Construing “Offers to Sell” Patent Infringement: Why Economic Interests Rather than Territoriality Should Guide the Construction

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I. INTRODUCTION

Over the past several years, congressional proposals for patent reform,1 combined with several high profile Supreme Court decisions,2 have sparked numerous discussions of the current state of the United States patent laws.3 Additionally, the twenty-fifth anniversary of the United States Court of Appeals for the Federal Circuit4 has encouraged discussion of the success achieved in bringing uniformity to the field of patent law.5 Much of the

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3 In the United States, all patent law is federal and enacted pursuant to the Patent Clause in the United States Constitution. U.S. Const. art. I, § 8, cl. 8 (“The Congress shall have Power . . . [T]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries. . .”).

4 See Michel, supra note 1 (describing the state of the Federal Circuit twenty-five years after its creation).

recent discussion, however, has focused upon issues internal to the United States patent system.\(^6\)

The Supreme Court’s recent decision in *Microsoft Corp. v. AT & T Corp.*,\(^7\) however, is likely to bring the issue of territoriality to the forefront of many patent law debates.\(^8\) One debate that has already been influenced by the *Microsoft* decision relates to the scope of “offers to sell” infringement liability.\(^9\) The issue that both courts and commentators have grappled with is whether an offer made in the United States to sell a patented invention in a foreign country constitutes an act of infringement. The most recent district court to decide this question relied upon the territoriality principles espoused by the Supreme Court in *Microsoft* to conclude that a sale must be contemplated within the United States before an offer can be found to infringe.\(^10\) However, the Federal Circuit has never squarely addressed this issue, and previous district courts to confront the question are divided. Clearly the issue remains unsettled.\(^11\)

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\(^8\) Territoriality is the principle that United States laws only apply within the United States. See Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641, 650 (1915) ("The right conferred by a patent under our law is confined to the United States and its territories (Rev. Stat. § 4884, Comp. Stat. 1913, § 9428), and infringement of this right cannot be predicated on acts wholly done in a foreign country."); Brown v. Duchesne, 60 U.S. (19 How.) 183, 195 (1856) (noting that patent law “is domestic in its character, and necessarily confined within the limits of the United States”). See also Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int’l L. 587, 588 (1997) (defining extraterritoriality as “the application of one country’s laws to events occurring outside that country’s borders”).

\(^9\) See 35 U.S.C. § 271(a) (2007) (“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 patented invention during the term of the patent therefor (sic), infringes the patent.”) (emphasis added).

\(^10\) See infra Part IV.C.

The question of whether a domestic offer to sell a patented invention in a foreign country may constitute patent infringement implicates several significant policies. Some courts conclude that applying United States patent laws to offers contemplating foreign sales violates the presumption against extraterritoriality. At the same time, other courts have found applying “offers to sell” infringement in these circumstances necessary to protect the valid interests of patent holders in excluding offers within the United States. The academic commentary on this issue is similarly divided on the importance of the territoriality presumption.

The conflict between patent holders desiring to assert their exclusive rights and competitors, i.e. potential infringers, seeking to limit those rights is likely to increase as markets become increasingly global. Patentees lacking patent protection in a foreign country may seek to maximize the extraterritorial application of exclusive rights under their United States patent. Historically, however, the Supreme Court has been reluctant to

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12 Most commentary on “offers to sell” infringement, however, has focused upon the scope of activity that may be considered an “offer.” See, e.g., Larry S. Zelson, Comment, The Illusion of “Offer to Sell” Patent Infringement: When an Offer is an Offer But Is Not an Offer, 154 U. PA. L. REV. 1283 (2006).

13 See infra Part IV.B.

14 See infra Part IV.A.


17 The territorial nature of patent protection increases the costs of securing patent protection in a global market. See Chisum, supra note 15, at 618 (“The cumulative costs of registering and maintaining trademarks and patents internationally threaten to exclude small, independent enterprises, which may be unable to obtain funding and to compete in product and service markets that are heavily dependent upon intellectual property protection.”).
permit any expansion of the patentee’s exclusive rights. One commentator attributes this reluctance to the Court’s “historical antipathy towards patents.” In contrast to the Supreme Court, however, Congress has been more accommodating of the patentee’s interests. “The evolution of the forms of infringement suggests that Congress has an expansive view of what constitutes infringement and is interested in increasing the strength and scope of U.S. patents.” Recently Congress has reaffirmed its interest in strengthening intellectual property rights, particularly in the international context. However, the extent of Congress’s willingness to expand the scope of patent protection does have limits. The competing policies and diverse perspectives that influence the development of patent law would confirm there is no simple answer to whether an offer made in the United States for a sale contemplated in a foreign country constitutes patent infringement. However, this question must be answered and the proper scope of “offers to sell” infringement defined in order to provide both patentees and competitors the benefits of clearly demarcated property rights.

Absent congressional action to clarify the scope of “offers to sell” infringement liability, the Federal Circuit and perhaps even the Supreme Court will eventually be faced with the difficult task of deciding this issue.

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19 Holbrook, Territoriality, supra note 15, at 732. This antipathy is reflected in the four Supreme Court cases recently decided—all of which ruled against the patent holder. See supra note 2.
20 See Holbrook, Threat of a Sale, supra note 11, at 754.
21 Id. For example, Congress amended the patent statute to include exporting components of a patented invention as a form of infringement effectively overruling the Supreme Court’s contrary holding in Deepsouth. See 35 U.S.C. § 271(f).
22 Recently introduced legislation would enhance the civil and criminal penalties for copyright and trademark infringement. See, e.g., H.R. 4279, 110th Cong. (1st Sess. 2007).
choosing between the competing policies and justifications offered in support of the proposed constructions. This Note will highlight another lens through which courts might look in making this complex and important decision.

This Note will begin by detailing the prior development of this issue. In Part II, the origin of “offers to sell” infringement will be explored along with the limited legislative history surrounding its enactment.25 Part III will then examine the evolution through the Federal Circuit, including the underlying purpose attributed to this form of infringement.26 The leading decision applying “offers to sell” infringement will be examined and the conflict between the majority and concurring opinions explored.27 Part IV will examine the competing views developed by the district courts and conclude by examining the most recent district court decision that relied upon Microsoft.28 After the development of this question through the lower courts is complete, Part V will examine the territoriality principles espoused in Microsoft, the argument applying those principles, and conclude that territoriality alone provides an insufficient basis for determining the proper scope of “offers to sell” infringement.29 Finally, Part VI will summarize the patentee’s economic interests in “offering to sell” a patented invention and argue that these economic interests provide a coherent explanation for construing “offers to sell” to apply to an offer made in the United States, regardless of the location of the contemplated sale.30

II. ORIGIN OF “OFFER TO SELL” INFRINGEMENT

Prior to 1994, a party could infringe a patent under 35 U.S.C. § 271(a) only by making, using, or selling the patented invention.31 In 1994, however, the international community took a major step forward in the process of harmonizing international intellectual property laws, and patent laws specifically.32 The conclusion of the Uruguay Round of negotiations for revision of the General Agreement on Tariffs and Trade (GATT) resulted in the establishment of the World Trade Organization and adoption of the

25 See infra Part II.
26 See infra Part III.
27 See infra Part III.B.
28 See infra Part IV.
29 See infra Part V.
30 See infra Part VI.
leading international treaty on intellectual property—the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).33

For the first time in the history of international intellectual property treaties,34 the TRIPS Agreement established minimum exclusive rights that all member countries would provide to patent owners.35 To comply with these new obligations, Congress amended § 271(a), (c), (e), and (f) to add two new forms of patent infringement: offering to sell and importing a patented invention.36 The adoption of these changes, however, occurred with a notable lack of discussion in Congress.37 Rather than articulate the policy rationale for establishing these new forms of infringement, the scant legislative history merely identifies the changes being made.38 These


35 Agreement on Trade-Related Aspects of Intellectual Property Rights art. 28, Apr. 15 1994, 33 I.L.M. 81 [hereinafter TRIPS Agreement]:

1. 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.

Id. (footnote omitted).


37 See Holbrook, Threat of a Sale, supra note 11, at 763 (“These changes were made with little discussion and, as such, there is no legislative history to inform the metes and bounds of this new form of infringement.”).

changes thus resulted in the current version of § 271(a),\textsuperscript{39} which is the primary focus of this Note.\textsuperscript{40}

In addition to the changes to § 271(a), the 1994 amendments also added § 271(i) to the infringement statute, providing a partial clarification of “offer for sale.”\textsuperscript{41} Section 271(i) provides, “[a]s used in this section, an ‘offer for sale’ or an ‘offer to sell’ by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.”\textsuperscript{42} Much like § 271(a), Congress has provided no guidance on the meaning or purpose of this statute.\textsuperscript{43} A literal reading of this provision suggests that to have an infringing offer for sale, the sale contemplated by the offer must be intended to occur before the expiration of the term of the patent.\textsuperscript{44} Such a construction appears to be consistent with confining the patentee’s exclusive rights to the twenty-year term provided by statute.\textsuperscript{45} However, the seemingly temporal limitation imposed by § 271(i) has been used to justify limiting “offer to sell” infringement liability to only those sales contemplated to occur within the United States.\textsuperscript{46} While the origin of “offer to sell” infringement liability is easily traced back to the Uruguay Round Agreements, the lack of legislative history or other interpretive aids leaves the courts and potential litigants with little guidance.

\textsuperscript{39} 35 U.S.C. § 271(a) (2007) (“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 patented invention during the term of the patent therefor (sic), infringes the patent.”).

\textsuperscript{40} Although the “offers to sell” language was added to multiple parts of § 271, this Note will focus on § 271(a) as a proxy for examining the competing policies underlying “offer for sale” infringement.

\textsuperscript{41} URAA, supra note 36, at § 533(a)(5).


\textsuperscript{43} See Holbrook, Threat of a Sale, supra note 11, at 763 n.81.

\textsuperscript{44} Id. (noting that “[i]f a patentee must wait and see if the infringing sale is consummated during the patent term, then the impact of the addition of ‘offers to sell’ in § 271(a) would be minimal”).

\textsuperscript{45} See 35 U.S.C. § 154(a)(2) (2006) (establishing twenty-year patent term measured from the date of filing). In this context, section § 271(i) may be viewed as a corollary to the public use and on-sale bar of 35 U.S.C. § 102. The Federal Circuit has noted, “[o]ne of the primary purposes of section 102(b) is to preclude commercial exploitation of an invention which has the effect of expanding the period of exclusive rights granted by the statute.” Barmag Barmer Maschinenfabrik AG v. Murata Mach., Ltd., 731 F.2d 831, 836 (Fed. Cir. 1984). Similarly, section 271(i) precludes a patentee from achieving a de facto extension of the exclusive rights beyond the statutory term by limiting infringing offers to only those that contemplate a sale within the twenty-year period of exclusivity.

\textsuperscript{46} See Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1259 (Fed. Cir. 2000) (Newman, J., concurring in the judgment), discussed infra Part III.B.
III. EVOLUTION OF “OFFER FOR SALE” INFRINGEMENT IN THE FEDERAL CIRCUIT

As a relatively recent addition to a patentee’s exclusive rights, the Federal Circuit has had remarkably few opportunities to shape the contours of “offer for sale” infringement. In this section, the development of the Federal Circuit’s “offer for sale” jurisprudence is reviewed from the initial focus on establishing personal jurisdiction to the later cases addressing the scope of infringing activity. The central policy arguments advanced by the court are highlighted, because with limited controlling precedent, district courts often return to these underlying policies when interpreting and applying “offer for sale” infringement in specific cases.47

A. Initial Steps: Defining the Purpose

The Federal Circuit first discussed the policies underlying the “offers to sell” prong of § 271(a) in the context of establishing personal jurisdiction over alleged infringers.48 Applying the Federal Circuit’s test for personal jurisdiction, the court analyzed whether a claim for patent infringement arose out of or related to the defendant’s actions directed towards the forum state.49 The defendant’s primary action, which the plaintiff-patentee alleged constituted infringement, was sending price quotation letters to residents in California.50 Thus, the central issue was whether the defendant’s price quotation letters could constitute an offer to sell. Recognizing this case presented an issue of first impression, the court held that federal rather than state law controlled the definition of the “offer;”51 however, in spite of similar language, the court declined to import the authority construing the on-sale bar of § 102(b).52

47 See infra Part IV.
49 Id. at 1378–79. See also Akro Corp. v. Luker, 45 F.3d 1541, 1545–46 (Fed. Cir. 1995) (establishing Federal Circuit’s three-part personal jurisdiction test).
50 Aarotech, 160 F.3d at 1378.
51 Id. at 1379 (“We have rejected previous attempts to shape our personal jurisdiction law through state common law definitions of federal statutory terms . . . . The statutory character of the ‘offer to sell’ requires us to ‘look back to federal law on the conceptualization’ of the ‘offer to sell’ itself.”) (quoting N. Am. Phillips Corp. v. Am. Vending Sales, Inc., 35 F.3d 1576, 1578–79 (Fed. Cir. 1994)).
52 The court noted the distinguishable polices underlying § 102(b):

[T]he concern that patentees will commercialize their inventions while deferring the beginning of the statutory patent term, encouraging prompt and widespread disclosure of inventions to the public, discouraging the removal of inventions from
The Federal Circuit concluded that price quotations letters containing “a description of the allegedly infringing merchandise and the price at which it can be purchased” could be regarded as offers to sell. 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 [the alleged infringer] has engaged in, i.e. generating interest in a potentially infringing product to the commercial detriment of the rightful patentee.” In the absence of legislative history, this statement of purpose has been widely adopted by numerous Federal Circuit and district court opinions. The importance of commercial detriment is further illustrated by the Federal Circuit’s subsequent holding that an “offer to donate” does not constitute patent infringement. By emphasizing the economic impact on the patentee, the court ensured that the stated purpose of “offer to sell” infringement was consistent with the generally accepted purpose of granting a patentee exclusive rights—“to allow the patentee to recoup the costs of developing the invention.”

