THE LOCATION OF THE CONTEMPLATED SALE AS THE ULTIMATE GUIDE IN "OFFER TO SELL" TRANSNATIONAL U.S. PATENT INFRINGEMENT CASES

SCOTT A. CROMAR*

With U.S. patent law taking on an ever more international perspective, and with the difficulties faced by businesses that would like to seek protection of their intellectual property internationally, it is increasingly important that the proper territorial scope and reach of patent law is well defined. The question of the exact territorial reach of U.S. patent law is particularly pertinent to transnational "offer to sell" infringement liability—liability for patent infringement based only on an offer to sell a U.S.-patented product. The Federal Circuit has only very recently directly addressed this issue. This court has acknowledged that when two U.S. companies make an offer to sell in a foreign country, contemplating a sale in the United States, there is potential liability for infringement under U.S. patent laws. The court did not directly address, however, other potential scenarios, such as when two companies make an offer in the United States which contemplates a sale in a foreign country. Thus, although the territorial scope of "offer to sell" infringement is clearer now than it has been in the past, questions still remain.

In an effort to provide some clarity to the scope of "offer to sell" infringement, this Note proposes the adoption and application of a clear rule to all "offer to sell" transnational patent infringement cases. This rule, the "Location of the Contemplated Sale" rule, clearly defines the bounds of "offer to sell" infringement under U.S. patent law and specifies that the location of the contemplated sale should control when deciding whether there is "offer to sell" infringement. This rule extends the Federal Circuit's reasoning, providing a clear guide for all potential situations while also respecting the policies underlying "offer to sell" infringement.

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I. INTRODUCTION

The reality of today's globalization means that goods and services cross national borders with regularity. Such market globalization "is in stark contrast" to the locus for "intellectual property rights, which are still national in nature."[1] Every national system of intellectual property has different characteristics and protections, and understanding all of those systems, including their varying requirements and degrees of protection, can be very costly and challenging to businesses involved in international transactions.[2]

Patents in particular are a highly territorial form of intellectual property, both because "most inventions [are] tangible in nature and because patents are subject to extensive review by a national government prior to . . . being granted."[3] The historically territorial limits in patent law, however, are now being challenged by the increasingly frequent patenting of "intangible inventions, such as business methods and software."[4] Patented inventions today frequently "transcend national borders," putting patent owners in the position of having to protect their assets under multiple systems.[5]

This state of affairs has led to an increased interest in and importance of intellectual property law at the international level.[6] International treaties, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), have been signed in an effort to harmonize the various national intellectual property laws.[7] Harmonization of intellectual property laws makes the law generally uniform from country to country and thus reduces businesses' transaction costs of evaluating those laws in all the countries in which they would like to seek protection.[8]

Efforts to harmonize patent law, however, have not led to a perfect solution. Harmonization does not remedy the problem of enforcement of patent rights, which "would require litigation in each and every coun-

1. Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. & MARY L. REV. 2119, 2123 (2008) [hereinafter Holbrook, *Extraterritoriality*]. For example, a U.S. patent only protects the owner's right to exclude within the United States. *See id.*

2. *See* Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469, 480–81 (2000).

3. Holbrook, *Extraterritoriality*, *supra* note 1, at 2124; *accord* Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 604–05 (1997).

4. Holbrook, *Extraterritoriality*, *supra* note 1, at 2124.

5. *Id.* at 2125.

6. *See* Timothy R. Holbrook, *Territoriality Waning? Patent Infringement for Offering in the United States to Sell an Invention Abroad*, 37 U.C. DAVIS L. REV. 701, 703 (2004) [hereinafter Holbrook, *Territoriality*]; Chisum, *supra* note 3, at 604 ("The territorial scope of patent and other intellectual property laws is no longer a problem at the periphery of intellectual property policy deliberations. Rather, it is an issue regularly addressed by the legislative and executive branches.").

7. *See infra* Part II.A (discussing TRIPS).

8. Holbrook, *Extraterritoriality*, *supra* note 1, at 2125.

try where there is infringement."[9] This can be costly to businesses and requires patent owners to predict where patent infringement might take place.[10] If patent owners do not correctly anticipate where they will need protection and do not seek a patent in a certain country, then they will not be able to enforce patents in that location.[11] Additionally, most of the efforts to harmonize intellectual property laws have simply set floors of protection that signatory nations must meet, allowing for national variation above the minimum level of protection.[12]

With U.S. patent law taking on an ever more international perspective,[13] and with the difficulties faced by businesses that would like protection of their intellectual property internationally, it is increasingly important that the proper territorial scope and reach of patent laws be better defined. The question of the exact territorial reach of U.S. patent law is particularly pertinent to transnational "offer to sell" infringement liability.[14] It is well understood that infringement liability is incurred when there is an offer made in the United States to sell a patented invention in the United States, when the offer is made by someone other than the patent owner or another entity authorized by the patent owner.[15] Because of the presumption against extraterritoriality, however—whereby U.S. law generally may not be applied outside of the U.S.—usually no "offer to sell" infringement liability is incurred when there is an offer outside of the United States to sell a U.S.-patented invention outside of the United States.[16]

Infringement liability, however, is not obvious with transnational "offers to sell:" Does an offer made in the United States to sell a patented invention outside of the United States (i.e., the location of the contemplated sale is outside of the United States) constitute an act of patent

9. *Id.*

10. *Id.* at 2125–26.

11. *Id.* at 2126.

12. *See, e.g.*, Agreement on Trade-Related Aspects of Intellectual Property Rights art. 3, ¶ 1, Apr. 15, 1994, 1869 U.N.T.S. 299 [hereinafter TRIPS].

13. Holbrook, *Territoriality*, *supra* note 6, at 705–06.

14. *See* 35 U.S.C. § 271(a) (2006) ("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, infringes the patent.").

15. In this scenario, there is no question that the language of § 271(a) applies. *Id.*; *cf.* Holbrook, *Territoriality*, *supra* note 6, at 726–31 (describing the uncertainty surrounding whether "offers to sell" in the United States, but with completed sales outside the United States, violated U.S. patent law).

16. The presumption against extraterritoriality states that the laws of the United States 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 and infringement of this right cannot be predicated of acts wholly done in a foreign country.") (citation omitted); Jane C. Ginsburg, Comment, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT'L L. 587, 587–88 (1997) ("Extraterritorial application of U.S. law . . . is highly suspect, if not illegitimate, unless clearly authorized by Congress. . . . Extraterritoriality . . . means the application of one country's laws to events occurring outside that country's borders."); *see also infra* note 207.

infringement?[17] Relatedly, what if the offer is made outside of the United States, but the contemplated location of the sale is inside the United States? The Federal Circuit has only very recently addressed this latter issue. In *Transocean v. Maersk*,[18] the court held that when two U.S. companies make an offer in a foreign country, contemplating a sale in the United States, there is potential liability for "offer to sell" infringement under § 271(a) of the U.S. Patent Act.[19] The court did not directly address, however, other potential scenarios, such as what should occur when the companies are not from the United States. Thus, although the territorial scope of "offer to sell" infringement is clearer now than it has been in the past, questions still remain.[20]

In an effort to provide some clarity to the question of the scope of "offer to sell" infringement, this Note proposes the adoption and application of a clear rule to all "offer to sell" transnational patent infringement cases. The rule, dubbed the "Location of the Contemplated Sale" rule, clearly defines the bounds of "offer to sell" infringement under § 271(a) and specifies that the location of the contemplated sale should control when deciding whether there is "offer to sell" infringement. According to the rule, if the location of the contemplated sale is within the United States, then there is potential for infringement under § 271(a). If the location of the contemplated sale is outside of the United States, then there is no potential for infringement. This rule extends the reasoning of the Federal Circuit in *Transocean*, providing a clear guide in all situations, while respecting the policies underlying § 271(a) "offer to sell" infringement.

This Note begins by providing a background on "offer to sell" patent infringement. Part II presents the origin and legislative history of the "offer to sell" provision of the patent infringement statute and highlights the difficulties of finding a proper interpretation of this provision. Part III discusses "offer to sell" infringement in the courts, addressing the development of its interpretation, both at the district court and Federal Circuit level. Further, Part III lays out the different and conflicting interpretations and applications of the statute. Part IV explains the "Location of the Contemplated Sale" rule proposed by this Note and outlines how it accords with Federal Circuit precedent, the underlying policies of "offer to sell" infringement, and the principles of extraterritoriality. Part IV also shows how this rule would better define the bounds of "offer to sell" infringement.

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17. Holbrook, *Territoriality*, *supra* note 6, at 723.

18. Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296 (Fed. Cir. 2010).

19. *Id.* at 1309; *see also* 35 U.S.C. § 271(a).

20. For a more thorough discussion of *Transocean*, see *infra* Part III.A.5.

II. BACKGROUND: HISTORY OF "OFFER TO SELL" INFRINGEMENT

This Part presents the development of the patent infringement statute that today includes "offer to sell" infringement. First, Section A discusses the statute's initial enactment in 1952 to its most recent amendment in 1994 (the codification of the current infringement statute, found in 35 U.S.C. § 271(a)). Second, Section B discusses difficulties with the interpretation and application of § 271(a), primarily due to a lack of legislative guidance.

