84 550 U.S. at 439.
85 Semiconductor, 531 F. Supp. 2d at 1111 (“In light of the strong presumption against extraterritorial application, the court holds that the “offer to sell” language was not intended to (and could not) extend the protection of a U.S. patent to allow the patentee to . . . prevent sales taking place in other countries.”) (alteration in original) (quoting Cybiotronics, Ltd. v. Golden Source Elecs., 130 F. Supp. 2d 1152, 1171
The above review of district court opinions highlights the lingering divide among courts over the scope of offer to sell infringement in the context of domestic offers contemplating foreign sales. Nine years after the Rotec opinion, there is hope that the debate will finally be resolved by the recent Federal Circuit opinion in Transocean. The court in Transocean made clear that Rotec and MEMC never suggested that an offer to sell analysis should be centered on the location of the offer. Rather, “the location of the contemplated sale controls.” As shown by the subsequent district court opinion applying § 271(a) to a cross-border transaction, it seems that Transocean has come into effect in directing courts to apply the sale-centered analysis.

V. TRANSOCEAN AND ITS IMPLICATIONS IN CROSS-BORDER TRANSACTIONS

A. Summary of the Facts

Transocean accused Maersk USA of infringing its patents on offshore drilling rigs. In 2005, Maersk USA’s parent company, Maersk A/S (a Danish company), and Statoil ASA (a Norwegian company) negotiated a contract to build a rig in Singapore that would allegedly infringe upon Transocean’s patented rig parts. The defendant, Maersk Contractors USA, Inc. (Maersk), a U.S. affiliate of Maersk A/S, executed the contract with Statoil Gulf of Mexico LLC (Statoil) (a U.S. affiliate of Statoil ASA) in Norway. The contract specified the “Operating Area” for the rig to include the U.S. Gulf of Mexico, which was deemed evidence that the contemplated sale would occur within the United States.

The district court granted the defendant’s motion for summary judgment of noninfringement, holding that no sale or offer to sell had occurred that would invoke liability under § 271(a). The district court’s decision relied on the facts that the negotiation and execution of the contract both took place in Norway and that the contract
allowed Maersk to have the option to make alterations to the rig to avoid infringement.\textsuperscript{97} There was no dispute that the contract executed by the defendant constituted an offer to sell the infringing products.\textsuperscript{98} The issue in dispute was whether infringement liability should arise from this offer. Citing the \textit{Rotec} majority and \textit{MEMC}, the defendant argued that since no offer was made within the United States, there should be no offer to sell infringement under § 271(a).\textsuperscript{99} The plaintiff, on the other hand, “argue[d] that a contract between two U.S. companies for delivery or performance in the U.S. must be an offer to sell within the United States under § 271(a).”\textsuperscript{100}

\textbf{B. Holdings of Transocean}

The Federal Circuit began by noting that the analysis of offer to sell infringement under § 271(a) would follow \textit{Rotec} and use traditional contract principles. The court then framed the issue presented as “whether an offer which is made in Norway by a U.S. company to a U.S. company to sell a product within the U.S., for delivery and use within the U.S. constitutes an offer to sell within the U.S. under § 271(a).”\textsuperscript{101} This is exactly the kind of question that was left open by \textit{Rotec} and \textit{MEMC} and had caused a strong divide among district courts. The conclusion given by the Federal Circuit in this case is short and clear: it does.\textsuperscript{102}

The court first confirmed the underlying purpose of offer to sell infringement under § 271(a) as explained by \textit{3D Systems}—to prevent “generating interest in a potential infringing product to the commercial detriment of the rightful patentee.”\textsuperscript{103} The court then pointed to the Supreme Court’s decision in \textit{Microsoft} and noted the presumption against extraterritoriality in that decision.\textsuperscript{104} In particular, the court quoted from \textit{Microsoft} that “[i]t is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country.”\textsuperscript{105} Agreeing with the courts that followed this presumption to find that offer to sell infringement must involve a domestic sale, the Federal Circuit held that when it comes to offer to sell infringement, “the location of the contemplated sale controls.”\textsuperscript{106}

The defendant argued that the decisions in \textit{Rotec} and \textit{MEMC} stand for the requirement that, for there to be an offer to sell within the United States, the offering activities must occur within the United States.\textsuperscript{107} Since both the negotiation and execution of the contract took place in Norway, the defendant argued that it had not infringed the plaintiff’s patents within the scope of offer to sell infringement under § 271(a).

\textsuperscript{97}Id.
\textsuperscript{98}\textit{Transocean}, 617 F.3d at 1308.
\textsuperscript{99}Id.
\textsuperscript{100}Id.
\textsuperscript{101}Id. at 1309.
\textsuperscript{102}Id.
\textsuperscript{103}3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998).
\textsuperscript{104}\textit{Transocean}, 617 F.3d at 1309 (citing \textit{Microsoft Corp. v. AT&T Corp.}, 550 U.S. 437, 441 (2007)).
\textsuperscript{105}\textit{Microsoft}, 550 U.S. at 441.
\textsuperscript{106}\textit{Transocean}, 617 F.3d at 1309.
\textsuperscript{107}Id. at 1308.
The Federal Circuit disagreed. It held that neither Rotec nor MEMC controlled this issue because neither had decided the territorial reach of offer to sell infringement.\footnote{Id. at 1309–10.} Both cases, the court found, had only considered whether there was enough evidence that an offer had been made within the United States. As a result, the court had essentially overruled the interpretation of Rotec by the courts in Wesley Jessen and SEB.