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Id. at 1379 n.4 (citing Ferag AG v. Quipp Inc., 45 F.3d 1562, 1566 (Fed. Cir. 1995)). However, this distinction drawn by the Federal Circuit between the policies supporting § 102(b) and § 271 has been called into question. See, e.g., Holbrook, Threat of a Sale, supra note 11, at 778.

The value that the patentee extracts from the patent pre-term is the same value that an infringer inappropriately extracts during the patent term—the commercial value of the invention. Consequently, the policies identified by the Federal Circuit are an improper basis upon which to justify treating “offers to sell” and the “on-sale bar” differently.

Id. 53 Aarotech, 160 F.3d at 1379.

Id. (alteration in original) (“such a construction harmonizes with the broad definition of ‘offer to sell’ provided in § 271(i)”).

See supra notes 36–38 and accompanying text.


See HollyAnne Corp. v. TFT, Inc., 199 F.3d 1304, 1309–10 (Fed. Cir. 1999) (“to be an offer to sell for purposes of section 271(a) the alleged offer must include more than a mere invitation to accept a gift . . . the offer [must] include . . . the hallmarks of a potential commercial transaction.”).

Holbrook, Threat of a Sale, supra note 11, at 778.
B. Rotec: The Leading Case and the Complicating Concurrence

The leading Federal Circuit decision addressing “offer for sale” infringement liability is *Rotec Industries, Inc. v. Mitsubishi Corp.* The *Rotec* decision is significant not only because it represents the first Federal Circuit decision addressing the merits of “offer for sale” infringement, but also because of the vigorous disagreement between the panel majority and the concurring opinion. Although the *Rotec* court did not reach the question of whether an offer made in the United States to sell a patented invention in a foreign country constitutes infringement under § 271(a), the facts of *Rotec* are typical of the cases that raise this issue.

In *Rotec*, the plaintiff-patentee alleged the defendants committed patent infringement by offering to sell an infringing system to the People’s Republic of China (PRC). It was undisputed that the actual sale would take place in China and that the plaintiff’s patent covered the system to be sold by the defendants. The only disputed issue was whether an “offer to sell” was made in the United States. After a thorough review of the origin of “offer for sale” infringement, the limited legislative history, and prior case law, the court concluded that the plaintiff’s evidence could not support finding an offer was made in the United States.

The *Rotec* court’s analysis has provided significant guidance on both the definition and application of “offer for sale” infringement. The court began its analysis by articulating the strong territoriality principle of United States

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59 215 F.3d 1246 (Fed. Cir. 2000).
60 Previous cases, such as *3D Systems*, had only addressed “offer to sell” infringement in the context of personal jurisdiction. See Holbrook, *Territoriality*, supra note 15, at 724 (recognizing *Rotec* as the first case to address the merits of “offer for sale” infringement).
61 *Rotec*, 215 F.3d at 1249. The PRC had solicited bid proposals for concrete delivery systems to be used in the Three Gorges Dam project on the Yangtze river. *Id.* The plaintiff was a United States company and manufacturer of such concrete delivery systems. *Id.* at 1248. The defendants consisted of both United States and foreign companies and independent contractors that prepared and submitted a bid in response to the PRC’s solicitation. *Id.* at 1249.
62 *Id.* at 1249–51.
63 *Id.* at 1250 (“Defendants moved to dismiss for failure to state a claim, arguing that Rotec could not prove that Defendants committed the alleged act of infringement—the offer to sell—within the United States.”).
64 *Id.* at 1251–55.
65 *Id.* at 1257. The fact that the majority’s analysis focused upon evidence of an offer to sell being made in the United States, rather than on the location of the contemplated sale, suggests that if the evidence had supported finding an offer to sell made in the United States, the patent would have been infringed under § 271(a). See *id.* at 1258 (Newman, J., concurring in the judgment).
patent law: “The right conferred by a patent under [United States] 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.” Notably, the court did not use this principle to find that a domestic offer for a foreign sale could not constitute infringement, but rather, the court applied the territoriality principle to limit the scope of the defendants’ activities that would be considered. Only actions within the United States could be used to determine whether the defendants made an infringing “offer for sale.”

The *Rotec* court reaffirmed the purpose of “offer for sale” infringement liability articulated in *3D Systems*. The court noted that by adding “offers to sell” to the infringement statute “Congress sought to strengthen the protections afforded” to patentees. “The question remains, however, as to how much strength Congress wished to add to the parameters of a patent grant.” The court focused on what activities would cause “commercial detriment” to the patentee, and concluded that communication with a third party was required. Applying this standard, the court found that the plaintiff’s evidence did not show the defendants “generated interest in a potentially infringing product to the commercial detriment of the rightful patentee.” The court also noted that requiring third-party communication

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66 Id. at 1251 (quoting Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641, 650 (1915)).
67 Rotec, 215 F.3d at 1251 (“[I]t is . . . undisputed that many of these activities took place outside the United States, in China and elsewhere. These extraterritorial activities however, are irrelevant to the case before us.”).
68 Id. (“[W]e must establish whether Defendants’ activities in the United States . . . are sufficient to establish an ‘offer for sale. . . .’”).
69 Id. at 1255.
70 Id. at 1252 (reviewing legislative history).
71 Id.
72 Id. at 1255 (“In the absence of communication with a third party, it is difficult to imagine any commercial detriment of the rightful patentee taking place.”).
73 Id. (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 n.4 (Fed. Cir. 1998)). The plaintiff-patentee offered evidence that:

(1) the offering parties met nine times in the United States about supplying a conveyor system for the Three Gorges Dam Project; (2) [the offering parties] designed and priced the contemplated system in the United States; and (3) the written offer identified [the offering party] as the supplier for the concrete system, and confirmed that [the offering party] had provided all relevant technical and financial documents.

Id. The critical issue, however, was that “[n]one of this evidence . . . establish[ed] any communication by Defendants with any third party.” Id.
maintains a proper balance between the interests of the patentee and the interests of the public.74

Finally, Rotec narrowed the definition of “offer to sell” from the broad construction adopted in 3D Systems.75 Reviewing the intervening Supreme Court decision in Pfaff v. Wells Electronics, Inc.,76 the Rotec court found the analysis of the on-sale bar to be sufficiently analogous to conclude that “an offer for sale . . . requires no more than a commercial offer for sale” as defined by “the norms of traditional contractual analysis.”77 Additionally, in spite of the declared purpose of the TRIPS Agreement to harmonize international patent law,78 the Rotec court declined to adopt the expansive definition of “offer to sell” employed in the United Kingdom.79 The Federal Circuit’s narrow interpretation of “offer to sell” requiring a “formal commercial offer for sale” is thus the framework within which “offer to sale” infringement is currently analyzed.80

Even though the Rotec majority did not address the question of whether a domestic offer contemplating a foreign sale would constitute an act of infringement, Judge Newman, concurring only in the judgment, tackled this question directly. “[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.”81 Under this

74 See Rotec, 215 F.3d at 1255. The court observed that many activities “could also lead to ‘generating interest . . . to the commercial detriment of the rightful patentee’” but are not prohibited by the patent statute. Id. (quoting 3D Sys., 160 F.3d at 1379 n.4). Examples of such activities that do not involve third-party communication are: “(1) studying a patent in anticipation of its expiration; (2) estimating the cost of producing a disclosed invention before the date of expiration; [and] (3) reviewing a patent to ascertain whether the claims read on a product currently in development.” Id.

75 Rotec, 215 F.3d at 1254–55.

76 525 U.S. 55, 67 (1998) (holding a “product must be the subject of a commercial offer for sale” to trigger the on-sale bar of § 102(b)).

77 Rotec, 215 F.3d at 1254–55. The court found the analysis consistent, in spite of the different policy justifications for § 102(b) and § 271(a). Id. at 1255 n.3.


79 See Gerber Garment Tech. Inc. v. Lectra Sys. Ltd., [1995] 13 R.P.C. 383, 411–12 (United Kingdom Patents Court) (holding mere advertising activities could infringe, even if the activities do not meet the common law definition of offer, because a patentee is harmed by an advertisement for a sale set to take place during the term of the patent).

80 District courts have struggled to apply this “commercial offer” standard in the context of federal common law. See Holbrook, Threat of a Sale, supra note 11, at 781–84 (concluding that a broader commercialization standard may lead to greater certainty in application of the patent laws).

81 Rotec, 215 F.3d at 1258 (Newman, J., concurring in the judgment).
view, there could be no “offer to sell” infringement on the facts in Rotec because the contemplated sale was to occur in China—outside the jurisdiction of the United States patent laws.82

The central principle underlying Judge Newman’s interpretation is that “an offer to sell a device or system whose actual sale cannot infringe a United States patent is not an infringing act under § 271.”83 Judge Newman supports this contention by arguing 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.”84 This view of the purpose of “offer for sale” infringement liability is notably different than the purpose articulated in 3D Systems and adopted by the Rotec majority.85

Judge Newman draws support for this position from the language of § 271(i) which defines an “offer for sale” as “that in which the sale will occur before the expiration of the term of the patent.”86 From this limiting definition, Judge Newman infers: “By requiring that the actual sale of the thing offered will occur before the patent expires, the statute makes clear that the sale must be one that will infringe the patent.”87 Thus, the principle benefit provided by the addition of “offer for sale” infringement is that “the patentee need not await an actual sale, and may seek injunctive relief and any damages that may have accrued due to the offer.”88

Because the “offer to sell” form of infringement arose in the context of harmonizing international patent law,89 Judge Newman looked to the interpretation of an analogous provision in foreign patent law.90 Interpreting

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82 Id. at 1258–59; see also supra note 8 (defining the presumption against extraterritoriality).
83 Id. at 1259. This contention appears to be an original interpretation advanced by Judge Newman as no authority is cited for this critical proposition.
84 Id.
85 The purpose stated in 3D Systems would suggest a more expansive view of the patentee’s exclusive rights including preventing other parties from generating interest in a potentially infringing product; whereas, the purpose articulated by Judge Newman would suggest that “offer to sell” merely gives the patentee the ability to enforce an existing right—to exclude others from selling the patented product—at an earlier time.
86 Rotec, 215 F.3d at 1259 (Newman, J., concurring in the judgment) (quoting 35 U.S.C. § 271(i)).
87 Id.; see also Thomas L. Irving & Stacy D. Lewis, Proving a Date of Invention and Infringement After GATT/TRIPS, 22 AIPLA Q.J. 309, 351–52 (Summer/Fall 1994) (noting an offer for sale will infringe only if the contemplated sale will occur during the term of the patent).
88 Rotec, 215 F.3d at 1260.
89 See supra notes 31–36 and accompanying text.
90 Using foreign law to interpret domestic statutes is particularly appropriate when the domestic statute in question was enacted pursuant to an international treaty designed to harmonize the laws of the signatory countries. See Edward Lee, The New Canon:
the equivalent of “offers to sell,” the United Kingdom patent court concluded “that the statutory ‘offers to dispose of’ the patented product must be read as meaning, ‘offers in the United Kingdom to dispose of the product in the United Kingdom.”

Thus while the Rotec majority and concurrence disagree as to whether a domestic offer contemplating a foreign sale constitutes patent infringement under § 271(a), the underlying dispute may have been a more fundamental disagreement over the purpose of offer for sale infringement and the extent to which the addition of offer for sale infringement liability should expand the exclusive rights of patentees.

C. Latest Federal Circuit Guidance

While the Rotec majority and concurring opinions have both received substantial consideration by district courts, the most recent case with similar facts was decided consistent with the Rotec majority. In MEMC, the plaintiff-patentee alleged activity within the United States constituted an infringing offer for sale, and also alleged actual infringing sales. The Federal Circuit analyzed both of these claims and concluded that neither an infringing offer for sale nor an actual sale occurred within the United States. Consistent with the Rotec requirement of a commercial offer for sale, the court noted 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 the bargain is invited and will conclude it.”