A. From the Patent Act of 1952 to the TRIPS Agreement in 1994

In 1952, Congress enacted the Patent Act with the intent to codify the common law governing patents.[21] The Patent Act included § 271, which described what types of actions constituted patent infringement.[22] At that time, § 271 stated that "whoever without authority makes, uses or sells any patented invention, within the United States . . . infringes the patent."[23] The statute reflected the fact that patent rights are territorial by requiring that all infringing activities occur within the United States.[24] For over thirty years following the enactment of the Patent Act, "Congress made no revisions to § 271 . . . leaving the development of infringement law to the courts."[25]

In 1984, 1988, and 1992, Congress amended § 271 to provide ever more exclusive rights to patentees.[26] In some of these amendments, Congress statutorily overruled holdings of the courts.[27] Other amendments clarified the statutes and closed loopholes.[28] The changes included protection from export out of the United States of "either the complete but disassembled [patented] invention"[29] or "a component of [a patented] in-

21. *See* Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792 (codified as amended at 35 U.S.C. §§ 1–376); Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336, 347 n.2 (1961) (Black, J., concurring) (quoting 98 CONG. REC. 9323 (July 4, 1952)).

22. *See* Patent Act § 271, 66 Stat. at 811 (codified as amended at 35 U.S.C. § 271).

23. *Id.* § 271(a). The Patent Act also included forms of indirect infringement, including contributory infringement and inducement to infringe. *See id.* § 271(b)–(c) (codified as amended at 35 U.S.C. § 271(b)–(d)).

24. *See id.* § 271(a) (codified as amended at 35 U.S.C. § 271(a)).

25. Timothy R. Holbrook, *Liability for the "Threat of a Sale": Assessing Patent Infringement for Offering to Sell an Invention and Implications for the On-Sale Patentability Bar and Other Forms of Infringement*, 43 SANTA CLARA L. REV. 751, 757 (2003) [hereinafter Holbrook, *Liability*].

26. *See* Generic Animal Drug and Patent Term Restoration Act, Pub. L. No. 100-670, § 201, 102 Stat. 3971, 3988–89 (1988) (codified as amended at 35 U.S.C. § 271(e)); Process Patent Amendments Act of 1988, Pub. L. No. 100-418, § 9003, 102 Stat. 1107, 1563–64 (codified as amended at 35 U.S.C. § 271(g)); Patent Law Amendments Act of 1984, Pub. L. No. 98-622, § 101, 98 Stat. 3383, 3383 (codified as amended at 35 U.S.C. § 271(f)). For a pertinent discussion of these amendments see Holbrook, *Liability*, *supra* note 25, at 760–64.

27. For example, in 1984, Congress acted to overrule the Supreme Court's holding in Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972). Patent Law Amendments Act § 101; Holbrook, *Liability*, *supra* note 25, at 760–61.

28. *See* Holbrook, *Liability*, *supra* note 25, at 761–63; *see also* Generic Animal Drug and Patent Term Restoration Act § 201; Process Patent Amendments Act § 9003.

29. Holbrook, *Liability*, *supra* note 25, at 761; *see also* Patent Law Amendments Act § 101.

vention"[30] and protection from import into the United States of an invention that was manufactured abroad by a patented process.[31]

Since the nineteenth century, the international community has worked toward harmonizing intellectual property laws across countries.[32] In the past few decades, though, the effort to harmonize has been especially strong.[33] In 1994, Congress amended § 271(a), (c), (e), and (g) to include two new types of acts that would constitute patent infringement: offering to sell and importing a patented invention.[34] The enactment of these two new types of infringing activities was in response to the requirements of the most significant[35] of the harmonization efforts, 1994's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).[36]

TRIPS is an international treaty on intellectual property that was adopted at the conclusion of the Uruguay Round negotiations for revision of the General Agreement on Tariffs and Trade (GATT).[37] TRIPS was a major step forward in the process of harmonizing international intellectual property laws, as it established a uniform framework of international standards and required that all signatory countries establish minimum exclusive rights for patent owners.[38] Unfortunately, the amendments to U.S. intellectual property law required by TRIPS occurred "with little discussion and, as such, there is no legislative history to inform the . . . bounds of" "offer to sell" infringement at that time.[39]

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30. Holbrook, *Liability*, *supra* note 25, at 761.

31. *Id.* at 762; *see also* Process Patent Amendments Act § 9003.

32. *See generally* Adam Isaac Hasson, Note, *Domestic Implementation of International Obligations: The Quest for World Patent Law Harmonization*, 25 B.C. INT'L & COMP. L. REV. 373 (2002) (suggesting that the practical effect of international agreements like TRIPS has been the increased harmonization of world patent laws).

33. *See* John F. Duffy, *Harmony and Diversity in Global Patent Law*, 17 BERKELEY TECH. L.J. 685, 688 (2002) (discussing increased movements to harmonize patent law in the second half of the twentieth century, particularly beginning in 1994).

34. Uruguay Round Agreements Act, Pub. L. No. 103-465, § 533, 108 Stat. 4809, 4988 (1994) (codified at 35 U.S.C. §§ 271(a), (c), (e), (g), (i) (2006)).

35. Duffy, *supra* note 33, at 688.

36. TRIPS, *supra* note 12, art. 28, ¶ 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 . . . .").

37. The Uruguay Round negotiations also established the World Trade Organization (WTO), which now administers TRIPS. *See* Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154; *The Uruguay Round*, WORLD TRADE ORG., http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm (last visited July 28, 2012). Information on the WTO, General Agreement on Tariffs and Trade, the Uruguay Round, and TRIPS can be found on the WTO website. *See generally* WORLD TRADE ORG., http://www.wto.org/ (last visited July 28, 2012).

38. Duffy, *supra* note 33, at 688 ("[TRIPS] requires signatory nations to conform their patent laws to a uniform framework of international standards.").

39. Holbrook, *Liability*, *supra* note 25, at 763; *accord* Rex W. Miller, II, Note, *Construing "Offers to Sell" Patent Infringement: Why Economic Interests Rather than Territoriality Should Guide the Construction*, 70 OHIO ST. L.J. 403, 408–09 (2009) ("[T]he scant legislative history merely identifies the changes being made.").

These amendments resulted in the current version of § 271(a), which states that "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, infringes the patent."[40] While prior to the 1994 amendment "[a] threat of sale [did] not constitute an act of infringement,"[41] after the amendment a simple offer to sell an invention covered by a patent makes the offeror liable for patent infringement, whether or not the sale is actually completed.[42] This infringement statute—particularly the "offer to sell" provision—and the scope and bounds of "offer to sell" infringement is the primary focus of this Note.[43]

B. Difficulties with "Offer to Sell" Infringement

Lacking any legislative history, the "offer to sell" provision brings with it little guidance for courts that must attempt to apply the law to diverse factual circumstances. There are unique problems in defining the scope of the "offer to sell" provision. In contrast to the previous version of the statute, for there to be infringement under the "offer to sell" provision, there must be an "offer," not just some "creation, utilization, or completed sale" of an infringing item.[44] Before the statutory creation of this form of infringement, courts' primary concern was whether the potentially infringing device fell under the terms of an existing patent.[45] Now, courts must make determinations as to whether an offer has been made, not simply whether the potentially infringing device was actually infringing in and of itself.[46] There are other complications: Does the new form of infringement apply to devices that do not currently exist, that is, that are not yet built? Can an invention be offered for sale before it is ever constructed? Or what if the "offer to sell" is an offer to a foreign entity, or the offer is made outside of the United States? Do such scenarios fall under the statute?[47] None of this ambiguity was directly ad-

40. 35 U.S.C. § 271(a).

41. Eli Lilly & Co. v. Medtronic, Inc., 915 F.2d 670, 673 (Fed. Cir. 1990).

42. No court decision has stated it explicitly, but the evidence suggests that an actual infringing sale is not necessary for "offer to sell" infringement to exist. For example, § 271(a) lists the various sources of infringement in the alternative. Additionally, some cases have discussed "offer to sell" liability where no infringing sale occurred. *See, e.g.*, Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246 (Fed. Cir. 2000) (discussing "offer to sell" infringement in a situation where the completed sale occurred outside the United States, a sale that by itself would not violate patent laws).

43. This Note uses § 271(a) as the primary means of analyzing the competing policy objectives of "offer to sell" infringement, even though the "offers to sell" language was added to many different parts of § 271. *See generally* 35 U.S.C. § 271.

44. Holbrook, *Liability*, *supra* note 25, at 753; *see also* 35 U.S.C. § 171(a).

45. Holbrook, *Liability*, *supra* note 25, at 753 (citing Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1454 (Fed. Cir. 1998) (en banc) ("An infringement analysis involves two steps. First, the court determines the scope and meaning of the patent claims asserted, and then the properly construed claims are compared to the allegedly infringing device.") (citations omitted)).