After its discussion, the court held that a contract between two U.S. companies for performance in the United States may constitute offer to sell infringement and the district court’s grant of summary judgment of noninfringement should be vacated.\footnote{Id. at 1313.} The court further noted that, to determine whether a company was contemplating an infringing sale within the United States, the district court must consider what was originally offered, but not what was ultimately delivered.\footnote{Id. at 1310.} This instruction essentially excluded the defendant’s argument that there was no infringing sale being contemplated within the United States because the rig that was eventually delivered to U.S. waters had been altered to avoid infringement.

VI. WHERE DO THINGS STAND AFTER TRANSOCEAN?

A. Reconciling Transocean, Rotec, and MEMC

Transocean is the first case in which the Federal Circuit has directly taken on the issue of whether infringement should be found in cross-border transactions that involved both domestic and foreign activities. The holding that the location of the contemplated sale should control whether infringement liability arises will likely close the longstanding debate among district courts on this very issue.

However, the holding of Transocean carefully avoided overruling Rotec and MEMC by limiting the authority of these cases to the query of whether an offer has been made within the United States. The holdings in these cases—that whether an offer was made should be decided according to the traditional norms of contract laws—are still controlling authority.\footnote{Id. at 1308.} It seemed that the Federal Circuit had never meant to interpret § 271(a) as requiring, and only requiring, a domestic offer to establish offer to sell infringement. The Rotec and MEMC decisions simply reflect the courts’ unwillingness to adjudicate issues that were not necessary for reaching the correct conclusion. The sharp divide among district courts was merely the result of some courts’ misunderstanding of Rotec. Or is that really the case? Apparently, Judge Newman also read the Rotec majority’s approach to emphasize the location of the offer regardless of where the contemplated sale is to take place.\footnote{Id. at 1308.} Nonetheless, the Transocean decision has set the record straight and should eliminate any lower court’s confusion regarding this particular issue.

Moreover, there seems to be little left of the Rotec and MEMC decisions after Transocean. As Transocean no longer requires an offer to be made within the United States, the only guidance courts now have from Rotec is how to define an offer under

\footnotesize{\textit{Rotec Indus., Inc. v. Mitsubishi Corp.}, 215 F.3d 1246, 1258 (Fed. Cir. 2000).}
§ 271(a)—i.e., to use “norms of traditional contract analysis.”\(^\text{113}\) Once an offer is found to have been made, the analysis moves on to determine the location of the contemplated sale.

B. Was Transocean Correctly Decided?

Transocean is a milestone case in that the Federal Circuit took a major step forward in interpretation of offer to sell infringement, which will hopefully end the nine-year quarrel among courts caused by the lack of congressional explanation of the 1994 amendment of § 271(a) and Rotec. As a matter of fact, the most recent federal court decision dealing with cross-border transactions has expressly followed the Transocean reasoning,\(^\text{114}\) indicating that the decade-long court split may finally be coming to an end.

Transocean’s sale-centered approach provides courts with greater certainty. It is easier to define the location of a sale than that of an offer. In today’s global economy and Internet culture, business is conducted over e-mail, international telephone calls, or even text messages—technologies that diminish territorial barriers between nations. Establishing a national boundary around these cross-border activities would be practically impossible in some cases.

In contrast, the location of a contemplated sale is easier to identify by the destination of delivery, a standard currently employed by the courts for the purpose of defining a sale infringement under § 271(a).\(^\text{115}\) It is worth noting that the method to decide the location of a sale based on delivery destination suffers from its own flaws. In scenarios where the sale was for a patented process or business method, the location of the sale would be hard to ascertain, given that the transaction does not involve physical delivery. This dilemma, however, may be resolved by excluding method and process patents from the protection of the offer to sell language under § 271(a).\(^\text{116}\)

In addition, Transocean is consistent with the proposition that offer to sell infringement was added to § 271(a) to provide patentees with a cause of action to stop potentially infringing activities at an earlier stage, without having to wait until after the actual harm has occurred. Some argue that by allowing people to make offers within the United States for sales that occur outside of the country, domestic patentees would nevertheless suffer economic harm due to price erosion caused by the competing offer.\(^\text{117}\) However, in today’s global economy, sales are negotiated and executed across the world. The location of a competing offer would be unlikely to have a significant effect on the price erosion a patentee suffers from sales occurring outside of the United States. Expanding the reach of U.S. patent laws in this case would not help improve the financial

\(^{113}\) Id. at 1255.


\(^{115}\) See Transocean, 617 F.3d at 1310 (finding that the infringing sale occurred within the United States based upon the “Operating Area” provision in the contract); SEB S.A v. Montgomery Ward & Co., 594 F.3d 1360, 1376 (Fed. Cir. 2010) (finding infringing sale within the United States even though the deep fryers were shipped to the United States f.o.b. (free on board) in China).

\(^{116}\) See NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1319 (Fed. Cir. 2005) (“Congress has consistently expressed the view that it understands infringement of method claims under section 271(a) to be limited to use.”).

\(^{117}\) See Holbrook, supra note 4.
interests of U.S. patentees, but, at the same time, it would likely upset the presumption against extraterritorial reach of U.S. patent laws.

On the other hand, the strategy proposed by Transocean is consistent with the presumption expressed by the Supreme Court against expanding the territorial reach of U.S. patent law. The Supreme Court has noted that “[i]t is a longstanding principle of American law ‘that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’” The basis for such a presumption is to avoid potential conflict with another nation’s laws.

VII. CONCLUSION

Transocean represents the Federal Circuit’s first substantial guidance on the issue of cross-border offer to sell infringement. After almost a decade of struggling and learning, the court has now decided that the offer to sell language in § 271(a) should be read as requiring an offer, made anywhere in the world, for a sale to be consummated within the United States. Such a construction is consistent with the congressional intent to create an early action point for patentees to stop potential infringement activities as well as the Supreme Court’s presumption against expanding the territorial reach of U.S. patent law.