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91 While the United States uses the term “offer to sell,” the equivalent provision in the United Kingdom patent code is “offers to dispose of.” See Rotec, 215 F.3d at 1259.
92 Id. (citing Kalman v. PCL Packaging (UK) Ltd., [1982] F.S.R. 406 (U.K.)).
93 See infra Part IV.
94 MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369, 1378 (Fed. Cir. 2005). In a nonprecedential opinion between Rotec and MEMC, the Federal Circuit apparently left open the possibility that “activities in the United States, while allegedly aimed at securing international sales, [may give] rise to an offer for sale in the United States under section 271(a).” Lamle v. Mattel, Inc., 65 F. App’x 293, 296 (Fed. Cir. 2003) (nonprecedential) (vacating summary judgment in favor of accused infringer).
95 MEMC, 420 F.3d at 1372.
96 Id. at 1375–77 (recognizing that “the reach of section 271(a) is limited to infringing activities that occur within the United States”).
97 Id. at 1376 (quoting Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1259 (Fed. Cir. 2000)) (internal quotations omitted).
Applying this standard, no relevant evidence of an offer to sell was found in the defendant’s domestic activities.\textsuperscript{98}

The court’s willingness to analyze whether an offer for sale was made is notable in light of the fact that the court found “any sale of the [infringing product]... occurred in Japan where all of the essential activities took place.”\textsuperscript{99} Once the court concluded that the actual sale took place in Japan, under the *Rotec* concurrence analysis, no infringing offer for sale could have been found even if the offer had occurred in the United States.\textsuperscript{100} By inquiring into whether an offer for sale was made in the United States, the *MEMC* court must have accepted the premise that an “offer to sell” made in the United States contemplating a sale outside the United States could infringe under § 271(a).\textsuperscript{101}

### IV. Confusion in the District Courts

The limited Federal Circuit guidance on “offer for sale” infringement liability\textsuperscript{102} has led to conflicting decisions in the district courts,\textsuperscript{103} undermining the purpose for which the Federal Circuit was created.\textsuperscript{104}

\textsuperscript{98} *MEMC*, 420 F.3d at 1376. The court specifically noted that there was “no evidence of negotiations occurring in the United States” and that an e-mail containing a description of the allegedly infringing product but not containing price terms could not be construed as an offer to sell. *Id.*

\textsuperscript{99} *Id.* at 1377 (emphasis in original). The plaintiff presented no evidence to counter the undisputed fact that activity related to the sales process was conducted outside of the United States. *Id.*

\textsuperscript{100} See *Rotec*, 215 F.3d at 1258 (Newman, J., concurring in the judgment).

\textsuperscript{101} See *MEMC*, 420 F.3d at 1377. Curiously, despite the fact that Judge Newman was on the *MEMC* panel, the *MEMC* opinion did not address the arguments raised in the *Rotec* concurrence. Further, Judge Newman joined the *MEMC* opinion in full, perhaps suggesting that the Federal Circuit will follow the *Rotec* majority on this issue.

\textsuperscript{102} See Part III, supra (reviewing principle Federal Circuit decisions).

\textsuperscript{103} See Nicholas Oros, *Infringement Twice Removed: Inducement of Patent Infringement for Overseas Manufacture of Infringing Products Imported by Another*, 10 COMP. L. REV. & TECH. J. 163, 182 (2006) (recognizing that a “spirited debate has developed in the courts”). The debate, however, is confined to the issue of an offer for contemplated foreign sales; it is undisputed that an offer made in the United States to sell a patented invention within the United States constitutes patent infringement. See, e.g., Fellowes, Inc. v. Michilin Prosperity Co., 491 F. Supp. 2d 571, 577–83 (E.D. Va. 2007) (finding foreign manufacturer made offers in the United States to sell in the United States thereby infringing the United States patent).

\textsuperscript{104} See supra note 5 (noting objective of the Federal Circuit was to bring uniformity to patent law jurisprudence). Disagreement over infringement liability for pre-sale activity is, however, not a new phenomenon and existed well before the formation of the Federal Circuit. Compare Scaramucci v. FMC Corp., 258 F. Supp. 598, 601 (W.D. Okla. 1966) (concluding that “successful solicitations of sales” should constitute infringement),
Further, given the relatively few cases directly addressing domestic offers contemplating foreign sales, the district courts have had few opportunities to persuade each other and reach consensus. As such, the district courts apply the same Federal Circuit precedents but reach markedly different conclusions.

A. Cases Supporting “Offer to Sell” Infringement Predicated on Contemplated Foreign Sales

The first district court decision adopting the position that offers made in the United States to sell a patented invention in a foreign country may constitute infringement under § 271(a) was *Halmar Robicon Group v. Toshiba International Corp.* On cross motions for summary judgment, the parties asked the court to decide whether the defendant had infringed the plaintiff’s patent by offering to sell a product to customers located in Canada and Houston, Texas. The court dismissed the plaintiff’s motion as premature, but addressed the merits of the defendant’s motion. With respect to the Canadian customer, the court found the defendant’s offer was made in the United States. By denying summary judgment even though

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105 The few reported “offer for sale” cases may suggest this form of infringement liability is of limited utility to patentees who may have difficulty both detecting offers and establishing that an offer was for a patented invention. Further, many offers may result in actual domestic sales providing an alternative and more well-defined theory for infringement litigation.


107 *Id.* at 1501–02. The court granted partial summary judgment to the defendants “with respect to all ‘offers and sales of products manufactured and delivered entirely outside the United States,’ other than the offers of sale made by [the defendant] to Chevron [of Canada] and the City of Houston.” *Id.* at 1505.

108 *Id.* at 1503. The plaintiff’s motion required determining whether the patent claims read on the allegedly infringing product, but the court had not yet construed the patent claims. *Id.* at 1502–03. *See also Carroll Touch, Inc. v. Electro Mech. Sys., Inc.,* 15 F.3d 1573, 1576 (Fed. Cir. 1993) (“The law is well established that the determination whether a claim has been infringed requires a two-step analysis. First, the claim must be properly construed to determine its scope and meaning. Second, the claim as properly construed must be compared to the accused device or process.”); accord *Markman v. Westview Instruments, Inc.,* 52 F.3d 967, 976 (Fed. Cir. 1995) (en banc), *aff’d,* 517 U.S. 370 (1996).

109 *Halmar,* 53 U.S.P.Q.2d at 1504. The critical fact was that the defendant sent a letter from Houston, Texas to the customer in Calgary, Alberta (Canada) containing a
the sale took place in Canada, the court must have determined that a domestic offer contemplating a foreign sale could constitute infringement.

Another district court noted that “certain actions taken within the United States [can] lead to liability for patent infringement for an infringing product otherwise made, used, or sold outside of the United States.” While recognizing the territorial nature of patent rights, the court supported its position by recognizing the purpose of “offer for sale” infringement set forth in 3D Systems, and identified three forms of patent infringement that may be predicated on domestic action leading to foreign sales. The analysis in Fieldturf, however, is clearly dicta. In spite of significant domestic activity, the evidence was insufficient to establish that the defendant extended “the requisite commercial offer.” Moreover, the court found that the defendant carefully tailored its activities to avoid making offers within the United States. Lacking the predicate domestic act of making the offer,
the location of the contemplated sale became immaterial to the court’s holding.

The district court’s decision in Wesley Jessen Corp. v. Bausch & Lomb, Inc.\textsuperscript{117} appears to be the first case in which a court has explicitly held that an offer made in the United States for a contemplated foreign sale would constitute infringement.\textsuperscript{118} In a prior proceeding, the court found that Bausch & Lomb had infringed Wesley’s patent and entered a permanent injunction barring future infringement.\textsuperscript{119} Subsequently, Wesley alleged that Bausch & Lomb violated the injunction.\textsuperscript{120} In contrast to Rotec and MEMC, in which the Federal Circuit ultimately found no offer had been made,\textsuperscript{121} the Wesley court found sufficient evidence of an offer for sale.\textsuperscript{122} This made the scope of “offer for sale” liability essential to the court’s decision to permit additional discovery on the question of continued infringement.\textsuperscript{123}

In reaching the conclusion that an offer within the United States is sufficient to find infringement liability, the court relied on three primary arguments. First, the court analyzed Federal Circuit precedent finding that authority supported a cause of action based solely on the domestic offer.\textsuperscript{124}

\begin{footnotesize}
\begin{enumerate}
\item The courts though appear to disfavor allowing defendants to rely upon this type of strategic behavior to avoid liability. See, e.g., 3D Sys., 160 F.3d at 1379 (finding price quotation letters constitute offers despite the fact that they “state on their face that they are purportedly not offers” because “to treat them as anything other than offers to sell would be to exalt form over substance”); Cybiotronics, Ltd. v. Golden Source Electronics, Ltd., 130 F. Supp. 2d 1152, 1172 n.49 (C.D. Cal. 2001) (noting “the possibility of creating . . . a ‘legal fiction’ merely to escape liability”).
\item 256 F. Supp. 2d 228 (D. Del. 2003).
\item Id. at 235.
\item Id. at 229. The injunction enjoined Bausch & Lomb from “making, using, offering for sale, or selling in the United States” the infringing products. Id.
\item See MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369, 1376 (Fed Cir. 2005); Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1257 (Fed. Cir. 2000).
\item Wesley Jessen, 256 F. Supp. 2d at 235 (“Wesley Jessen has made a prima facie showing that commercial transactions between Bausch & Lomb and a related entity in Ireland may involve offers to sell or sales within the United States.”).
\item Id. (“The Court, therefore, will grant Wesley Jessen’s request to take discovery directed to uncovering whether Bausch & Lomb has engaged in offering for sale, or selling, in the United States . . . .”).
\item 124 Id. at 233. Relying on 3D Systems and Rotec, the court concluded:
\begin{quote}
What emerges from Federal Circuit cases dealing with “offer to sell” liability under § 271(a) is the conclusion that an unauthorized “offer to sell” a patented invention within the United States creates a separate cause of action for patent infringement . . . . The geographic location and physical destination of the subject
\end{quote}
\end{enumerate}
\end{footnotesize}
This finding clearly comports with the Rotec majority’s view of the territorial nature of patent rights. Second, the court applied a traditional canon of statutory interpretation to reject the defendant’s argument that a sale within the United States must be contemplated by the offer. Finally, the Wesley court concluded that the purpose of “offer for sale” liability required protecting the patentee against competing offers regardless of the location of the contemplated sale. After analyzing these factors, the court succinctly concluded “that an unauthorized offer to sell a patented product, which offer is made in the United States, is a violation of 35 U.S.C. § 271(a).”

The most recent district court case to adopt the Rotec majority position is SEB, S.A. v. Montgomery Ward & Co. The facts in SEB closely mirrored those in Wesley, in that a plaintiff-patentee alleged an infringing offer to sell; however, in SEB, the record already contained substantial evidence that the defendant had in fact made an offer within the United States.

Moreover, for the purpose of establishing “offer for sale” infringement, the court appears to have accepted that the infringing products were sold matter of the “offer” appear to be immaterial to the analysis, so long as the “offer” was made in the United States.

Id. (citations omitted).

Id. at 233 (“The question thus [becomes] ‘whether Defendants’ activities in the United States . . . [were] sufficient to establish an ‘offer for sale,’ as that phrase is used in § 271(a).”) (citing Rotec, 215 F.3d at 1251.).

Id. at 234 (“Requiring that there be an actual or contemplated infringing ‘sale’ of the invention for there to also be an unlawful ‘offer to sell’ makes the ‘offer to sell’ language in § 271(a) superfluous.”); cf. Exxon Corp. v. Hunt, 475 U.S. 355, 369 n.14 (1986) (noting statutes should be construed to avoid finding any language superfluous or unnecessary).

Wesley Jessen, 256 F. Supp. 2d at 235 (“Allowing competing offers to sell would be to the detriment of a patentee’s opportunity to offer sales, whether foreign or domestic.”). The Wesley court also found support for this conclusion in Supreme Court precedent. See Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 16 (1984) (“[I]f the Government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power.”).

Wesley Jessen, 256 F. Supp. 2d at 235.


The facts included: a formal vendor relationship between the defendant and its U.S. representative; identification of the U.S. representative as “negotiator,” “Rep.,” and “U.S. Contact” in a Terms of Purchase agreement; meeting and phone calls occurring in the United States; and that “any purchase orders for the [infringing product] were sent to [defendant] via [the U.S. Contact].” Id. at 342.
outside of the United States. In reaching the conclusion that an offer made within the United States was sufficient, the SEB court largely adopted the analysis from Wesley focusing on Federal Circuit precedent, statutory interpretation, and the purpose of “offer for sale” liability. The court again emphasized that a patentee may suffer economic harm even if the offer contemplates a foreign sale. After reviewing these arguments the court concluded SEB had produced sufficient evidence to permit “a reasonable jury to conclude that Defendants made an offer to sell [the infringing product] . . . in the United States” and allowed the plaintiff’s case to move forward.

B. Cases Requiring a Contemplated Sale Within the United States to Establish Infringement

Another line of district court cases has reached the opposite conclusion—that an offer made in the United States which contemplates a foreign sale cannot constitute patent infringement under § 271(a). The leading case in this line of decisions is Quality Tubing, Inc. v. Precision Tube Holdings Corp. In Quality Tubing, the alleged infringer negotiated and executed a contract in Houston, Texas for the foreign manufacture and sale of a product covered by a United States patent. The plaintiff claimed that by this activity the defendant had engaged in selling or offering to sell a potentially infringing product within the United States, and asked the court to enjoin manufacturing activity in Scotland. Initially, the court considered the plaintiff’s claim that the defendant had sold the infringing product in the United States, but rejected that claim because “[t]he negotiation and execution of a contract to sell is not, standing alone, a sale that is an act of infringement . . . .” Turning to the plaintiff’s “offer for sale” claim, the court acknowledged this

131 Id. at 340 (“Simply because [the defendant] sold the [infringing products] F.O.B. China does not mean that it did not offer to sell the [infringing products] in the United States.”).
132 Id. at 340–42.
133 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.”).
134 Id. at 341.
135 Id. at 349 (denying defendant’s motion for summary judgment of non-infringement).
137 Id. at 614.
138 Id. The defendant, a United States company, had contracted with a Norwegian company to have the allegedly infringing product manufactured in Scotland. Id.
139 Id. at 621.
case presented an issue of first impression: 140 “whether an offer made in the United States to sell products manufactured and delivered outside the United States violates the United States patent laws.” 141

The court ultimately accepted the defendant’s construction of the statute requiring “the offer to be made within the United States and to contemplate a sale within the United States,” 142 and advanced four principle justifications for this conclusion. First, the court found the purpose of “expanding the list of infringing activities . . . to include an ‘offer to sell’ rather than merely a ‘sale’ [was to protect] a patent holder at an earlier stage of infringing activity.” 143 This purpose, however, requires that the later activity, i.e. the contemplated sale, would constitute infringement. 144 By defining the purpose of “offer for sale” liability in this manner, a domestic offer for a contemplated foreign sale falls outside the intended protection of the statute. 145 The second justification offered relies upon § 271(i) to support the conclusion “that Congress intended the ‘offer to sell’ language to push back the point in time at which infringement occurs.” 146 This is the same argument that Judge Newman would later offer concurring in Rotec. 147

A third reason expressed for the chosen construction of “offer for sale” was that “[t]his construction does not expand the territorial jurisdiction of the United States patent laws . . . .” 148 The court found support for this proposition in Supreme Court precedent noting that “United States patent laws apply within the United States and have no extraterritorial effect.” 149

140 Quality Tubing was decided during the interval between the district court and Federal Circuit decisions in Rotec; however, because the Federal Circuit largely followed the reasoning of the district court opinion, the discussion of Rotec in Quality Tubing is consistent with the Federal Circuit’s subsequent decision. Compare Rotec Industries, Inc. v. Mitsubishi Corp., 215 F.3d 1246 (Fed. Cir. 2000), with Rotec Industries, Inc. v. Mitsubishi Corp., 36 F. Supp. 2d 810 (C.D. Ill. 1998).