46. *See id.*

47. Similar questions have been asked in Holbrook, *Territoriality*, *supra* note 6, at 723 and Holbrook, *Liability*, *supra* note 25, at 753.

dressed by Congress when the amendments were made, so courts have had to look elsewhere for guidance.[48]

One potential source is § 271(i), which was added to the statute to comply with the TRIPS agreement and is meant to clarify the meaning of "offer to sell."[49] Section 271(i) states that "[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."[50] As with the amendments to § 271(a), Congress provided no guidance on the meaning or purpose of this statute.[51] Nevertheless, the meaning of this provision seems to be clear if read literally: an offer to sell a patented item will be an infringing action if the actual sale is intended to occur before the expiration of the patent.[52] This meaning comports with the statutory twenty-year patent term, outside of which the patentee has no exclusive rights.[53] This "temporal" limitation of § 271(i), however, has been used by courts to justify requirements that the contemplated sale occur not just during the term of the patent but also within the United States.[54]

Thus, the limitations of "offer to sell" infringement under § 271(a) are unclear. This has left patent owners and potential litigants with little guidance as to the correct scope of the "offer to sell" infringement provision. In addition, because the provision was enacted relatively recently, both district courts and the Federal Circuit have wrestled with the statute, attempting to come to the correct meaning and scope of "offer to sell" infringement.[55]

A number of important policies are implicated in the question of whether an offer made in the United States to sell a U.S.-patented invention abroad constitutes infringement. Some courts have held that when the location of the contemplated sale is outside of the United States, the presumption against extraterritoriality would be violated if infringement liability were found.[56] This view is an outgrowth of a particular interpretation of 35 U.S.C. § 271(a) that requires an infringing "sale" if there is to be an infringing "offer to sell."[57] Other courts have held that there is in-

48. *See, e.g.*, Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1254–56 (Fed. Cir. 2000) (defining the term "offer to sell" according to the norms of traditional contractual analysis).

49. Uruguay Round Agreements Act, Pub. L. No. 103-465, § 533(a)(5), 108 Stat. 4809, 4988 (1994) (codified at 35 U.S.C. § 271(i) (2006)).

50. 35 U.S.C. § 271(i).

51. *See* Holbrook, *Liability*, *supra* note 25, at 763 n.81.

52. *See id.*

53. *See* 35 U.S.C. § 154(a)(2) (stating that the patent term ends twenty years from the date on which the patent application was filed). The addition of § 271(i) seems to have the effect of preventing the patent holder from achieving an extension of the patent term by preventing the holder from claiming infringement for sales that occur outside of the twenty-year window. For additional discussion of the meaning of § 271(i), see Holbrook, *Liability*, *supra* note 25, at 763 n.81.

54. *See* Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1258–60 (Fed. Cir. 2000) (Newman, J., concurring). For further discussion of *Rotec*, see *infra* Part III.A.2.

55. *See infra* Part III.A–B.

56. *See infra* Part III.B.1.

57. *See infra* Part III.B.1.

fringement liability when the location of the contemplated sale is outside of the United States.[58] These courts argue that to hold to the contrary would, among other things, defeat one of the purposes of "offer to sell" infringement: to protect the economic interests of patent owners by excluding offers within the United States.[59] Courts have generally been divided on the issue of the proper scope of "offer to sell" infringement,[60] and with limited guidance from the Federal Circuit, patent owners are left with a lack of clarity as to what actions do and do not implicate infringement liability under the "offer to sell" infringement statute.[61]

Without congressional legislation to clarify the intended transnational scope of the "offer to sell" infringement provision, district courts, the Federal Circuit, and perhaps even the Supreme Court, will be left to decide the issue. The extent of liability for offers to sell will have to be determined after consideration of the many competing policies that are persuasive both for and against a more transnational reach of U.S. patent laws.

III. ANALYSIS: "OFFER TO SELL" INFRINGEMENT IN THE COURTS

Since "offer to sell" infringement was only added to § 271 in 1994, courts have not had many opportunities to address and clearly define its scope. This Part addresses, however, how courts have in fact dealt with "offer to sell" infringement in the past. First, the Note discusses the development of "offer to sell" infringement in the Federal Circuit, from the originating focus on personal jurisdiction to the later focus on the actual scope of the statute.[62] This discussion includes an analysis of the most recent Federal Circuit case on "offer to sell" infringement, *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*[63] In *Transocean*, the Federal Circuit provides some clarification as to the scope of "offer to sell" infringement, but nonetheless leaves a number of questions unanswered. Second, this Part discusses the development of "offer to sell" jurisprudence in the district courts.[64] With limited guidance from the Federal Circuit, district courts have struggled to establish the proper scope of the "offer to sell" provision, resulting in conflicting conclusions.[65]

58. *See infra* Part III.B.2.
59. *See infra* Part III.B.2.
60. *See generally infra* Part III.
61. *See generally infra* Part III.
62. *See infra* Part III.A.
63. *See infra* Part III.A.5.
64. *See infra* Part III.B.
65. *Compare infra* Part III.B.1, *with* Parts III.B.2–3.

A. Development of "Offer to Sell" Infringement in the Federal Circuit

This Section discusses the development of the scope of "offer to sell" infringement in the Federal Circuit. The narrowing focus of the Federal Circuit on the particular scope of "offer to sell" infringement is presented along with the primary policy arguments advanced by the Federal Circuit. The Federal Circuit's understanding of the policies underlying § 271(a) "offer to sell" infringement are critical because, with the limited precedent in this area, these policies are the foundation on which the district courts have attempted to build their understanding of the proper scope of "offer to sell" infringement and apply it to individual cases.[66] The most recent Federal Circuit case on "offer to sell" infringement is presented in Part III.A.5.

1. 3D Systems, Inc. v. Aarotech Laboratories, Inc.

The Federal Circuit first dealt with § 271(a) "offer to sell" infringement in the 1998 case of *3D Systems, Inc. v. Aarotech Laboratories, Inc.*[67] In this case, the court discussed "offer to sell" infringement and the policies underlying it in the context of establishing personal jurisdiction over the alleged infringers.[68] A company located in Virginia sent price quotation letters to a company located in California.[69] The plaintiff alleged that the sending of such letters constituted infringement of its patent in that the letters were an "offer to sell."[70] The question before the court was whether such letters could, in fact, constitute an "offer to sell."[71] The court acknowledged that this was an issue of first impression and found that federal rather than state law controlled the determination as to the meaning of the word "offer."[72] The court discussed the possibility of importing a meaning from another patent statute, 35 U.S.C. § 102(b),[73] to better define the meaning of "offer" in § 271(a).[74] Section 102(b) is referred to as the "on sale" bar in patent law,[75] and it prohibits the granting of a patent if the invention was "on sale" more than one year prior to the application for patent.[76] There is a significant body of case law constru-

66. *See infra* Part III.B.
67. *See* 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1378 (Fed. Cir. 1998) (acknowledging that the case presented an issue of first impression on "offers to sell" after the 1994 amendment to § 271(a)).
68. *See, e.g.*, *id.* at 1379 ("If we were to permit potential infringers to avoid jurisdiction by denominating what otherwise would be an offer to sell merely by asserting the contrary in the offer, the prohibition added to § 271(a) against offers to sell would be hollow indeed.").
69. *Id.* at 1378.
70. *Id.*
71. *Id.*
72. *Id.* at 1378–79.
73. 35 U.S.C. § 102(b) (1994).
74. 160 F.3d at 1379 n.4.
75. *See id.*
76. 35 U.S.C. § 102(b) (2006).

ing the meaning of "on sale" in § 102(b).[77] Importantly, the *3D Systems* court found that despite the similar language, the construed meaning of "on sale" as contained in the "on sale" bar of § 102(b) should not be imported to § 271(a) in determining the meaning of "offer."[78]

The court held that the price quotation letters were indeed "offers to sell" and thus supported the exercise of personal jurisdiction because the cause of action arose out of the contacts with the forum state.[79] The court found that "[a]s a matter of federal statutory construction, the price quotation letters can be regarded as 'offer[s] to sell' under § 271" because they included a "description of the allegedly infringing merchandise and the price at which it can be purchased."[80] Further, with respect to the policy underlying § 271(a) "offers to sell," the court noted that "[o]ne of the purposes of adding 'offer[] to sell' to § 271(a) was to prevent exactly the type of activity [the defendant] has engaged in, i.e., generating interest in a potential infringing product to the commercial detriment of the rightful patentee."[81] Lacking other guidance,[82] this statement of the policy behind "offer to sell" infringement under § 271(a) has been consistently followed in district courts and Federal Circuit opinions.[83] This policy rationale for the existence of "offer to sell" infringement (i.e., that an "offer to sell" could have an adverse economic impact on the patentee), however, may not be definitive in assisting a court in deciding whether an action should be construed as "offer to sell" infringement when international actions are involved. For example, when the offer is made outside of the United States, contemplating a sale inside or outside of the United States, is there an economic impact or commercial detriment that would justify "offer to sell" infringement? Does the commercial detriment have to be in the United States? These complications were not addressed by the court.

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77. *See, e.g.*, Pfaff v. Wells Elecs., Inc., 525 U.S. 55, 64 (1998); *see also* DONALD S. CHISUM, CHISUM ON PATENTS § 6.02[6] (2005).

78. *3D Sys.*, 160 F.3d at 1379 n.4. The court, in discussing the differing policy rationales underlying the two statutes, stated:

> We decline to import the authority construing the "on sale" bar of § 102(b) into the "offer to sell" provision of § 271(a). The policy reasons underlying the on-sale prohibition of § 102(b) include the 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 public domain when the public has come to rely on their ready availability, and giving investors a reasonable period to discern the potential value of an invention. These policy reasons have no resonance with § 271(a)'s statement of the rights of the patentee to exclude others from making, using, offering to sell, or selling the patented invention. Thus, "offer to sell" under § 271 cannot be treated as equivalent to "on sale" under § 102(b).

Id. (citation omitted).

79. *Id.* at 1379.

80. *Id.* (alteration in original).

81. *Id.* (second alteration in original).

82. As stated previously, there is a lack of legislative history related to the "offer to sell" provision of § 271. *See supra* note 39 and accompanying text.

83. *See, e.g.*, MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369, 1376 (Fed. Cir. 2005); Quality Tubing, Inc. v. Precision Tube Holdings Corp., 75 F. Supp. 2d 613, 622 (S.D. Tex. 1999).

2. Rotec Industries, Inc. v. Mitsubishi Corp.

In 2000, the Federal Circuit addressed the issue of the scope of "offer to sell" infringement in *Rotec Industries, Inc. v. Mitsubishi Corp*.[84] *Rotec* was the first decision to address the operation of "offer to sell" infringement outside of the personal jurisdiction context.[85] In this case, the Federal Circuit dealt with a situation where the plaintiff-patentee sought to hold the accused infringer liable for making an "offer to sell" in the United States when the contemplated sale would occur outside the United States.[86] It was undisputed in the case that the sale of the patented system would take place in the People's Republic of China and that the system offered for sale would in fact infringe on the plaintiff's patent if sold in the United States.[87] In dispute was whether an "offer to sell" took place in the United States.[88] The court ultimately concluded that the facts did not support an "offer to sell," but the discussion and concurring opinion provide significant guidance on the meaning and application of "offer to sell" infringement.[89]

The court reaffirmed the policy underlying "offer to sell" infringement as described in *3D Systems* (i.e., "generat[ing] interest in a potential infringing product to the commercial detriment of the rightful patentee"),[90] and noted that in adding "offers to sell" to the statute, "Congress sought to strengthen the protections afforded under § 271."[91] The court acknowledged, though, that it was unclear "how much strength Congress wished to add to the parameters of a patent grant."[92] The court focused on commercial detriment to the patentee, mostly in the form of "generat[ed] interest," as a means of determining whether there was an "offer to sell."[93] Also, the court concluded that communication with a third party is required for a finding of commercial detriment and that such a requirement is very helpful in balancing the interests of the patentee with the interests of the public.[94] Certain activities do not involve communication to a third party, the court found, and should not contribute to a finding of "offer to sell" infringement even though those activities would potentially generate interest later, such as: "(1) studying a patent in anticipation of its expiration; (2) estimating the cost of producing a disclosed invention before the date of expiration; or (3) reviewing a patent

84. 215 F.3d 1246, 1251 (Fed. Cir. 2000).
85. Holbrook, *Territoriality*, *supra* note 6, at 724 (noting that *Rotec* is the first case to address the merits of "offer to sell" infringement).
86. 215 F.3d at 1249.
87. *Id.* at 1249–51.
88. *Id.* at 1249–50.
89. *Id.* at 1255–60 (covering the majority's reasoning and that of the concurrence).
90. *Id.* at 1255 (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 n.4 (Fed. Cir. 1998)).
91. *Id.* at 1252 (citation omitted).
92. *Id.*
93. *Id.* at 1255 (alteration in original).
94. *Id.*

to ascertain whether the claims read on a product currently in development."[95] Additionally, the court narrowed the definition of "offer to sell" by holding that "an offer for sale . . . requires no more than a commercial offer for sale . . . . [under] traditional contractual analysis."[96]

The court's decision in *Rotec* also addressed the territoriality principle in U.S. patent law, stating that "[t]he right conferred by a patent under our 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."[97] The majority did not find, however, that there was no "offer to sell" on the grounds that the contemplated sale would have occurred abroad; rather, it applied the territoriality principle to limit the scope of the defendants' activities that would be considered and found that there was inadequate evidence that an offer occurred.[98] Thus, the holding of the majority opinion suggests that the contemplated location of the sale may not be an initial consideration when determining whether there was an "offer to sell."

In her concurring opinion, Judge Newman vigorously disagreed that a domestic offer contemplating a foreign sale could constitute infringement under the statute.[99] She characterized the majority opinion as "necessarily accept[ing] 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."[100] She further stated that she "do[es] not believe that 35 U.S.C. § 271 is correctly so interpreted."[101] In her view, under the facts of *Rotec*, there could be no "offer to sell" because the location of the contemplated sale was outside of the United States.[102]

In her concurring opinion, Judge Newman went on to state that "an offer to sell a device or system whose actual sale can not infringe a United States patent is not an infringing act under § 271."[103] Judge Newman

95. *Id.*

96. *Id.* at 1254–55.

97. *Id.* at 1251 (alteration in original) (quoting Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641, 650 (1915)).

98. *Id.* ("[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 . . . . [W]e must establish whether Defendants' activities in the United States . . . are sufficient to establish an 'offer for sale,' as that phrase is used in § 271(a)."); *id.* at 1257 (stating that Rotec had insufficient evidence whereby a jury could find an "offer to sell" had been made).

99. *See id.* at 1258–60 (Newman, J., concurring).

100. *Id.* at 1258.

101. *Id.*

102. *Id.* at 1260 ("[A]n offer made in the United States, to sell a system all of whose components would be made in foreign countries, for sale, installation, and use in a foreign country, does not infringe the [U.S.] patent.").

103. *Id.* at 1259. For a more thorough discussion of Judge Newman's reasoning and the significance of her opinion, see Miller, *supra* note 39, at 414–16. Miller points out that Judge Newman's "contention appears to be an original interpretation . . . as no authority is cited for this critical proposition." Miller, *supra* note 39, at 415 n.83.

cited the language of § 271(i)[104] and argued that "[b]y 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."[105] Differing from the majority and the opinion in *3D Systems*, Judge Newman concluded 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."[106] This purpose is less expansive than the purpose articulated in *3D Systems* and by the *Rotec* majority because it suggests that "offer to sell" infringement simply serves to give the patentee "the ability to enforce an existing right—to exclude others from selling the patented product—at an earlier time."[107]

Despite Judge Newman's concurrence, the Federal Circuit in *Rotec* did not definitively address the issue of whether "offer to sell" infringement under § 271(a) includes offers in which the contemplated sale would occur outside of the United States.[108]

3. MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.

In 2005, the Federal Circuit again was faced with applying the "offer to sell" provision of § 271(a) in *MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp*.[109] In *MEMC*, the plaintiff alleged that both an infringing offer and actual infringing sales occurred in the United States, but the court found that neither of the alleged infringing acts took place within the United States.[110] The court followed its previous holdings, stating that "the reach of section 271(a) is limited to infringing activities that occur within the United States" and analyzed the alleged offer under the standard contractual analysis.[111]

Notably, although the court found that sales of the patented product took place in a foreign country, it nonetheless analyzed whether there was an "offer to sell."[112] This approach accords with the majority's opinion in *Rotec*, seemingly indicating that even if the contemplated sale was to take place in a foreign country, the court would consider possible "offer to sell" infringement within the United States.

Despite the court's holding, the opinion in *MEMC* again omits any definitive answer to the question of whether an offer in the United States

104. As previously noted, § 271(i) states, in part, that an "offer to sell" is one "in which the sale will occur before the expiration of the term of that patent." 35 U.S.C. § 271(i) (2006).
105. *Rotec*, 215 F.3d at 1259.
106. *Id.*
107. Miller, *supra* note 39, at 415 n.85.
108. The court seems to have subsequently answered this question in *Transocean*, discussed *infra* Part III.A.5.
109. 420 F.3d 1369, 1375 (Fed. Cir. 2005).
110. *Id.* at 1372, 1375–77.
111. *Id.* at 1375–76 (citing *Rotec*, 215 F.3d at 1251).
112. *Id.* at 1376.

for a contemplated foreign sale could constitute infringement under § 271(a). Further, what if the offer was made outside of the United States, but the contemplated sale was within the United States? Again, the court failed to answer these questions.

4. SEB, S.A. v. Montgomery Ward & Co.

The Federal Circuit next, in 2010, briefly considered "offer to sell" infringement in *SEB, S.A. v. Montgomery Ward & Co.*[113] The appellant argued that the district court erred in instructing the jury and that it "should have charged the jury that an offer in the United States to sell goods outside of the United States would not violate the 'offer to sell' provision of § 271(a)."[114] The court did not definitively address the disputed proper scope of "offer to sell" infringement, but rather held that the district court made no fundamental error and simply stated that "[t]his court has yet to define the full territorial scope of the 'offers to sell' offense in § 271(a)."[115]

By holding that it had not defined the territorial scope of "offer to sell" infringement, the court left open the possibility that a domestic offer with a contemplated foreign sale, as well as a foreign offer with a contemplated domestic sale, might constitute infringement under § 271(a). Rather than further clarify the scope of the "offer to sell" infringement, the court in *SEB* simply asserted that it had not yet fully defined the scope.[116] The Federal Circuit did not address the issue of the scope of "offer to sell" infringement again until its 2010 *Transocean* decision.[117]

5. The Recent Federal Circuit Decision: Transocean v. Maersk

The most recent case in which the Federal Circuit has addressed "offer for sale" infringement is *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*[118] The plaintiff Transocean filed suit against Maersk USA (Maersk) for infringement of three of its patents on an improved apparatus for conducting offshore drilling.[119] Maersk's Danish parent company, Maersk A/S, had contracted with another company to build an offshore drilling rig in Singapore.[120] "Later,

113. 594 F.3d 1360, 1374–75 (Fed. Cir. 2010), *cert. granted sub nom.*, Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 458 (2010) (granting certiorari on issues unrelated to this Note). See Part III.B.2, *infra*, for a discussion of the prior history of this case, wherein the lower court seemed to hold that an offer made in the United States for contemplated foreign sales is sufficient for a finding of "offer to sell" infringement.