141 Quality Tubing, 75 F. Supp. 2d at 623.
142 Id. at 614.
143 Id. at 623.
144 Id. at 624 (“[T]he expansion of the statute to include the earlier stage of an infringing activity . . . means that the sale for which the offer is made must itself be an act of infringement.”).
145 Id. (“[I]f it were sufficient to have an offer, in the United States, to sell in a foreign country, the sale offered would not be an act of infringement, and the offer to sell would not be an earlier stage of an infringing activity.”) (emphasis added).
146 Id.
147 See Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1258–59 (Fed. Cir. 2000) (Newman, J., concurring in the judgment); see also supra notes 85–87 and accompanying text.
148 Quality Tubing, 75 F. Supp. 2d at 625.
149 Id. at 618 (citing Deepsouth Packaging Co. v. Laitram Corp., 406 U.S. 518, 531 (1972)).
Further, by limiting “offer to sell” to only those offers that contemplate a sale within the United States, the court avoids impermissibly extending the rights of patentees or the scope of United States patent law.\textsuperscript{150} Finally, the court focused on economic policy and found that limiting infringement to only those offers contemplating a sale within the United States to be in the best interest of American businesses.\textsuperscript{151} The court focused on the additional uncertainty that could result if an offer for foreign sale constituted patent infringement.\textsuperscript{152} The court reasoned that a per se rule would “avoid[] confusion over whether an offer to sell a product in a foreign market, made during an international telephone call or in an electronic mail transmission, or in a letter mailed in or faxed in the United States, is an act of infringement.”\textsuperscript{153}

The next district court case in the \textit{Quality Tubing} line of decisions was \textit{Cybiotronics Ltd. v. Golden Source Electronics, Ltd.}\textsuperscript{154} In \textit{Cybiotronics}, the plaintiff-patentee argued that the defendant made offers within the United States to sell an infringing product.\textsuperscript{155} Applying the “commercial offer” standard from \textit{Rotec}, the court concluded the plaintiff had raised a genuine issue of fact regarding whether an offer was made in the United States.\textsuperscript{156} However, the court nonetheless granted the defendant’s motion for summary judgment of non-infringement finding that the making of an offer was immaterial because the contemplated sale was to occur outside the United States.\textsuperscript{157}

\textsuperscript{150} Id. at 623–25; see also Edwin D. Garlepp, \textit{An Analysis of the Patentee’s New Exclusive Right to “Offer to Sell,”} 81 J. PAT. & TRADEMARK OFF. SOC’Y 315, 326 (1999).

\textsuperscript{151} Quality Tubing, 75 F. Supp. 2d at 625.

\textsuperscript{152} Id. at 623–24. The court noted that a hypothetical broker located in New York arranging for a patented invention to be both manufactured and sold in a foreign country might be subject to liability under a contrary construction of “offer for sale” infringement. Id.; see also Garlepp, supra note 150, at 326.

\textsuperscript{153} Quality Tubing, 75 F. Supp. 2d at 625. The court also found that, if the holder of a United States patent desired protection in the foreign market, Congress desired the patent holder seek patent protection in that foreign country. Id. (citing \textit{Deepsouth}, 406 U.S. at 531).

\textsuperscript{154} 130 F. Supp. 2d 1152 (2001).

\textsuperscript{155} Id. at 1153–54.

\textsuperscript{156} Id. at 1169. The plaintiff presented evidence suggesting that the defendant received transmissions concerning the price and quality in New York, and that the defendant’s “representatives may have personally come to New York to conduct negotiations.” Id. at 1168–69.

\textsuperscript{157} Id. at 1170. The court noted: \textit{Even if} what [the defendant] did in this case could credibly be described as an “offer to sell,” and \textit{even if} that “offer to sell” could credibly be said to have been made “within the United States,” liability under Section 271(a) does not extend to “offers
In reaching the conclusion that “offer for sale” infringement exists only for contemplated sales within the United States, the Cybiotronics court followed the reasoning of Quality Tubing.\textsuperscript{158} The court strongly endorsed the view that the purpose of “offer for sale” liability was to advance in time when infringement liability attaches to preempt an otherwise infringing sale.\textsuperscript{159} Cybiotronics also followed Quality Tubing regarding territoriality as a limitation on the patentee’s exclusive rights.\textsuperscript{160} Finally, the court analogized: “[T]he ‘offer to sell’ language is to a ‘sale’ [that] infringes the statute what an ‘attempt’ prosecution is to the crime that is attempted.”\textsuperscript{161}

Other district courts have endorsed Quality Tubing and Cybiotronics in dicta.\textsuperscript{162} In Synaptic, the plaintiff-patentee alleged that the defendant violated § 271(a) by making infringing offers to sell binding assays\textsuperscript{163} through its catalogues and website.\textsuperscript{164} The defendant, MDS, is a service organization that performs laboratory research for its customers.\textsuperscript{165} The actual testing at issue in Synaptic was conducted by MDS’s affiliate in Taipei, Taiwan, and

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\textsuperscript{158} Id. at 1170.

\textsuperscript{159} Id. at 1171. Cybiotronics viewed Quality Tubing as reasoning that:

[T]he addition of the “offer to sell” language to Section 271(a) was not intended to add a whole new substantive basis for liability to the statute, but was merely intended to incorporate into the statute coverage of activities that might pre-date the actual consummation of a sale within the United States, but which nonetheless contemplate such a final sale.

\textsuperscript{160} Cybiotronics, 130 F. Supp. 2d at 1171 (“[T]he ‘offer to sell’ language was not intended to (and could not) extend the protection of a U.S. patent to allow the patentee to also prevent sales taking place in other countries. Our patent laws are limited to the United States.”).

\textsuperscript{161} Id. (“[o]ffer to sell’ . . . merely allows a plaintiff to seek liability for activity that does not constitute a ‘sale,’ but which nonetheless threatens the patentee’s right to an exclusive American market.”).


\textsuperscript{164} Synaptic, 265 F. Supp. 2d at 462.

\textsuperscript{165} Id. at 455.
the test results were delivered to MDS’s customers in the United States.\textsuperscript{166} Denying the defendant’s motion for summary judgment of non-infringement, the court found that the defendant had in fact made offers to sell in the United States, and that the sales were consummated in the United States.\textsuperscript{167}

Although \textit{Synaptic} adopted the \textit{Quality Tubing} construction, the application of “offer for sale” infringement under § 271(a) in \textit{Synaptic} leaves several questions unanswered. First, the patents at issue concerned methods and processes which are typically only infringed by use;\textsuperscript{168} therefore, the “offer to sell” analysis under § 271(a) appears misplaced. Second, if the court viewed the “binding assay” as the product produced by a patented process, an “offer for sale” analysis would have been appropriate but only under § 271(g).\textsuperscript{169} Finally, the court relied upon \textit{Quality Tubing} and \textit{Cybiotronics} for the rule that an offer must contemplate a sale within the United States to be infringing, but did not discuss either the \textit{Rotec} or the \textit{Halmar} decisions that appear to conflict with that conclusion.\textsuperscript{170}

Interestingly, one district has split internally over the proper construction of “offers to sell” patent infringement.\textsuperscript{171} The court in \textit{Wing Shing} confronted the typical fact pattern of a plaintiff-patentee alleging an offer made in the United States for a contemplated sale in a foreign country and found two alternative grounds for dismissing the plaintiff’s claim.\textsuperscript{172} Initially, the court found the defendant’s actions within the United States did not constitute an offer to sell, and lacking that predicate action, there could be no infringement liability.\textsuperscript{173} Although the plaintiff maintained that a governing law provision in a supply agreement established an offer was

\footnotesize{\textsuperscript{166} Id. \\
\textsuperscript{167} Id. at 463. \\
\textsuperscript{168} 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.”); see also Joy Tech., Inc. v. Flakt, Inc., 6 F.3d 770, 775 (Fed. Cir. 1993) (“A method claim is directly infringed only by one practicing the patented method.”). \\
\textsuperscript{169} See 35 U.S.C. § 271(g) (2007) (“Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer.”). \\
\textsuperscript{170} See \textit{Synaptic}, 265 F. Supp. 2d at 462. \\
\textsuperscript{172} \textit{Wing Shing}, 479 F. Supp. 2d at 406–07. \\
\textsuperscript{173} Id. at 405–06 (“Plaintiff can point to no activity preceding . . . entry into the Supply Agreement that occurred within the United States.”).}
made in the United States,\textsuperscript{174} the court rejected this argument which would “exalt form over substance” in conflict with Federal Circuit precedent.\textsuperscript{175} Finally, the court concluded that even if an offer had been made within the United States, the “‘offer to sell’ theory of liability must then fail because the sales contemplated by the offer . . . were intended to occur outside the United States . . . .”\textsuperscript{176}

Focusing upon Judge Newman’s concurrence in \textit{Rotec},\textsuperscript{177} the court offered two justifications for adopting the view that “offer for sale” infringement required a contemplated sale within the United States. First, relying on requirements that both the making of the offer and the contemplated sale must be during the term of the patent,\textsuperscript{178} the court reasoned “by analogy [that] a prohibited ‘offer to sell’ made within the United States must contemplate a prohibited sale, that is, a sale that would also occur in the United States . . . .”\textsuperscript{179} The court in \textit{Wing Shing} also found that “such a reading does not render the addition of the ‘offer to sell’ language . . . ‘superfluous’.”\textsuperscript{180} Because the “offer to sell” language creates a separate “cause of action [even if the] offer is never accepted or otherwise consummated by an [infringing sale].”\textsuperscript{181}

C. The Most Recent Decision

The preceding sections illustrate a nearly uniform split among district courts as to the proper construction of the “offers to sell” form of infringement.\textsuperscript{182} The most recent district court to directly address this issue reviewed these competing lines of authority and found that the issue remains unsettled.\textsuperscript{183} In \textit{Semiconductor Energy}, the plaintiff-patentee alleged that the

\textsuperscript{174} \textit{Id.} at 394 ("According to the Supply Agreement’s ‘Governing Law’ provision, the Agreement was deemed to be made in Florida . . . .").

\textsuperscript{175} \textit{Id.} at 406 (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998)).

\textsuperscript{176} \textit{Id.}

\textsuperscript{177} \textit{Rotec}, 215 F.3d at 1258 (Newman, J., concurring in the judgment).

\textsuperscript{178} \textit{See} 35 U.S.C. § 271(a); \textit{id.} § 271(i).

\textsuperscript{179} \textit{Wing Shing}, 479 F. Supp. 2d at 407.

\textsuperscript{180} \textit{Id.}

\textsuperscript{181} \textit{Id.} (rejecting the contrary reasoning advanced by the same district in \textit{SEB})

\textsuperscript{182} \textit{See supra} Part IV.A and Part IV.B.

\textsuperscript{183} Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp., 531 F. Supp. 2d 1084, 1110–11 (N.D. Cal. 2007) ("In light of the fact that the parties here rely on District Court opinions for support of their respective positions, it would appear that this issue is unsettled."). In contrast, a district court in Delaware recently upheld a jury finding of infringement based in part upon finding an offer made in the United States to sell an infringing product to a foreign customer. \textit{See} TruePosition Inc. v. Andrew Corp.,
defendant made infringing offers in the United States. The court found that the material facts were not in dispute: “The parties acknowledge that [the defendant] makes offers of sale within the United States pertaining to products which are manufactured and ultimately sold outside the country.”

However, much like the district courts previously discussed, the parties disagreed over the proper scope of “offer to sell” infringement. The *Semiconductor Energy* court framed the legal issue as “whether an offer of sale made in the United States can constitute direct infringement if the product is ultimately sold in a foreign country.” Beginning its analysis, the court noted that “[t]he Federal Circuit appears to have answered this question in the affirmative in *Rotec Indus., Inc. v. Mitsubishi Corp.*” The appearance of an answer, however, is apparently not an answer. The parties offered “the court little support outside the holdings of” the *Halmar* and *Quality Tubing* lines of cases. Finding a lack of controlling authority from the Federal Circuit and a division among the few district courts to have confronted this issue, the *Semiconductor Energy* court turned to the Supreme Court for guidance. In *Microsoft Corp. v. AT & T Corp.*, the Supreme Court emphasized the presumption against extraterritorial application of United States patent law. Although *Microsoft* dealt with a different section

568 F. Supp. 2d 500, 516 (D. Del. 2008). Although not directly addressed in the reported opinion, by allowing the question of infringement to reach the jury, the Delaware court must have accepted the premise that domestic offers contemplating foreign sales may constitute an infringing act.