114. *Id.* at 1375.

115. *Id.* The district court had reasoned that even if the contemplated sale was outside of the United States, that did not preclude the case from going forward. SEB, S.A. v. Montgomery Ward & Co., 412 F. Supp. 2d 336, 340–41 (S.D.N.Y. 2006).

116. *SEB*, 594 F.3d at 1375.

117. *See infra* Part III.A.5.

118. 617 F.3d 1296 (Fed. Cir. 2010).

119. *Id.* at 1300–01.

120. *Id.* at 1307.

Maersk A/S negotiated with Statoil ASA (a Norwegian company) for Statoil's use of the accused rig."[121] The two foreign companies "came to an agreement for use of the rig and Maersk USA, and Statoil Gulf of Mexico LLC (Statoil), a Texas Corporation, signed a contract in Norway "effectuating the agreement."[122] The contract signed by the two U.S. companies, Maersk and Statoil, "specified that the 'Operating Area' for the rig was the U.S. Gulf of Mexico but that Statoil had the right to use the rig outside the Operating Area with certain limitations."[123]

The lower court held that Transocean's patents were invalid and not infringed.[124] On the issue of infringement, the lower court found that because the "negotiation and signing of the contract took place outside the U.S.," there could be no infringement.[125] The Federal Circuit reversed the finding of invalidity and proceeded to address the issue of infringement.[126] The court began the analysis of the claim of "offer to sell" infringement by following its prior *Rotec* opinion and applying "traditional contract principles."[127] There was no dispute that an "offer to sell" was made, but Maersk argued that there was no § 271(a) liability because "the offer was made in Norway, not the United States."[128]

Thus, the question before the court was "whether an offer which is made in [a foreign country] by a U.S. company to a U.S. company to sell a product within the U.S., for delivery and use within the U.S. constitutes an offer to sell within the U.S. under § 271(a)."[129] The court concluded that such a scenario does constitute an "offer to sell" under § 271(a).[130] Interestingly, in coming to this conclusion, the court noted that "for an offer to sell to constitute infringement, the offer must be to sell a patented invention within the United States."[131] This holding is notable because it is apparently a departure from the court's previous opinion, in which the court considered "offer to sell" infringement actions where the locations of contemplated sales were outside of the United States.[132] The court went on to state that, when analyzing "offer to sell" infringement,

121. *Id.*
122. *Id.*
123. *Id.*
124. *Id.* at 1300.
125. *Id.* at 1307–08. The lower court also took into consideration the "undisputed fact" that the contract between Maersk and Statoil "gave Maersk the option to alter the rig to avoid infringement." *Id.* at 1308.
126. *Id.* at 1307. There were also a number of other issues that the court addressed that are not relevant to this discussion. For example, the Federal Circuit reversed the lower court's granting of summary judgment on the claim of infringement for selling the rig, finding that there were facts still in dispute. *Id.* at 1310–11.
127. *Id.* at 1308.
128. *Id.*
129. *Id.* at 1309.
130. *Id.*
131. *Id.*
132. For example, see the discussion of *Rotec* and *MEMC*, *supra* Part III.A.2–3. Also note that this holding is in accord with Judge Newman's dissent in *Rotec*. *See supra* Part III.2.

"[t]he focus should not be on the location of the offer, but rather the location of the future sale that would occur pursuant to the offer."[133]

The court followed the precedent set in *3D Systems* concerning the underlying purpose of "offer to sell" infringement: "The underlying purpose of holding someone who offers to sell liable for infringement is to prevent 'generating interest in a potential infringing product to the commercial detriment of the rightful patentee.'"[134] Further, the court also acknowledged the presumption against extraterritoriality—that under U.S. patent law there is no infringement if the patented product is made or sold in another country[135]—but held that this does not preclude a finding of infringement when there is a foreign offer contemplating a domestic sale.[136]

In coming to these conclusions, the court looked at the statute and noted that its language seeks to preclude "offers to sell . . . within the United States."[137]

> To adopt Maersk USA's position would have us read the statute as "offers made within the United States to sell" or "offers made within the United States to sell within the United States." First, this is not the statutory language. Second, this interpretation would exalt form over substance by allowing a U.S. company to travel abroad to make offers to sell back into the U.S. without any liability for infringement. This company would generate interest in its product in the U.S. to the detriment of the U.S. patent owner, the type of harm that offer to sell within the U.S. liability is meant to remedy. These acts create a real harm in the U.S. to a U.S. patentee.[138]

Here, the court again emphasized using the commercial detriment rationale as a primary means of determining whether there is "offer to sell" infringement.[139] In other words, when the actions of an offeror generate interest in a product to the commercial detriment of a U.S. company, a finding of "offer to sell" infringement is much more likely. Two U.S. companies should not be allowed to travel abroad simply to make the offer and avoid infringement, because it is still reasonable that there would be a commercial detriment to the patent holder.[140]

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133. *Transocean*, 617 F.3d at 1309.

134. *Id.* (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998)).

135. *See* Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 441 (2007) ("It is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country.").

136. *Transocean*, 617 F.3d at 1309.

137. *Id.* (alteration in original) (quoting 35 U.S.C. § 271(a) (2006)).

138. *Id.* (citations omitted).

139. *Id.*; *see also* Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1255 (Fed. Cir. 2000); 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998).

140. Note that this still does not directly provide an answer to the question of infringement when two foreign companies make an offer abroad but contemplate a sale within the United States. This Note argues that the facts of such a scenario do support a finding of infringement under § 271(a). *See infra* Part IV.

Although seemingly in opposition to the court's previous opinions, the Federal Circuit distinguished *Transocean* from *Rotec*, *MEMC*, and *SEB*.[141] The court explained that none of the holdings in those cases precluded a finding that a foreign agreement between two U.S. companies to sell a product in the United States could constitute infringement.[142] In fact, the court cited Judge Newman's concurrence in *Rotec* as a source of support for this new holding.[143] Any previous inferences about the Federal Circuit's view on the territorial reach of "offer to sell" infringement should now be viewed in light of the *Transocean* holding. As the court stated, "[t]he location of the contemplated sale controls whether there is an offer to sell within the United States."[144] As is discussed next, district courts are starting to follow this reasoning. Thus, offers that contemplate sales outside of the United States are now likely not infringing activities under the *Transocean* rationale.

B. Conflicting Views Among the District Courts

Because there is limited Federal Circuit precedent concerning "offer to sell" infringement,[145] district courts attempting to apply the correct standard to varying factual scenarios have reached diverse and conflicting conclusions. The differing conclusions and the policy rationales advanced by the district courts in reaching those conclusions are the subject of this Section. This muddled state of affairs is contrary to the purpose for which the Federal Circuit was created: to bring uniformity to patent law jurisprudence.[146] In fact, relatively few district cases have addressed transnational "offer to sell" infringement—including domestic offers for foreign sales and foreign offers for domestic sales—so the district courts have not as yet had adequate opportunity to develop a consensus. Even after the 2010 *Transocean* decision, there remain many gray areas of "offer to sell" infringement—but, as discussed in Part III.B.3, district courts are starting to utilize *Transocean*'s formulation.

141. *Transocean*, 617 F.3d at 1309–10.
142. *Id.*
143. *Id.*
144. *Id.*
145. *See supra* Part III.A (discussing Federal Circuit decisions on "offer to sell" infringement).
146. In accordance with the Copyright Clause of the United States Constitution, all patent law is federal. U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have Power . . . To 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 . . . ."). Since its creation, the Federal Circuit has had exclusive jurisdiction over appeals from the federal district courts on all civil actions relating to patents. 28 U.S.C. § 1295(a)(1) (2006); *see* S. REP. NO. 97-275, at 5 (1981) ("The creation of the Court of Appeals for the Federal Circuit will produce desirable uniformity" and "will increase doctrinal stability in the field of patent law."); H.R. REP. NO. 97-312, at 23 (1981) ("[T]he central purpose [of the Federal Courts Improvement Act] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law.").

1. Infringement Requiring the Contemplated Sale Be Within the United States

A number of district court cases have come to the conclusion that an "offer to sell" made within the United States, when the location of the contemplated sale is outside of the United States, cannot be "offer to sell" patent infringement under § 271(a).[147] The leading case coming to this conclusion is *Quality Tubing, Inc. v. Precision Tube Holdings Corp.*[148] In *Quality Tubing*, a contract for sale of a U.S.-patented invention was executed in Texas, but the location of the contemplated sale was in Europe.[149] The District Court for the Southern District of Texas acknowledged that the issue presented by the case was one of first impression: "whether an offer made in the United States to sell products manufactured and delivered outside the United States violates the United States patent laws."[150] The court concluded that § 271(a) only prohibits offers made in the United States that contemplate a sale that would also occur in the United States.[151] In coming to this conclusion, the court cited three principle justifications.

First, the court reasoned that the "offer to sell" infringement statute existed only to increase the temporal scope of when a patentee could assert its rights, not to increase the substantive scope of those rights.[152] The court, similar to Judge Newman's *Rotec* concurrence,[153] found that "expanding the list of infringing activities . . . to include an 'offer to sell' rather than merely a 'sale' protects a patent holder at an earlier stage of infringing activity."[154] This understanding of the statute requires that for an "offer to sell" to constitute infringement, the contemplated sale itself would have to constitute infringement.[155] Thus, contemplation of a sale that would not result in infringement, for example, a sale that would take place outside of the United States, could not support a finding of "offer to sell" infringement.[156] This reasoning was also supported by the court's finding that an agreement to sell, by itself, could not constitute a sale.[157]

Second, the court concluded that the statute was not meant to expand the extraterritorial rights of the patentee: "This construction does not expand the territorial jurisdiction of the United States patent

147. *See, e.g.*, Cybiotronics, Ltd. v. Golden Source Elecs., Ltd., 130 F. Supp. 2d 1152 (C.D. Cal. 2001); Quality Tubing, Inc. v. Precision Tube Holdings Corp., 75 F. Supp. 2d 613 (S.D. Tex. 1999).
148. 75 F. Supp. 2d 613.
149. *Id.* at 616.
150. *Id.* at 623.
151. *Id.* at 624 ("[A]n offer to sell is not infringement unless the contemplated sale is to occur in the United States.").
152. *Id.* at 623.
153. *See supra* Part III.A.2.
154. 75 F. Supp. 2d at 623.
155. *Id.* at 624.
156. *Id.*
157. *Id.* at 621 ("The negotiation and execution of a contract to sell is not, standing alone, a sale that is an act of infringement . . . .").

laws . . . ."[158] The court supported its analysis with Supreme Court precedent, noting that "[t]he United States patent laws apply within the United States and have no extraterritorial effect."[159] The court reasoned that finding "offer to sell" infringement when the location of the contemplated sale was outside of the United States "may be an impermissible expansion of the territorial scope of U.S. patent laws."[160]

Third, the court found that limiting the scope of the statute would be in the best economic interest of U.S. businesses.[161] The court reasoned that there could be significant uncertainty if an offer for a foreign sale could constitute infringement and that the stricter construction "avoids 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."[162] Additionally, the court stated that the broader construction would "place a burden on [U.S.] businesses that would not exist for foreign competitors, [and that] courts are sensitive to such competitive burdens."[163]

The next case following this line of reasoning was *Cybiotronics, Ltd. v. Golden Source Electronics, Ltd.*[164] In *Cybiotronics*, the defendant allegedly made offers within the United States to sell an infringing product, but the location of the contemplated sale was in Asia.[165] The District Court for the Central District of California followed similar reasoning to that of the court in *Quality Tubing*, granting summary judgment to the defendant and holding that when the contemplated sale was not in the United States, there could be no infringement.[166] The *Cybiotronics* court followed *Quality Tubing* in reasoning that to hold otherwise would impermissibly extend the territorial scope of the statute, a result that would conflict with the simple purpose of the statute to extend the patentee's rights temporally.[167] The court analogized: "[T]he 'offer to sell' language is to a 'sale' [th]at infringes the statute what an 'attempt' prosecution is to the crime that is attempted."[168]

This line of reasoning has been followed by other district courts in dicta. In *Synaptic Pharmaceutical Corp. v. MDS Panlabs, Inc.*, the Dis-

158. *Id.* at 625.
159. *Id.* at 618 (citing Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531 (1972)).
160. *Id.* at 625 (quoting Edwin D. Garleep, *An Analysis of the Patentee's New Exclusive Right to "Offer to Sell*,*"* 81 J. PAT. & TRADEMARK OFF. SOC'Y 315, 326 (1999)).
161. *Id.*
162. *Id.*
163. *Id.* (second alteration in original) (quoting Garleep, *supra* note 160, at 326–27).
164. 130 F. Supp. 2d 1152 (C.D. Cal. 2001).
165. *Id.* at 1156–59.
166. *Id.* at 1170 ("*Even if* what Smoothline did in this case could credibly be described as an 'offer to sell,' and *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 to sell' which do not contemplate actual 'sales' of goods to be consummated within the United States.").
167. *Id.* at 1170–71.
168. *Id.* at 1171.

trict Court for the District of New Jersey applied the *Quality Tubing* reasoning to a case where the patentee alleged that the defendant was making infringing "offers to sell" binding assays through its catalogues and website in violation of § 271(a).[169] The analysis of the court in *Synaptic*, however, is not completely clear and seems somewhat misguided on a number of issues. In particular, the case dealt with patents on "methods and processes, which are typically only infringed by use," making analysis under "offer to sell" infringement appear problematic.[170]

The District Court for the Western District of Washington, in *Baden Sports, Inc. v. Molten*, simply denied summary judgment on the issue of "offer to sell" infringement in a case where the defendant was engaged in offering to sell allegedly infringing basketballs through its foreign website to U.S. customers.[171] In doing so, the court did not hold dispositively whether the defendant's actions constituted an "offer to sell," but it did follow the reasoning of *Cybiotronics* and *Quality Tubing*, accepting the view that an "offer for sale" must be for a sale that will occur in the United States.[172]

In *Wing Shing Products (BVI), Ltd. v. Simatelex Manufactory Co.*, the District Court for the Southern District of New York again addressed a situation where the patentee alleged an offer was made in the United States, contemplating a foreign sale.[173] After dismissing the claim because the court found that there was no offer to sell, however, the court stated that even if there was an offer 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 . . . ."[174] The court followed Judge Newman's concurrence from *Rotec* (which pointed out that "§ 271(i) can only be read to mean that in order for an "offer to sell" to infringe under § 271(a), the sale contemplated by the offer 'must be of an item that would infringe the United States patent upon the intended sale'")[175] and reasoned that "by analogy, then, a prohibited 'offer to sell' made within the United States must con-

169. 265 F. Supp. 2d 452, 462–63 (D.N.J. 2002).

170. Miller, *supra* note 39, at 426 (citation omitted) (providing more in depth treatment of the unanswered questions of *Synaptic*).

171. Baden Sports, Inc. v. Molten, No. C06-210MJP, 2007 WL 2056402, at *6–7 (W.D. Wash. July 16, 2007).

172. *Id.* at *6–7, *7 n.4.

173. 479 F. Supp. 2d 388, 394 (S.D.N.Y. 2007).

174. *Id.* at 406. This holding is in conflict with an earlier holding by this same district court. *Compare Wing Shing*, 479 F. Supp. 2d at 406 (finding that an "offer to sell" within the United States, contemplating a foreign sale, would not constitute infringement), *with* SEB, S.A. v. Montgomery Ward & Co., 412 F. Supp. 2d 336, 340–42, 341 n.6 (S.D.N.Y. 2006) (holding that even if the location of the contemplated sale is foreign, there could still be "offer to sell" infringement). *See also infra* note 175 and accompanying text.

175. *Wing Shing*, 479 F. Supp. 2d at 407 (quoting Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1260 (Fed. Cir. 2000) (Newman, J., concurring)).

template a prohibited sale, that is, a sale that would also occur in the United States."[176] The court also held that

> such a reading does not render the addition of the 'offer to sell' language to the statute 'superfluous,' as this language creates a cause of action for direct infringement against an offeror whose offer is never accepted or otherwise consummated by an eventual (independently infringing) sale, a cause of action that did not exist prior to 1996.[177]

The District Court for the Northern District of California, in *Semiconductor Energy Laboratory Co. v. Chi Mei Optoelectronics Corp.*, addressed the issue of "offer to sell" infringement in a case where the material facts were not in dispute.[178] The parties basically agreed that there was an offer made within the United States that contemplated a sale outside of the United States.[179] The patentee alleged infringement while the defendant argued the opposite.[180] The court reviewed the competing holdings of various district courts (as has been discussed here and is discussed more *infra*)[181] and concluded that the issue of the scope of "offer to sell" infringement has not yet been settled.[182] The court noted that although the Federal Circuit appeared to have addressed the question of "whether an offer of sale made in the United States can constitute direct infringement if the product is ultimately sold in a foreign country" in *Rotec*, there was still division among the courts.[183] The court made use of the Supreme Court's analysis in *Microsoft Corp. v. AT&T Corp.* and its strong presumption against extraterritoriality of U.S. patent laws[184] and adopted the *Quality Tubing* holding, finding that "an 'offer of sale' may constitute direct infringement only if the contemplated sale is to take place within the United States."[185]

2. *Infringement Based Solely on the Parties' Location in the United States at the Time of the Offer*

A number of district court cases have come to the conclusion that an "offer to sell" made within the United States can constitute patent infringement under the "offer to sell" provision, no matter the location of the contemplated sale.[186] In *Halmar Robicon Group Inc. v. Toshiba In-*

176. *Id.*
177. *Id.* (citation omitted).
178. 531 F. Supp. 2d 1084, 1110 (N.D. Cal. 2007).
179. *Id.*
180. *Id.*
181. *See infra* Part III.B.2.
182. *Semiconductor Energy*, 531 F. Supp. 2d at 1110–11.
183. *Id.*
184. 550 U.S. 437, 454–55 (2007).
185. *Semiconductor Energy*, 531 F. Supp. 2d at 1111.
186. *See, e.g.*, TruePosition Inc. v. Andrew Corp., 568 F. Supp. 2d 500 (D. Del. 2008); Wesley Jessen Corp. v. Bausch & Lomb, Inc., 256 F. Supp. 2d 228 (D. Del. 2003); Halmar Robicon Grp., Inc. v. Toshiba Int'l Corp., No. 98-501, 1999 WL 1427830 (W.D. Pa. Nov. 17, 1999).