185 *Id.* The court had previously determined that the asserted claims of the plaintiff’s patent covered the defendant’s products, and therefore the plaintiff was granted summary judgment of infringement with respect to the defendant’s domestic sales. *Id.* at 1093.

186 *Id.* at 1110. The court noted: “The parties’ dispute regarding direct infringement for [the defendant’s] so-called ‘foreign sales’ is purely legal. The parties disagree over whether an ‘offer of sale’ made in the United States may give rise to direct infringement where the sale is not consummated in the United States.” *Id.*


188 *Id.* (citation omitted).

189 *Id.* (“[T]he Federal Circuit did not squarely hold that a domestic offer of sale had given rise to liability for direct infringement where the sale was to be completed outside the country.”).

190 *Id.* at 1111. The court observed that the parties were “inviting the court to simply choose a line of cases to follow.” *Id.*

191 *Id.* *Semiconductor Energy* was the first district court to address the scope of “offers to sell” patent infringement after the Supreme Court’s April 30, 2007 decision in *Microsoft Corp. v. AT & T Corp.*


193 *Id.* at 1758. The *Microsoft* decision and the focus on territoriality will be addressed *infra* Part V.
of the Patent Act, the Semiconductor Energy court was influenced by Microsoft to adopt the view of the Quality Tubing line of cases holding “an ‘offer of sale’ may constitute direct infringement only if the contemplated sale is to take place within the United States.”

The preceding review of district court cases highlights the lingering divide over whether an offer made in the United States to sell a patented invention outside the United States constitutes patent infringement. In the next Part, the Supreme Court’s Microsoft decision will be reviewed to determine whether the presumption against extraterritorial application of United States patent laws provides a satisfactory justification for deciding that a domestic offer contemplating a foreign sale cannot infringe a United States patent.

V. MICROSOFT TERRITORIALITY: AN INSUFFICIENT JUSTIFICATION FOR RESOLVING THE DEBATE

The previous Parts of this Note reviewed the origin of “offers to sell” patent infringement, the limited interpretive guidance from the Federal Circuit, and the continuing division between district courts over the proper construction. Much of the prior analysis of this issue has focused upon principles of territoriality, and the Supreme Court’s Microsoft decision is likely to increase this trend. In the following sections, the territoriality analysis of the Microsoft decision will be explored and then used as a guide to assess whether territoriality provides a coherent framework for analyzing this issue. The final section of this Part will conclude that territoriality principles alone improperly skew the analysis and that an alternative approach is required.

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194 At issue in Microsoft was the interpretation of 35 U.S.C. § 271(f) related to the supplying of computer software from the United States for installation in foreign countries. See id. at 1750.

195 Semiconductor Energy, 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.’” (citing Cybiotronics, Ltd. v. Golden Source Electronics, Ltd., 130 F. Supp. 2d 1152, 1171 (2001)).

196 See supra Part II.

197 See supra Part III.

198 See supra Part IV.

199 See, e.g., Garlepp, supra note 150; Holbrook, Territoriality, supra note 15.


A. Reinvigorated Territoriality as Applied in Microsoft Corp. v. AT & T Corp.

In an article analyzing the presumption against extraterritoriality, Professor Dodge identifies three different forms of the presumption that have been employed by the courts. The traditional view of the presumption, articulated by Justice Holmes, is that “acts of Congress should apply only to conduct that occurs within the United States, unless a contrary intent appears, regardless of whether that conduct causes effects within the United States.”

While the Supreme Court’s application of the presumption against extraterritoriality has varied over time and subject matter, the Court appears to have adopted Justice Holmes’s traditional view in Microsoft. The patent infringement alleged in Microsoft involved a different section of the patent infringement statute than previously discussed. AT & T, the plaintiff-patentee, claimed that Microsoft’s Windows operating system infringed AT & T’s patent. Both parties agreed that Windows, when installed on a computer, would infringe. Microsoft, therefore, conceded...

203 Id. at 88 (emphasis added). The alternative views are that acts of Congress apply: 1) “only to conduct that causes effects within the United States . . . regardless of where that conduct occurs;” and 2) “to conduct occurring within or having an effect within the United States.” Id. (emphasis added). These formulations are attributed to Judge Bork and Chief Judge Mikva, respectively. Id.
204 For a detailed review of the Supreme Court’s use, or nonuse, of the presumption, see Dodge, supra note 202, at 91–100.
205 Microsoft Corp. v. AT & T Corp., 127 S. Ct. 1746, 1758 (2007) (“Foreign conduct is [generally] the domain of foreign law.”) (internal citation omitted) (emphasis added).
206 The section at issue in Microsoft was § 271(f)(1), which states:

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.

207 Microsoft, 127 S. Ct. at 1753. AT & T owned a patent on an “apparatus . . . capable of digitally encoding and compressing recorded speech.” Id.
208 Id.
liability for domestic installation of Windows. However, Microsoft contested AT & T’s claim of infringement under § 271(f) for installation of Windows on foreign-made computers.

Central to the Court’s territoriality analysis was the question whether Microsoft “supplie[d] . . . from the United States” components of the foreign made computers. The Microsoft Court’s analysis of the allegedly infringing activity focused on the difference between “supplying” and “copying” software. Microsoft “supplied” from the United States a “master version” of Windows; foreign manufacturers then “copied” the master version and installed the foreign-made copies on the foreign-made computers. Because the “master version” was not installed on foreign-made computers, the Court found that Microsoft had not “supplied” a component used in the combination.

The Court bolstered its conclusion by noting that “the presumption against extraterritoriality” would resolve any doubt in the construction of § 271(f). By segmenting the conduct into domestic supplying and foreign copying, the Microsoft Court’s approach to extraterritoriality reflects the

\[\text{Id. at 1754. The case also raised the question of “when, or in what form, does software qualify as a ‘component’ under § 271(f)?” Id. at 1753. Ultimately, the Court concluded that an “[actual, physical] copy of Windows, not Windows in the abstract, qualifies as a ‘component’ under § 271(f).” Id. at 1756. This holding, while important, is beyond the scope of this Note. For commentary related to this aspect of the Microsoft decision, see Alan M. Fisch & Brent H. Allen, The Application of Domestic Patent Law to Exported Software: 35 U.S.C. § 271(f), 25 U. PA. J. INT’L ECON. L. 557 (2004). See also Eric W. Guttag, When Offshore Activities Become Infringing: Applying § 271 to Technologies that “Straddle” Territorial Borders, 14 RICH. J.L. & TECH. 1 (2007); Peter Thomas Luce, Comment, Hiding Behind Borders in a Borderless World: Extraterritoriality Doctrine and the Inadequacy of U.S. Software Patent Protections in a Networked Economy, 10 TUL. J. TECH. & INTELL. PROP. 259 (2007).}

\[\text{Id. at 1757.}

\[\text{Id. The Court noted:}

\[\text{[T]he very components supplied from the United States, and not copies thereof, trigger § 271(f) liability when combined abroad to form the patented invention at issue. . . . [T]he copies of Windows actually installed on the foreign computers were not themselves supplied from the United States. Indeed, those copies did not exist until they were generated by third parties outside the United States.}

\[\text{Id. (footnote omitted).}

\[\text{Id. at 1758.}\]
traditional view of Justice Holmes. Only the domestic conduct, i.e. supplying, could serve as the predicate act for infringement liability. Liability for infringing a United States patent could not be triggered by foreign conduct, i.e. copying. Moreover, the Court rejected AT & T’s argument that a single act of “supplying” from the United States could trigger liability for all subsequent copying of the supplied software. By confining the infringement analysis to the specific conduct occurring within the United States, the Court avoided the potential conflicts that may arise from extraterritorial application of the United States law.

B. Applying Microsoft Territoriality to “Offers to Sell” Infringement

As discussed in Part IV.C, one district court found the territoriality principles espoused in Microsoft sufficiently persuasive to conclude that an offer made in the United States for a contemplated sale in a foreign country does not infringe. This result should be unsurprising because the arguments typically advanced for limiting infringing offers to only those contemplating a domestic sale are heavily influenced by the presumption against extraterritorial application of United States patent laws.

A territoriality based analysis of the “offers to sell” language must begin with the fundamental limitation that a United States patent does not give the patentee a right to prohibit sales of the patented invention in other countries. As one commentator stated, “prohibiting mere offers in the United States made solely to effectuate lawful transactions outside the United

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215 See Dodge, supra note 202, at 85 (identifying the traditional view as “the general and almost universal rule . . . that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done” (quoting Am. Banana Co. v. United Fruit Co., 213 U.S. 347, 356 (1909))).

216 Microsoft, 127 S. Ct. at 1757.

217 Id. “In short, foreign law alone, not United States law, currently governs the manufacture and sale of components of patented inventions in foreign countries.” Id. at 1759.

218 Id. at 1758–59. The Court noted that protection of patented inventions in foreign markets required “obtaining and enforcing foreign patents.” Id. at 1759.

219 Id. at 1758 (noting the “legitimate sovereign interests of other nations” as one rational for assuming that Congress legislates only with respect to domestic conduct).


221 See, e.g., Holbrook, Territoriality, supra note 15, at 731–38.

States is, in effect, an indirect regulation of that foreign activity.”223 Regulating foreign activity, even indirectly, runs afoul of the traditional presumption against extraterritoriality as articulated by the Microsoft Court.224

Similarly, the argument that § 271(i) requires a contemplated sale within the United States is supported by a focus on territoriality.225 The text of § 271(i) defines an infringing “offer for sale” to be “that in which the sale will occur before the expiration of the term of the patent.”226 One reading of this statute, the one adopted by Judge Newman in Rotec, is that an offer for sale is only infringing if the contemplated sale could infringe the United States patent.227 Because a sale may only infringe when the sale is completed in the United States, § 271(i) supports limiting infringing offers to only those contemplating domestic sales.228

Reliance upon other countries’ construction of similar provisions is also supported by the Microsoft Court’s emphasis on respecting the “‘legitimate sovereign interests of other nations.’”229 As previously discussed, “the United Kingdom limits infringement for offers to sell to those offers in which the contemplated sale will occur within the country of protection.”230 In light of the growing trend to harmonize international intellectual property laws,231 courts relying upon Microsoft are likely to find the United Kingdom’s

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223 Garlepp, supra note 150, at 326.
224 See Microsoft, 127 S. Ct. at 1758. The Court’s primary concern with regulating foreign sales appears to be the potential for conflict with foreign laws. Id. (“[F]oreign law ‘may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions.’”) (citation omitted). This need “to protect against unintended clashes between our laws and those of other nations which could result in international discord” is one of the primary justifications for the existence of the presumption against extraterritoriality. See Dodge, supra note 202, at 112 (quoting E.E.O.C. v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991)).
227 See Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1259 (Fed. Cir. 2000) (Newman, J., concurring in the judgment); see also supra notes 81–84 and accompanying text.
228 Id. at 1258–59.
229 Microsoft, 127 S. Ct. at 1758 (quoting F. Hoffmann-LaRoche Ltd. v. Empagran S.A., 542 U.S. 155, 164 (2004)).
231 See supra Part II (discussing formation of TRIPS); see also Holbrook, Territoriality, supra note 15, at 749 (recommending consideration of foreign law to “foster international patent norms”); Lee, supra note 90, at 18–19 (identifying harmonization of international intellectual property laws as a controversial goal of some courts).
territorially limited construction of “offers to sell” infringement increasingly persuasive. 232

Finally, Professor Holbrook argues that the reluctance to apply copyright law extraterritorially provides another justification for limiting the “offers to sell” infringement to only contemplated domestic sales. 233 Professor Holbrook relies upon the Ninth Circuit’s holding that “domestic authorization of foreign activities that would violate section 106 [of the Copyright Act] if performed domestically [is] not copyright infringement.” 234 As in Microsoft, a primary concern in Subafilms was the potential for conflict between laws of the United States and other countries. 235 Although courts have not yet relied directly upon Subafilms to construe the patent statute, “consideration of copyright law would support the growing authority that an infringing offer to sell must contemplate a domestic sale in order to infringe, just as a domestic authorization of infringing activity must contemplate domestic infringing activity . . . .” 236

Each of the arguments for limiting “offers to sell” infringement solely to contemplated domestic sales relies, at least in part, upon the presumption against extraterritorial application of United States law. The persuasive impact of these arguments is thus likely to increase in light of the Microsoft Court’s reaffirmation that the United States patent laws “do[] not rule the world.” 237

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232 See, e.g., Rotec, 215 F.3d at 1259 (Newman, J., concurring in the judgment) (presenting argument for relying upon the United Kingdom’s interpretation).

233 See Holbrook, Territoriality, supra note 15, at 735–38 (analogizing the patentee’s exclusive right in “offers to sell” to the copyright holder’s exclusive “right to authorize” the making of copies).