ternational Corp., the District Court for the Western District of Pennsylvania was the first to adopt the position that an offer made in the United States for a contemplated sale in a foreign country could constitute infringement under § 271(a).[187] In this case, the court found that the defendant made an offer in the United States, and the defendant agreed that the sale took place outside of the United States.[188] The court, by dismissing the defendant's motion for summary judgment, implied that an offer contemplating a foreign sale could possibly constitute infringement.[189]

The District Court for the District of Delaware, in *Wesley Jessen Corp. v. Bausch & Lomb, Inc.*, directly addressed the issue of domestic offers contemplating foreign sales.[190] The *Wesley* court found that the defendant had made an offer for sale in violation of a previous permanent injunction.[191] A finding as to the scope of "offer to sell" infringement was essential to the court's decision to allow additional discovery concerning infringement.[192] The court held that an "offer to sell" made within the United States is adequate to find infringement: "[A]n 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)."[193] In reaching this conclusion, the court analyzed Federal Circuit precedent and found that there was support for the proposition that a domestic offer alone is sufficient to support a cause of action.[194] The court stated that "[t]he geographic location and physical destination of the subject matter of the 'offer' appear to be immaterial to the analysis, so long as the 'offer' was made in the United States."[195]

Additionally, the court in *Wesley* rejected the defendant's argument that an "offer to sell" must contemplate an infringing sale within the United States to be infringing under § 271(a).[196] Such a reading, the court held, would make the "offer to sell" language of § 271(a) superfluous, as it would already be encompassed in the "sale" provision of § 271(a).[197] The court also held that the purpose of the "offer for sale" statute required that the patentee be protected from competing offers no matter the location of the contemplated sale.[198]

187. *Halmar Robicon*, 1999 WL 1427830, at *3–4.
188. *Id.*
189. *Id.* at *4–5; Holbrook, *Territoriality*, *supra* note 6, at 739.
190. 256 F. Supp. 2d at 234–35.
191. *Id.* at 229, 235.
192. *See id.* at 235.
193. *Id.*
194. *Id.* at 233–34.
195. *Id.* (citing Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1251 (Fed. Cir. 2000)).
196. *Id.* at 234.
197. *Id.*
198. *Id.* at 235 ("Allowing competing offers to sell would be to the detriment of a patentee's opportunity to offer sales, whether foreign or domestic.").

In *SEB, S.A. v. Montgomery Ward & Co.*, the District Court for the Southern District of New York adopted the *Rotec* majority position.[199] In *SEB*, the patentee alleged an infringing "offer to sell," and there was substantial evidence that the accused infringer had in fact made an "offer to sell" within the United States.[200] Whether there was sufficient evidence to establish that the contemplated location of the sale was outside of the United States, though, was in dispute.[201] The accused infringer argued that an "offer to sell," when the contemplated sale would occur outside of the United States, would not violate § 271(a).[202] The court concluded, however, that an "offer to sell" made within the United States was sufficient to find "offer to sell" infringement, no matter the location of the contemplated sale.[203] The court followed *Wesley's* reasoning, emphasizing that a patentee may suffer economic harm even if the contemplated location of a sale is foreign.[204]

In *TruePosition, Inc. v. Andrew Corp.*, the District Court for the District of Delaware upheld a jury finding of infringement based in part upon the finding that an offer was made in the United States to sell an infringing product and the contemplated location of the sale was a foreign country.[205] The court did not directly address the issue of the location of the contemplated sale or the scope of "offer to sell" infringement. The court denied the defendant's motion for a directed verdict, however, implying that the court accepted the premise that offers to sell where the contemplated location of the sale is outside of the United States may constitute an infringing act.[206]

Another district court, in dicta, also espoused the view that an "offer to sell" can constitute infringement regardless of the location of the contemplated sale.[207] The District Court for the Eastern District of Kentucky 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."[208] This court relied on Federal Circuit logic and acknowledged that "§ 271(a) is intended

199. *See* SEB, S.A. v. Montgomery Ward & Co., 412 F. Supp. 2d 336, 340–41 (S.D.N.Y. 2006), *modified*, No. 99 Civ. 9284(SCR), 2007 WL 3165783 (S.D.N.Y. Oct. 9, 2007), *modified*, No. 99 Civ. 9284(SCR), 2008 WL 4540416 (S.D.N.Y. Oct. 1, 2008), *aff'd*, 594 F.3d 1360 (Fed. Cir. 2010), *cert. granted sub nom.*, Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 458 (2010). As previously stated, the holding of the district court in this case is in conflict with the holding of the same district court in *Wing Shing*. See *supra* note 154.

200. *SEB*, 412 F. Supp. 2d at 340–42.

201. *Id.* at 340–43.

202. *Id.* at 340.

203. *Id.* at 340–42. "SEB's claim that Defendants directly infringed on SEB's patent survives summary judgment because SEB presented evidence . . . indicating that [Defendants] did offer to sell . . . [the patented products] in the United States." *Id.* at 341.

204. *Id.* at 341 n.6.

205. 568 F. Supp. 2d 500, 516 (D. Del. 2008).

206. *Id.*

207. FieldTurf, Inc. v. Sw. Recreational Indus., Inc., 235 F. Supp. 2d 708, 731 (E.D. Ky. 2002), *vacated and remanded*, 357 F.3d 1266 (Fed. Cir. 2004).

208. *Id.*

to prevent infringers from 'generating interest in a potential infringing product to the commercial detriment of the rightful patentee.'"[209]

3. *District Court Cases Since* Transocean v. Maersk

Since the Federal Circuit decided *Transocean*, at least two district court decisions in two different districts deal with the issue of transnational "offers to sell." The facts of the two cases differ from those of *Transocean*, but in both cases the courts have followed the holding in *Transocean* that the contemplated sale's location controls.

In *ION, Inc. v. Sercel, Inc.*,[210] the Eastern District of Texas faced the opposite situation from that in *Transocean*.[211] Namely, the court had to decide whether an "offer to sell," made in the United States, which contemplated a sale outside of the United States, fell within § 271(a).[212] It was undisputed that the potentially infringing items "were manufactured, sold, and delivered abroad while the offers for those devices were made in the U.S."[213] The court reviewed the holding of *Transocean*[214] and acknowledged that the facts of the two cases were different but held that despite the differences, the Federal Circuit was unambiguous when it held that "'the location of the contemplated sale controls whether there is an "offer to sell" within the United States.'"[215] Ultimately, the court held that as a result of the holding of *Transocean*, the "offers to sell" fell outside the scope of patent law regulation "as a matter of law."[216]

In *Halo Electronics, Inc. v. Pulse Engineering, Inc.*,[217] a situation similar to that of *ION*[218] was before the District Court for the District of Nevada. The defendant, the accused patent infringer, provided evidence that the entirety of the accused products were manufactured outside of the United States and that a majority of the accused products were sold outside of the United States.[219] While the plaintiff provided evidence that pricing discussions took place in the United States, it failed to show that any products were shipped into or sold in the United States.[220] The court followed the holding of *Transocean*, holding that it is "the location of the contemplated sale that determines whether an offer to sell is made in the United States."[221] In applying *Transocean*, the court held that because

209. *Id.* (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998)).
210. ION, Inc. v. Sercel, Inc., No. 5:06-CV-236-DF, 2010 WL 3768110 (E.D. Tex. Sept. 16, 2010).
211. *Id.* at *3–4.
212. *Id.* at *4.
213. *Id.*
214. *Id.* at *3–4.
215. *Id.* at *4 (quoting Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1309 (Fed. Cir. 2010)).
216. *Id.*
217. Halo Elecs., Inc. v. Pulse Eng'g, Inc., 810 F. Supp. 2d 1173 (D. Nev. 2011).
218. *See supra* notes 210–13 and accompanying text.
219. *Halo*, 810 F. Supp. 2d at 1206.
220. *Id.* at 1206–08.
221. *Id.* at 1207–08.

there was insufficient evidence of an offer which contemplated a sale within the United States, there could be no liability for direct infringement under § 271(a).[222]

IV. RECOMMENDATION: THE "LOCATION OF THE CONTEMPLATED SALE" RULE

In light of the history of "offer to sell" patent infringement,[223] the development and limited guidance provided by the Federal Circuit prior to *Transocean*,[224] the conflicting views among the district courts concerning the scope of "offer to sell" infringement,[225] and the Federal Circuit's seeming departure in *Transocean* from previous precedent,[226] some clarification and unambiguous guidance seem to be necessary. A number of policies have been discussed that might inform the proper scope of the "offer to sell" provision of § 271(a), but it is yet to be fully defined by the Federal Circuit. What, for example, should be the result when two foreign corporations make a foreign offer that contemplates a sale in the United States or when two corporations make a domestic offer contemplating a sale in a foreign country? In order to provide clear guidance to the courts, this Note proposes a rule—the "Location of the Contemplated Sale" rule—that, if adopted, would clearly guide the courts on the proper scope of "offer to sell" infringement in all circumstances.