234 Id. at 736; see also Subafilms, Ltd. v. MGM-Pathe Comm. Co., 24 F.3d 1088, 1093 (9th Cir. 1994) (en banc).

235 Subafilms, 24 F.3d at 1097. Declining to apply the Copyright Act extraterritorially, the court stated:

The application of American copyright law to acts of infringement that occur entirely overseas clearly could [disrupt efforts to secure a more stable intellectual property regime]. Extraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern. Consequently, an extension of extraterritoriality might undermine Congress’s objective of achieving “‘effective and harmonious’ copyright laws among all nations.”

Id. (citation omitted).

236 Holbrook, Territoriality, supra note 15, at 738.

C. An Alternative Application of Microsoft

While the previous section illustrated how Microsoft’s territoriality principles may be used to limit “offers to sell” infringement to only contemplated domestic sales, an alternative view of Microsoft may in fact support the opposite conclusion. The version of territoriality articulated in Microsoft, that United States patent laws do “not extend to foreign activities,” could be viewed as analogous to the Rotec majority’s application of the territoriality principle.

The similarity between Rotec and Microsoft stems from the scope of conduct that may be considered in the infringement inquiry. In Microsoft, the Court found that “copying” by foreign manufacturers was distinct from the act of “supplying” that Microsoft performed in the United States. The act of copying, occurring outside of the United States, was found to be beyond the reach of United States patent law and therefore non-infringing. To determine Microsoft’s liability, the Court looked solely to the domestic conduct of “supplying” and found no infringement because the supplied component, the master disk, was never intended to be combined with the foreign made computers. Similarly, in Rotec, the court focused its inquiry on the defendant’s domestic acts, but found those acts did not satisfy the requirements of the infringement statute. In both cases, the extraterritorial activities were not relevant to the infringement determination.

Another significant similarity is that infringement under § 271(f) does not require the contemplated foreign activity to actually occur. In Waymark, the Federal Circuit concluded infringement liability under § 271(f) required only the intention that components supplied from the United States will be combined abroad, not the actual combination of those components. The

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238 Id. (citation omitted).
241 Id. at 1759.
242 Id. at 1757.
243 Rotec, 215 F.3d at 1255. The Rotec court found no evidence of a commercial offer made in the United States. Id.
244 See id. at 1251 (describing extraterritorial activities as irrelevant to the infringement inquiry).
246 Id. at 1368 (“At no point does the statutory language require or suggest that the infringer must actually combine or assemble the components. A party can intend that a
Waymark court found the presumption against extraterritoriality supported this construction because of the potential difficulty in proving acts in a foreign country.247

Although Microsoft did not address this aspect of § 271(f), by applying territoriality principles to confine the infringement inquiry to only domestic acts, Microsoft could appear to support the proposition that the actual assembly of components in a foreign country, or contemplated sales, is irrelevant to the infringement determination.248 Under either infringement provision, the primary activity—supplying or offering—must be domestic, and the limiting aspect—for combination or to sell—serves only to define the scope of the first.249

D. Critique of the Territoriality Focus—Geography is Not Supreme

The Semiconductor Energy court relied upon Microsoft to invoke the presumption against extraterritoriality;250 but as previously discussed, Microsoft may support conflicting conclusions as to whether a domestic offer for a contemplated foreign sale should be deemed to infringe.251 Even if Microsoft itself could not be viewed as supporting both sides of this debate, the rush to apply territoriality principles to the “offers to sell” analysis leads to several additional analytic problems.252

shipped component will ultimately be included in an assembled product even if the combination never occurs.”).

247 Id. As the court explained:

Admittedly, infringement without a completed infringing embodiment is not the norm in patent law, but it is reasonable in the context of 271(f)(2). If 271(f)(2) required actual assembly abroad, then infringement would depend on proof of infringement in a foreign country. This requirement would both raise the difficult obstacle of proving infringement in foreign countries and pose the appearance of “giving extraterritorial effect to United States patent protection.”

Id. (citation omitted).

248 See id. (finding that “shipping components of an invention abroad without combining them” and “offering to sell an invention without actually selling it” are two forms of infringement where a completed embodiment of the patented invention is never created).

249 Compare id. (finding that “for combination” limits liability for “supplying” to circumstances where the defendant intends for the components to be combined abroad), with HollyAnne Corp. v. TFT, Inc., 199 F.3d 1304, 1309–10 (Fed. Cir. 1999) (finding that “to sell” limits liability for “offering” to circumstances where the defendant intends a “potential commercial transaction”).

250 See supra Part IV.C.

251 Compare Part V.B, with Part V.C.

252 One problem, not unique to Microsoft but still worth noting, is that strict application of territoriality will make certain types of patent infringement unenforceable
A principle justification of the presumption against extraterritoriality has been “the need ‘to protect against unintended clashes between our laws and those of other nations which could result in international discord,’”253 and this justification is embodied in the application of the presumption in both Microsoft and Rotec.254 In both cases, the courts noted the propriety of applying United States law to exclude sales of patented inventions in foreign countries.255 Professor Holbrook succinctly summarizes the perceived clash by arguing that if a domestic offer for foreign sale is construed as infringing, the effect would be “limiting [the foreign] country’s access to an invention which should be in the public domain under its laws.”256 This perceived clash, however, overlooks one critical fact—offering and selling are separate and distinct actions.257 Even if a patentee exercised an exclusive right to under any country’s laws. For example, if steps of a patented process can be relocated in separate countries, a relatively straightforward task in a digital environment, potential infringers could effectively immunize themselves from infringement liability. See NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1318 (Fed. Cir. 2005) (holding “a process cannot be used ‘within’ the United States as required by section 271(a) unless each of the steps is performed within this country”); see also Melissa Feeley Wasserman, Note, Divided Infringement: Expanding the Extraterritorial Scope of Patent Law, 82 N.Y.U. L. REV. 281, 281 (noting that “territoriality . . . [makes] . . . unauthorized practice of a patented invention across national borders . . . not actionable under U.S. patent law”). Cf. Thomas W. Dunfee & Aryeh S. Friedman, The Extra-Territorial Application of United States Antitrust Laws: A Proposal for an Interim Solution, 45 OHIO ST. L.J. 883, 889 (1984) (observing in the antitrust context that “[s]trict limits on extra-territorial application of competition laws are likely to produce gaps in which no nation’s laws are applicable”).

253 Dodge, supra note 202, at 90. Professor Dodge summarizes six reasons that have been advanced to support the general presumption against extraterritoriality:

(1) international law limitations on extraterritoriality, which Congress should be assumed to have observed; (2) consistency with domestic conflict-of-laws rules; (3) the need to protect against unintended clashes between our laws and those of other nations which could result in international discord; (4) the commonsense notion that Congress generally legislates with domestic concerns in mind; . . . (5) separation-of-powers concerns—i.e. that the determination of whether and how to apply federal legislation to conduct abroad raises difficult and sensitive policy questions that tend to fall outside both the institutional competence and constitutional prerogatives of the judiciary; [and (6)] that it provides legislators with a clear background rule which allows them to predict the application of their statutes.

Id. (internal citations and quotation marks omitted).

254 See Microsoft, 127 S. Ct. at 1758–59; Rotec, 215 F.3d at 1251.

255 See Microsoft, 127 S. Ct. at 1750; Rotec, 215 F.3d at 1251.

256 Holbrook, Territoriality, supra note 15, at 751.

257 Judge Rader noted a similar distinction when Microsoft was before the Federal Circuit, concluding that “copying and supplying are different acts.” AT & T Corp. v.
exclude competitors from making “offers” in the United States, the patentee could not prevent sales in foreign countries.\(^{258}\) Under the traditional view of territoriality, foreign conduct is beyond the reach of United States law, and a competitor seeking to avoid infringement of a United States patent may simply relocate the infringing conduct—the act of offering—to a country where the patentee lacks the right to prevent others from making offers to sell.\(^{259}\) In short, a territoriality-centric analysis presumes a clash between United States and foreign law, when in fact, a clash need not exist.

A central focus on territoriality may also explain a perceived problem with relying on § 271(i) to conclude that an infringing offer requires a contemplated sale within the United States.\(^{260}\) Professor Holbrook has characterized “[r]eliance on section 271(i) to support the conclusion that offers that contemplate foreign sales are not cognizable acts of infringement [as going] too far.”\(^{261}\) The plain text of § 271(i) limits infringing offers to only those contemplating a sale prior to the expiration of the patent.\(^{262}\) Professor Holbrook criticizes the conflation of a temporal limitation with a geographic limitation.\(^{263}\) The more likely intended purpose of § 271(i) seems to be maintaining the twenty-year limit on a patentee’s exclusive rights.\(^{264}\) Prior to 1994, a patentee may have enjoyed limited exclusivity after the patent expired by preventing competitors from establishing a supply of the

\(258\) Any limitation or reduction in foreign sales would result, not from the application of United States patent laws, but from market forces. Especially for transactions between multinational corporations, “offering” in the United States may in fact be the preferred means of coordinating foreign sales; however, both “offers” and “sales” made outside the United States are clearly beyond the scope of the exclusive rights granted to a United States patent holder.


\(260\) See Rotec, 215 F.3d at 1259 (Newman, J., concurring in the judgment) (concluding that § 271(i) requires the contemplated sale be one that would infringe, and therefore limited to only contemplated domestic sales).

\(261\) Holbrook, Territoriality, supra note 15, at 747.


\(263\) Holbrook, Territoriality, supra note 15, at 747 (“Had Congress wanted the contemplated sale to also be infringing [and therefore domestic], Congress could have expressly said so.”).

\(264\) Id. at 747–48 (“Congress seemed to be concerned with inappropriately extending the term of the patent by allowing recovery for sales outside the patent term . . . .”); see also 35 U.S.C. § 154(a)(2) (2000) (granting exclusive rights for twenty year term measured from the date of filing).
patented product.\textsuperscript{265} If the lead time for “offering” the product is greater than for “making or importing” the product, a patentee could have further extended the period of exclusivity by preventing competitors from soliciting orders prior to the patent’s expiration.\textsuperscript{266} However, by limiting “offers to sell” infringement to only traditional “commercial offers,”\textsuperscript{267} the Federal Circuit has likely mitigated the risk of improperly extending the patent term.\textsuperscript{268} Nevertheless, construing a temporal limitation into a geographic limitation may be explained if territoriality is the primary concern.

Finally, a territoriality-based analysis of offer to sell infringement creates a troubling asymmetry between liability and infringing conduct. The primary conduct triggering infringement is an offer, which all courts agree must be made in the United States.\textsuperscript{269} Adopting the presumption against

\textsuperscript{265} Cf. World Trade Org. \textit{Canada–Patent Protection of Pharmaceutical Products}, WT/DS114/R, at 161 (Mar. 17, 2000). The WTO recognized this de facto extension of market exclusivity as part of the normal exploitation of a patent:

Some of the basic rights granted to all patent owners, and routinely exercised by all patent owners, will typically produce a certain period of market exclusivity after the expiration of a patent. For example, the separate right to prevent “making” the patented product during the term of the patent often prevents competitors from building an inventory needed to enter the market immediately upon expiration of a patent. There is nothing abnormal about that more or less brief period of market exclusivity after the patent has expired.

\textit{Id.}

\textsuperscript{266} One district court summarized this argument, stating:

Section 271(i) appears to be designed to allow prospective competitors to begin to market infringing products near the expiration of a patent, provided that any offers for sale specify that the product will not be available until after expiration of the patent. This prevents the effective term of the patent from being extended beyond the statutory term by an amount of time equal to the time it takes competitors to gear up advertising campaigns after expiration of a patent. . . . Otherwise, those prospective competitors would be effectively blocked from the marketplace for the full life of the patent, plus the additional amount of time after expiration needed to implement a marketing program for the previously infringing article.


\textsuperscript{267} See \textit{Rotec}, 215 F.3d at 1254–55 (construing “offers to sell” to require a traditional commercial offer).

\textsuperscript{268} By narrowly construing what constitutes an infringing “offer to sell,” the Federal Circuit would permit competitors to engage in marketing activities, such as advertising, that fall short of formal commercial offers in anticipation of a patent’s expiration. See \textit{id.}

\textsuperscript{269} See, e.g., \textit{Rotec}, 215 F.3d at 1257.
extraterritoriality, the potential infringer’s liability will turn on the content of the offer that is made. Rejecting this approach to determining liability in the copyright context, one district court stated: “Under this view, a phone call to Nebraska results in liability; the same phone call to France results in riches. In a global marketplace, it is literally a distinction without a difference.”\(^{270}\) The territoriality-based analysis of offer to sell infringement leads to the same result, and potential infringers can easily avoid infringement by either relocating their conduct, i.e. the offer, or by directing their sales to foreign countries.\(^{271}\) “Given the increasingly international marketplace, allowing infringers to so easily escape liability undermines the intellectual property system.”\(^{272}\) The asymmetry between liability and potentially infringing conduct is even more pronounced when viewed in light of the purpose of “offer for sale” infringement—preventing competitors from “generating interest . . . to the commercial detriment of the rightful patentee.”\(^{273}\) In cases of either contemplated domestic or foreign sales, the competitor is generating interest in a potentially infringing product; a territoriality-based analysis, however, bypasses this important similarity and ties liability to geography—the “distinction without a difference.”\(^{274}\)

\(^{270}\) Curb v. MCA Records, Inc., 898 F. Supp. 586, 595 (M.D. Tenn. 1995) (rejecting the analysis of Subafilms); see also Sean A. Monticello, Note, Subafilms Revisited: The Case for Imposing Liability on Domestic Authorizers of Extraterritorial Copyright Infringements, 1 CHI.-KENT J. INTELL. PROP. 101, 115 (1999) (“If, however, someone else can improperly authorize foreign exploitation and reap the rewards with impunity, this may severely hinder the copyright owner’s ability to recoup his investment, and the incentive to create will suffer.”). Reliance upon Subafilms has also been rejected because Subafilms reasoned the addition of “authorization” was a codification of contributory infringement. See Holbrook, Territoriality, supra note 15, at 747.

In the patent context, however, “offer to sell” infringement under section 271(a) has nothing to do with contributory infringers. Contributory infringement is dealt with expressly in the Patent Act in Sections 271(b) and (c). Thus, it is clear that offer to sell infringement is a new form of direct liability. The language of the statute . . . and the policy reasons . . . such as an increasingly global market, strongly suggest that domestic offers to sell that contemplate a foreign sale should be cognizable as a form of direct infringement.

\(^{271}\) See Holbrook, Territoriality, supra note 15, at 746–47.

\(^{272}\) Id.

\(^{273}\) 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998).

\(^{274}\) Curb, 898 F. Supp. at 595.
VI. RECOMMENDATION

So far this Note has introduced the unresolved question of whether an offer made in the United States to sell a patented invention in a foreign country infringes a United States patent. The limited legislative history surrounding the implementation of the TRIPS Agreement and the inclusion of “offers to sell” infringement in the patent statute provided little guidance on the proper construction. Turning to the courts, the Federal Circuit would appear to support extending infringement to domestic offers that contemplate foreign sales; however, the nearly uniform split among district courts on this issue confirms the issue remains unresolved. Searching for guidance, the most recent district court turned to the territoriality principles espoused in Microsoft, but a territoriality-centric analysis was shown to produce contradictory results for seemingly similar conduct. Having concluded that territoriality, although relevant, cannot decisively resolve this question, this Part will suggest that focusing upon a patentee’s economic interests in “offering to sell” a patented invention provides a coherent analytic framework for determining whether domestic offers contemplating foreign sales infringe and conclude that offers made in the United States should constitute patent infringement regardless of the location of any actual or contemplated sales.

A. Territoriality—Limited but Important Utility

When focusing on the patentee’s economic interest in the exclusive right to “offer to sell,” or more specifically the right to exclude “offers to sell,” principles of territoriality still serve several purposes. Most importantly, only the patentee’s economic interests “throughout the United States” are proper for consideration. While textual analyses of § 271(a) do not reveal whether “within the United States” applies only to the language “offers” or also applies to the phrase “to sell,” it is undisputed that the patentee’s economic interest stems from an offer occurring within the United States. A patentee has no right under existing United States law to prevent others from making offers in foreign countries; rather an inventor must seek a patent or other

275 See supra Part I.
276 See supra Part II.
277 See supra Part III.
278 See supra Part IV.
279 See supra Part V.
protection under the laws of the foreign countries. The next section will examine the economic interests that form a framework for determining which "offers" should be deemed infringing.

B. Economic Interests Impacted by "Offers to Sell"

The economic benefits conferred upon a patentee by the exclusive right to offer a patented invention for sale are somewhat different than the benefits conferred by the other exclusive rights. Patentees typically derive economic benefit from the other exclusive rights—making, using, selling, and importing—when the invention is utilized, either by the patentee, a licensee, or a customer. Regarding "offering to sell," the patentee also derives economic benefit from placing the concept of the patented product into the marketplace through the offer. In the following sections, the economic benefits flowing from "offers to sell" will be examined, first in the circumstance when actual sales occur, and second when no sales are consummated.

1. When Actual Sales Occur

A patentee's economic interest in a patent may be misappropriated by a competitor's offer to sell the patented invention when actual sales occur. The nature and value of the interest taken can be illustrated by examining three scenarios: 1) actual infringing sales; 2) non-infringing sales; and 3) collateral sales. The first scenario warrants little discussion. When a competitor usurps the patentee's exclusive right to "offer for sale" and then proceeds to...
transact an infringing “sale,” the patentee has lost the profit from that sale.\textsuperscript{287} In these circumstances, there is no significant difference between the patentee’s interest in offering for sale and actually selling the patented invention.

The second scenario differs from the first in that, although the competitor offers to sell the patented invention, the resulting sale is actually non-infringing.\textsuperscript{288} A sale may be noninfringing because the product sold was not the patented invention or because the sale did not occur during the term of the patent or within the United States.\textsuperscript{289} The patentee’s interest affected in this scenario does not stem directly from the sale that occurred.\textsuperscript{290} What the patentee has lost is the opportunity to sell the patented invention to that customer.\textsuperscript{291} The value of this lost opportunity also includes the loss of other potential customers drawn to the competitor that is offering to sell the patented invention.\textsuperscript{292} Regardless of the reason that the sale is non-

\textsuperscript{287} Prior to the creation of the Federal Circuit, Chief Judge Markey articulated the four-part test for a patent holder to recover lost profits:

To obtain as damages the profits on sales he would have made absent the infringement, \textit{i.e.}, the sales made by the infringer, a patent owner must prove: (1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of the profit he would have made.

\textsuperscript{288} This scenario is based upon a “bait and switch technique” suggested by Professor Holbrook. See Holbrook, \textit{Threat of a Sale}, \textit{supra} note 11, at 795 n.273.

\textsuperscript{289} 35 U.S.C. § 271(a) (2006) (“\[W\]hoever without authority . . . sells any patented invention, within the United States . . . infringes the patent”).

\textsuperscript{290} The patentee would almost certainly have an economic interest in the non-infringing sale, but a patent provides no protection against non-infringing activity. Although pure economic interests often extend beyond the reach of economic interests protected by the law, this analysis will focus only upon the latter.

\textsuperscript{291} Analyzing the economic impact of “offer to sell” infringement in a market with non-infringing substitutes, Professor Holbrook notes:

A possible harm could be a “bait and switch” technique, in which an infringer offers to sell an embodiment of the invention, then switches to a lower priced, non-infringing substitute later . . . The patentee in theory has lost a sale due to the infringing offer, while what is eventually sold would not infringe.

\textsuperscript{292} In some instances, a competitor engaged in bait and switch tactics may even run afoul of the federal statutes prohibiting unfair methods of competition. See, \textit{e.g.}, 15 U.S.C. § 45 (2006). Regulations under these statutes define “bait advertising” as a form of unfair competition, the primary purpose of which is “to obtain leads as to persons interested in buying merchandise of the type so advertised.” 16 C.F.R. § 238.0 (2008). Although the primary focus of these regulations is protecting consumers, the ability to
infringing, the competitor has used an offer to sell a patented invention to generate interest in a competing product to the commercial detriment of the patentee.293

Finally, offering to sell the patented invention may lead to collateral or convoyed sales in which the patentee has an interest.294 When a patentee offers to sell and sells a patented invention, courts have recognized the patentee may also derive benefit from sales of related items.295 Courts have recognized this interest by allowing sales of related, but unpatented, products to be considered in determining damages for patent infringement.296 When a competitor offers to sell the patented invention, the competitor is likely to also deprive the patentee of these collateral sales.297 Thus, the patentee’s economic interest in offering to sell the patented invention encompasses not only infringing and non-infringing sales, but also any collateral sales which may follow.298

2. When No Sales Occur

Even if a competitor does not complete any sales of infringing, non-infringing, or collateral products, a competing “offer to sell” may still harm

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293 See 3D Sys., 160 F.3d at 1379 n.4.
296 The sixth factor for determining a reasonable royalty encompasses: “The effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales.” Id. Similarly, courts permit consideration of sales of non-patented products when damages are calculated based on lost profits. See Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1546–47 (Fed. Cir. 1995) (en banc) (affirming award of lost profits “for lost sales of a device not covered by the patent in suit”).
298 Consideration of all the potential economic interests is appropriate because “[t]he normal practice of exploitation by patent owners, as with owners of any other intellectual property right, is to exclude all forms of competition that could detract significantly from the economic returns anticipated from a patent’s grant of market exclusivity.” Panel Report, Canada-Patent Protection of Pharmaceutical Products, WT/DS114/R, 161 (March 17, 2000).
the patentee’s economic interests. Courts and commentators alike have identified interests belonging to the patentee that may be impaired by competing “offers to sell,” regardless of whether the competitor completes any actual sales. Professor Holbrook identifies the first of these interests as price erosion caused by competing offers. A patentee selling an invention into a market without acceptable non-infringing substitutes may typically command a premium price for the patented good. The ability to collect this premium however depends upon maintaining the exclusivity afforded by the patent grant. When a competitor offers to sell the patented invention, the appearance of exclusivity vanishes and price erosion may occur, even before a sale is consummated. Moreover, the effect of pre-sale price erosion was recognized as a real injury even before “offers to sell” infringement because available, supporting the conclusion that “[p]rice erosion can result from competitor activity that falls short of a formal commercial offer.”

The second interest impacted by a competing offer is in reality a combination of interests stemming from other ways in which patentees extract economic value from their inventions. As the Federal Circuit noted, the purpose of offer to sell infringement is not to protect actual sales, but to prevent competitors from “generating interest” that harms the patentee. A brief examination of the ways in which offers may generate interest reveals

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299 See generally Holbrook, Threat of a Sale, supra note 11, at 788–98.
300 Id. at 791 (observing that “[p]rice erosion has long been recognized as a type of patent infringement damage”).
301 Id. at 792 (“A patent may provide the patentee with market power sufficient to allow the patentee to charge a price higher than the competitive price . . . .”).
303 Professor Holbrook explains this phenomenon:

An offer to sell alone, however, could cause price erosion. . . . Forced price reduction can occur before the infringer has made a sale, for example, by simply announcing future market entry. A patentee may also have to forgo any future price increase due to the infringer’s entry into the market, which would also be a compensable form of price erosion. A completed sale, however, would not be required for the depressive effect on price to occur.

Holbrook, Threat of a Sale, supra note 11, at 792 (internal citations omitted).
304 Id. at 793. The Federal Circuit permitted the patentee to recover damages based on “losses incurred upon announcement by [the infringer] of the infringing activity . . . when the losses are found to be reasonably related to the infringing activity.” Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1579 (Fed. Cir. 1992).
305 Holbrook, Threat of a Sale, supra note 11, at 798.
306 See 3D Sys., 160 F.3d at 1379.
that patent holders derive many commercial benefits when neither the patentee nor the competitor complete an actual sale.\textsuperscript{307}

Most generally, the exclusive right to offer the patented invention for sale benefits the reputation of the patent holder in both commercial and capital markets. In the commercial market, the patentee may employ “offers to sell” to advertise the patentee’s products and business.\textsuperscript{308} The patentee’s interest in utilizing offers to sell for advertising purposes is also recognized outside the United States.\textsuperscript{309} Additionally, associating a business with a patented invention may generate good will in much the same manner as a trademark.\textsuperscript{310} Patentees also have an interest in bolstering the reputation of their businesses.\textsuperscript{311} While the patent grant itself provides one signal of a business’s capability, the absence of competing offers to sell the patented invention may support an inference that the patent owner possesses unique and valuable assets.\textsuperscript{312} This may in turn lead to increased licensing opportunities for the patent holder.\textsuperscript{313}

\textsuperscript{307} An offer—generating interest that leads to actual sales or price erosion—produces the most tangible economic impacts on the patentee and are equally relevant to this discussion; however because those offers and impacts were previously addressed they will not be revisited here. See supra notes 287–99 and accompanying text.

\textsuperscript{308} See Everett Assoc. v. Transcontinental Ins. Co., 57 F. Supp. 2d 874, 884 (N.D. Cal. 1999) (holding that advertising injury provisions of insurance policy may cover claims of patent infringement). The Everett court construed “offers to sell” infringement as encompassing “advertising a patented product.” Id. Subsequently, the Federal Circuit narrowed the construction to traditional commercial offers. Rotec, 215 F.3d at 1254–55. However, the Everett court’s discussion of how offers to sell may constitute advertising injury is still informative. Although “offering” may not be as broad as “advertising,” even a traditional commercial offer provides some advertising benefit.


\textsuperscript{310} See Chisum, supra note 15, at 609 n.29 (noting “although its primary purpose is to reduce consumer confusion, trademark law increasingly protects a trademark owner’s good-will”).


\textsuperscript{313} See Holbrook, Threat of a Sale, supra note 11, at 790 n.242 (“Affording an exclusive right over mere offers to sell may indirectly benefit the non-utilizing patentee if the patentee intends to eventually license the patent... The earlier availability of
The variety of economic interests impacted by competing “offers to sell” are likely to increase as patent holders seek new ways to extract value from their intellectual property. The economic interests previously discussed, however, share the common trait of being negatively affected by competing offers to sell, emphasizing that real harm flows from this form of infringement.

C. Economic Interests Provide a Coherent Framework for Defining Liability

This Note has explored the unsettled question of whether “offers to sell” patent infringement should be construed to cover sales contemplated outside the United States. Arguments based upon territoriality principles were reviewed and ultimately found to provide an insufficient framework for answering this question. This section will analyze the four permutations of “offers to sell” infringement in light of the patentee’s economic interests just discussed, and conclude that offers made within the United States should constitute patent infringement regardless of the location of any contemplated sale.

The first permutation comprising a domestic offer resulting in a domestic sale of the patented invention violates all of the patentee’s economic interests previously discussed. Courts are unanimous in holding that this activity constitutes infringement of the exclusive rights for both “offering to sell” and “selling.” See, e.g., Holbrook, Threat of a Sale, supra note 11, at 798 (arguing “[a]n expansive view of ‘offers to sell’ would more appropriately protect the patentee’s interests”); Zelson, supra note 12, at 1302 (noting “narrow contractual meaning of ‘offer’ is inadequate to protect the economic rights of a patentee in her invention”).

Some commentators have suggested that the narrow construction of “offer” adopted in Rotec fails to adequately protect the economic interests of patent holders and, therefore, patent holders may increasingly look to less traditional means of extracting value from their patents. See, e.g., Holbrook, Threat of a Sale, supra note 11, at 798 (arguing “[a]n expansive view of ‘offers to sell’ would more appropriately protect the patentee’s interests”); Zelson, supra note 12, at 1302 (noting “narrow contractual meaning of ‘offer’ is inadequate to protect the economic rights of a patentee in her invention”).

As Judge Rader noted: “Commercial . . . offers for sale . . . are not legal fictions, but rather are genuine economic acts that . . . operate under the commercial laws of a forum state or target its markets and residents.” Zeneca Ltd. v. Mylan Pharms., Inc., 173 F.3d 829, 836 (Fed. Cir. 1999) (Rader, J., concurring).

See 35 U.S.C. § 154(a) (2006). This conclusion is unsurprising because “selling” alone has long been sufficient to find infringement. See supra note 286.
infringing sale. This form of “offers to sell” infringement violates all of
the patentee’s economic interests previously discussed, except for the interest
in actual sales of the patented invention. The extent of the injury suffered
by the patentee will depend upon the reasons why a domestic infringing sale
is not completed. If there is a non-infringing alternative, the competitor has
misappropriated the patentee’s right to offer the patented product to that
customer. If the competitor makes no sales as a result of the infringing
“offer,” then the patentee’s loss would be limited to price erosion and the
impact on the patentee’s reputation. Because the economic impact of these
first two permutations result in comparable economic harm, it is logical that
both have been accepted as patent infringement.

Analyzing the third and forth permutations—domestic offers for
contemplated or actual foreign sales—reveals the benefit of focusing upon
economic interests rather than geography. The nature of the economic
harm to the patentee is the same for offers contemplating foreign sales as for
offers contemplating domestic sales, although the extent of that harm may be
lessened. Under either scenario, the competitor is offering the patented

A caveat to this general rule requires the sale to also be contemplated prior to
expiration of the patent, but the exception does not impact this analysis. See 35 U.S.C.

The interest in “actual sales” would be more properly attributed to the exclusive
right to “sell” rather than to “offer for sale.” See supra notes 289–94 and accompanying
text.

See Holbrook, Threat of a Sale, supra note 11, at 795 n.273 (discussing bait and
switch).

Even if the competitor’s offer disclaims all sales until after the patent has
expired, by invoking the protection of § 271(i), the competing offer will still operate to
the commercial detriment of the patentee. See Garlepp, supra note 150, at 318 (observing
that even a “disclaimed offer may provide commercial advantage to the advertiser in the
form of name recognition or stockpiling orders”).

Regarding price erosion, the addition of offer to sell infringement aligned
liability with economic impact, eliminating a perceived inconsistency in the patent law:

Prior to the amendment of the patent laws to include infringement for offers to sell,
recovery for pre-sale price erosion was contingent upon a subsequently completed
sale, even though the patentee was pecuniarily harmed by the mere announcement of
entry into the market by a competitor. . . . Infringement for offers to sell an invention
eliminates this discrepancy in the patent law by affording recovery for this harm in
the absence of a completed sale.

Holbrook, Threat of a Sale, supra note 11, at 793.

For a discussion of the anomalies created by a territoriality-based analysis, see
supra Part V.D.
invention to capture benefits that might otherwise accrue to the patentee. 323
For example, price erosion in the patentee’s domestic market would still occur. 324
Similarly, the patentee’s reputation interests would be harmed by the competing offers regardless of where a sale is contemplated. 325
The injury is suffered by the patentee at the location of the offending offer. 326
Although the nature of the economic interests is the same, the value of the interests may be affected by the location of the contemplated sale. For example, price erosion in the domestic market would be less severe if the competing offers were confined to contemplated foreign sales. 327
Similarly, some domestic patent holders may not be able to supply non-infringing or collateral products to foreign customers and therefore would have little interest in those opportunities. In contrast, the extent of the harm to reputation interests is less likely to be affected by the location of a contemplated sale. In the context of trademark infringement, Professor Chisum has observed: “Good-will by its nature can be damaged by inappropriate conduct wherever it occurs.” 328
Measuring the extent of the impact, however, is a factual question that will require the evaluation of numerous factors, only one of which would be the location of the contemplated sale.

Given the common economic interests affected, offers for both contemplated domestic and foreign sales should give rise to infringement

323 Some of the benefits previously discussed include generating name recognition, stockpiling orders, creating good will, signaling R&D capability, and attracting licensing opportunities.

324 Domestic price erosion would be likely for at least two reasons. First, knowledge of competitors capable of supplying the same product would reduce the perception that the patentee is the only source of the good. Second, competing domestic offers will cause some domestic demand to shift overseas to the extent the technology and consumers are capable of utilizing the invention in foreign countries.

325 In a global marketplace, building name recognition and signaling institutional capability to capital markets are transnational benefits. See supra note 312.

326 See North Am. Philips Corp. v. Am. Vending Sales, 35 F.3d 1576, 1579 (Fed. Cir. 1994) (finding “the ‘tort’ of patent infringement occurs where the offending act is committed”) (emphasis added).

327 Economic theory would suggest the price difference between the domestic and foreign sales would relate to the added cost of utilizing the invention in the foreign country. For some technologies, this additional cost is negligible and the competitor would be effectively competing with the patentee’s domestic market thus depriving the patentee of exclusivity and resulting financial benefits. See Wasserman, supra note 252, at 281 (“[T]echnology is not contained easily within national borders. In particular, networking technology allows one to reap the benefits of a patented invention within the United States but practice all or part of the invention outside of its borders.”).

328 Chisum, supra note 15, at 609 n.29 (suggesting that the interests protected by trademark, e.g. good-will, justify the extraterritorial application of trademark law).
liability. Distinguishing these permutations of “offer to sell” would create an unjustified asymmetry in the patent law, ignoring the common impact each has on the patent holder.\textsuperscript{329} Further, discounting any economic interest the United States patent holder may have in the actual foreign sale of the patented invention,\textsuperscript{330} the final permutation of “offer to sell” becomes redundant with the third. Because identical economic interests are affected, liability should therefore attach to domestic offers resulting in foreign sales.\textsuperscript{331}

Under this framework, infringement liability should attach to offers made within the United States to sell a patented invention regardless of where the sale is contemplated. By construing “offers to sell” infringement to encompass the broad scope of potential injury a patentee may suffer, liability may be established and courts may then fashion a remedy proportional to the extent of the actual injury.\textsuperscript{332}

D. Unresolved Issue—Remedy

One issue that has received little attention from both courts and commentators is the appropriate remedy for infringing “offers to sell.”\textsuperscript{333} This lack of focus likely results from the continuing debate over the Federal Circuit’s construction of what constitutes an “offer.”\textsuperscript{334} Until the scope of liability is established, speculation about proper remedies may be premature. Detailed analysis of the proper remedy is beyond the scope of this Note; however, a few points are worth highlighting.

 Remedies awarded for patent infringement typically include injunctions, damages, or both. For offer to sell infringement, injunctions prohibiting any

\textsuperscript{329} Such a distinction would also ignore Judge Rader’s statement that offers to sell are “real acts” with “actual consequences.” See Zeneca Ltd. v. Mylan Pharmas., Inc., 173 F.3d 829, 836 (Fed. Cir. 1999) (Rader, J., concurring).

\textsuperscript{330} Absent a revolution in international patent law, foreign sales will remain beyond the scope of the economic interests protected by a United States patent. But see Chisum, supra note 15, at 616 (noting that “growing concern over the cost of multinational intellectual property rights procurement and enforcement . . . will make territorialism an unacceptable obstacle to international trade”).

\textsuperscript{331} Liability however would only be proper under the “offers to sell” language of § 271(a). See 35 U.S.C. § 271(a) (2006).

\textsuperscript{332} See 35 U.S.C. § 281 (providing remedies for patent infringement in the form of injunctions and damages).

\textsuperscript{333} See Holbrook, Threat of a Sale, supra note 11, at 791 (proposing price erosion as one measure of damages).

\textsuperscript{334} See generally Holbrook, Territoriality, supra note 15 (analyzing territorial limitations of “offer to sell” infringement); Zelson, supra note 12 (analyzing scope of activities constituting an offer).
further offers and any contemplated sales are likely to be the most common. Given the similar interests protected, enjoining infringing offers would be consistent with the customary practice of issuing injunctions for trademark infringement.335 Courts may also enjoin contemplated domestic sales; however, United States’ courts should not attempt to enjoin contemplated foreign sales.336 In fact, a reluctance to enjoin foreign manufacturing activity may explain the result reached in the first district court to hold domestic offers for foreign sales could not infringe a United States patent.337

Under certain circumstances, infringing offers to sell may warrant the award of monetary damages. The patent statute states “the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer . . . “338 Some injuries, such as price erosion, may be amenable to traditional damage calculations, in which case there is little difficulty.339 A damage calculation for an infringing offer, however, should not include the lost profits or a reasonable royalty on non-infringing sales.340 One commentator has argued that the reasonable royalty mandated by the statute as a minimum recovery overcompensates the patentee.341 Reasonable royalty damages are typically calculated by multiplying a royalty percentage by

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335 See Chisum, supra note 15, at 609 (noting an injunction is the usual remedy for trademark infringement).
336 Cf. Taria Mundiya, Extraterritorial Injunctions Against Sovereign Litigants in U.S. Courts: The Need for a Per Se Rule, 44 INT’L & COMP. L.Q. 893 (1995) (focusing on United States courts enjoining prosecution of claims in foreign courts that would deprive the domestic court of jurisdiction over the matter; noting that such injunction should be used sparingly if at all). Additionally, the standards by which courts consider requests to enjoin foreign conduct require further consideration. See, e.g., Laura Eddleman Heim, Note, Protecting Their Own?: Pro-American Bias and the Issuance of Anti-Suit Injunctions, 69 OHIO ST. L.J. 701, 741 (2008) (“If the United States hopes to thrive in an integrated, globalized economy, giving due respect to foreign jurisdictions and careful consideration to foreign litigants is essential.”).
339 See Holbrook, Threat of a Sale, supra note 11, at 793–94 (observing that while price erosion damages are often warranted, patentees rarely claim this element of damages).
340 The Microsoft Court rejected AT & T’s argument that a single domestic act could trigger liability for multiple foreign acts of copying. See Microsoft Corp. v. AT & T Corp., 127 S. Ct. 1746, 1746–59 (2007). Similarly, the Court would likely find that damages for an infringing offer could not extend to the actual lost profits from non-infringing sales.
341 Holbrook, Threat of a Sale, supra note 11, at 797.
some measure of the infringer’s sales revenue.\textsuperscript{342} Unlike traditional forms of infringement, the patentee’s injury from infringing offers may not be proportional to the infringer’s sales.\textsuperscript{343} As a result, offer to sell infringement may require a reconsideration of the traditional measure of patent infringement damages.

**VII. CONCLUSION**

Construing “offers to sell” infringement is a difficult problem. The legislative history reveals this form of infringement originated from attempts to harmonize international patent law, but reveals little about the proper scope of this exclusive right.\textsuperscript{344} Over the past decade, the Federal Circuit has had limited opportunities to provide guidance.\textsuperscript{345} Left to find their own way, the few district courts to address this issue have split into two camps, adopting conflicting interpretations.\textsuperscript{346} The Supreme Court’s recent decision in *Microsoft Corp. v. AT & T Corp.* emphasized the presumption against extraterritorial application of United States patent law, and influenced one district court to limit the scope of “offers to sell” infringement.\textsuperscript{347} Whether the effect of *Microsoft* will become more widespread is uncertain. Nevertheless, territoriality principles appear to be insufficient for resolving this question.\textsuperscript{348} An alternative analysis focused upon the patentee’s economic interests provides a coherent framework for shaping liability, while avoiding the inconsistencies of a territoriality-based construction. This Note concludes that in order to protect the economic interests of the patentee, infringing “offers to sell” should be construed to encompass all offers made within the United States regardless of where the contemplated sale of the patented invention will occur.\textsuperscript{349}

The issue of whether “offers to sell” infringement encompasses an offer made in the United States to sell a patented invention in a foreign country is unlikely to be resolved anytime soon. Exclusive rights inherently create conflict between the party who owns the right and those seeking to exploit the patented invention. Ultimately, however, a choice must be made to define

\begin{footnotes}
\textsuperscript{343} As discussed supra Part VI.B, the patentee may be injured even if the infringer does not transact any sales as a result of the infringing offer.
\textsuperscript{344} See supra Part II.
\textsuperscript{345} See supra Part III.
\textsuperscript{346} See supra Part IV.
\textsuperscript{347} See supra Part IV.C.
\textsuperscript{348} See supra Part V.D.
\textsuperscript{349} See supra Part VI.C.
\end{footnotes}
the scope of a patentee’s exclusive right. That choice will require weighing the competing legal and policy arguments and deciding which interests are most deserving of protection. As competition and conflict in global markets increase, the Federal Circuit will eventually be compelled to decide this issue. Given the significance of the policies implicated in this debate, review by the Supreme Court would not be surprising, especially given the Court’s apparently renewed interest in patent law. However, as history shows, even a determination by the Supreme Court is subject to review by Congress—the one participant who until now has been conspicuously silent on this issue.