The "Location of the Contemplated Sale" rule [hereinafter LCS rule] follows from, and extends, the Federal Circuit's analysis in *Transocean*, and is thus an apparent departure from the court's earlier precedent.[227] The LCS rule can be stated as follows: if the location of the contemplated sale is within the United States, there is potential for "offer to sell" infringement, regardless of the nationality or locations of the parties; otherwise, there is not. Under this rule, the location of the contemplated sale is the controlling, preliminary step in a court's analysis of "offer to sell" infringement under § 271. It is a gateway that can be utilized by the court to filter out claims that do not fall within the scope of this type of infringement.

The LCS rule follows the precedent the Federal Circuit has now set with respect to "offer to sell" infringement, but it goes a step further.[228] The Federal Circuit, in the most recent case addressing this issue, *Transocean*, stated that "the location of the contemplated sale controls wheth-

222. *Id.*
223. *See supra* Part II.
224. *See supra* Part III.A.1–4.
225. *See supra* Part III.B.
226. *See supra* Part III.A.5.
227. *See supra* notes 203–04 and accompanying text.
228. *See* Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1309 (Fed. Cir. 2010). Although the Federal Circuit held that two U.S. companies making a foreign offer for a contemplated domestic sale could constitute § 271(a) "offer to sell" infringement, it did not address the situation where those companies are not U.S. companies.

er there is an offer to sell within the United States."[229] This holding accords with the proposed rule, but the rule goes one step further than the court did in *Transocean* by clarifying the proper analysis under all possible circumstances.[230] In *Transocean*, the court found that two U.S. companies that had made an offer outside of the United States but contemplated a sale within the United States were liable for "offer to sell" infringement.[231] What is not clear is what would occur if the two companies were foreign companies or if the offer was made in the United States, contemplating a sale outside of the United States. Under the proposed rule, liability for infringement exists regardless of the status of the parties or companies that make the offer and regardless of the location of the parties when the offer is made.

The LCS rule and *Transocean* are departures from the Federal Circuit's earlier analysis, as offers involving contemplated sales outside of the United States would no longer fall within the scope of § 271(a) "offers to sell."[232] In *Transocean*, the Federal Circuit followed Judge Newman's *Rotec* concurrence in requiring that "the offer must be to sell a patented invention within the United States."[233] This is apparently in opposition to the majority view in *Rotec* and *MEMC*, where the Federal Circuit proceeded to analyze the cases for possible "offer to sell" infringement despite the fact that apparently all contemplated sales were to take place outside of the United States.[234] The proposed rule eliminates this ambiguity and the need for courts to analyze such a case when the contemplated sale is clearly outside of the United States. If the court finds that the contemplated sale is foreign, then the court should conclude that there is no "offer to sell" infringement. The LCS rule thus greatly simplifies the required analysis and removes ambiguity concerning the scope of this type of infringement.[235]

The LCS rule also has the advantage of respecting the extraterritoriality principles that the Federal Circuit has articulated. Under the presumption against extraterritoriality, the patent laws of the United States only reach acts of infringement if the patented product is made or sold within the United States.[236] Under this presumption, sales made outside of the United States of U.S.-patented products are not acts of infringement.[237] Likewise, an "offer to sell" a patented product when the con-

229. *Id.* at 1309.

230. *See supra* note 228 and accompanying text.

231. *Transocean*, 617 F.3d at 1309; *see also supra* Part III.A.5.

232. *See supra* notes 131–32 and accompanying text.

233. *Transocean*, 617 F.3d at 1309; *see* Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1259 (Fed. Cir. 2000) (Newman, J., concurring).

234. For a full discussion of *Rotec* and *MEMC*, see *supra* Part III.A.2–3.

235. The district courts have previously had difficulty in interpreting the scope of § 271(a) "offer to sell" infringement and have thus come to conflicting conclusions about its proper application. *See supra* Part III.B.

236. *See* Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 441 (2007).

237. *Cf.* Holbrook, *Territoriality*, *supra* note 6, at 726–31.

templated sale would be outside of the United States should not constitute an act of infringement.[238] The LCS rule respects this presumption by requiring an expectation that the contemplated sale will take place within the United States for there to be any liability for infringement.

It might be argued that the rule's inclusion of "offers to sell" that take place outside of the United States does not respect the presumption against extraterritoriality, because it proposes a possible finding of liability for an act that took place outside of the United States.[239] While this view holds some merit, it is incorrect for two reasons. First, only offers that contemplate sales within the United States have potential liability for infringement.[240] The proper application of the LCS rule thus maintains that liability is incurred only when there is a contemplated act that certainly falls within the jurisdiction of the United States. To allow for the opposite result would be to enable two U.S. companies simply to travel abroad temporarily to avoid liability under the "offer to sell" infringement provision. The Federal Circuit has explicitly rejected this proposition.[241]

Second, Congress's addition of "offer to sell" infringement arose as part of an international treaty to harmonize patent protections across many countries,[242] and thus some degree of extraterritorial reach is expected and appropriate.[243] Inherent in the existence of an international treaty is the acknowledgement that patent protections need to be dealt with on an international scale.[244] With the globalization of commerce today, harmony between countries over the protections afforded to patentees is a very desirable goal, as it gives patentees, as well as potential infringers, notice of exactly what their rights are and what actions do and do not incur liability.[245] Harmonization of global patent laws has the potential to lead to simplification, and the proposed LCS rule, if adopted internationally, would achieve this. Under this rule, a potential infringer would be on notice that, no matter its nationality or location, if it makes an offer to sell a U.S.-patented device, and the location of the contemplated sale is in the United States, it is potentially infringing the U.S. patent. Likewise, a potential infringer of a U.K.-patented device would be on notice that any action it takes to make an offer to sell, when the location of the contemplated sale would be within the United Kingdom, has

238. *See Transocean*, 617 F.3d at 1309 ("In order for an offer to sell to constitute infringement, the offer must be to sell a patented invention within the United States.").

239. This would be because an "offer to sell" that takes place in a foreign country is, by itself, literally an act that did not take place in the United States. Generally, U.S. patent law imposes no liability for acts that take place wholly outside the country, even if those acts include making and selling a U.S.-patented product. *See Microsoft*, 550 U.S. at 441.

240. *See Transocean*, 617 F.3d at 1309.

241. *See supra* note 138 and accompanying text.

242. *See supra* Part II.A.

243. *Cf.* Holbrook, *Extraterritoriality*, *supra* note 1, at 2150–54.

244. *See id.* at 2125–28.

245. *Id.* at 2123–28.

potential liability for infringement under the United Kingdom's analogous "offer to sell" infringement provision.[246] If adopted internationally, this rule would ensure that no potential infringer would have the ability to simply temporarily go to another country to avoid infringement, and the presumption against extraterritoriality would be respected.

The LCS rule also respects the Federal Circuit's policy rationale for § 271(a) "offer to sell" infringement.[247] The Federal Circuit has stated that "[t]he underlying purpose of holding someone who offers to sell liable for infringement is to prevent 'generating interest in a potential infringing product to the commercial detriment of the rightful patentee.'"[248] The proposed rule logically supports this purpose by requiring that the location of the contemplated sale be within the United States. This is because, in accordance with the presumption against extraterritoriality, a patentee's rights do not extend beyond the jurisdiction of the United States, and so a potentially infringing product is by definition one that exists in the United States.[249] Logically, then, "generating interest in a potential infringing product" must take place in the United States.[250] No commercial detriment will exist when the product at issue is outside of the United States or when the proposed location of the sale is outside of the United States because there will be no generation of interest within the United States. As the proposed rule always requires the location of the sale to be within the United States, there will always be the possibility of commercial detriment.

The presumption against extraterritoriality comes into play here, again, when considering commercial detriment. It could be argued that due to the global nature of today's economy and the ease and speed of transportation, any offer with a contemplated sale in any location of the world has the potential to generate interest to the commercial detriment of the U.S. patent holder.[251] The Supreme Court has at times used this reasoning in other areas of the law, such as trademark and antitrust, and it is generally known as the "Effects-Based Approach."[252] Under this view, the previous explanation of how the LCS rule respects the com-

246. This Note acknowledges that current U.K. law seems to require that the offer also take place in the United Kingdom. *See* Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1259 (Fed. Cir. 2000) (Newman, J., concurring) (citing Kalman v. PCL Packaging (UK) Ltd., [1982] F.S.R. 406 (U.K.)). Ideally, the U.K. courts would follow the United States and also adopt the LCS rule.

247. *See* Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1309 (Fed. Cir. 2010).

248. *Id.* at 1309 (quoting 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998)).

249. In other words, if the allegedly "potentially infringing" products were located outside of the United States, they would be beyond the reach of U.S. patent laws and would not, by definition, be infringing on any U.S. patent holder's rights. The products would not actually be infringing products. *See supra* note 239.

250. *See 3D Sys.*, 160 F.3d at 1379.

251. *See* Holbrook, *Extraterritoriality*, *supra*, note 1, at 2154–57.

252. *See, e.g.*, Hartford Fire Ins. Co. v. California, 509 U.S. 764, 796 (1993) ("[T]he Sherman Act applies to foreign conduct that was meant to produce and did in fact produce some substantial effect in the United States.") (citation omitted); *see also* Holbrook, *Extraterritoriality*, *supra* note 1, at 215–57.

mercial detriment policy seems artificially confined to the United States. While there is some truth to this, it also must be acknowledged that as long as there are many different nations in the world, with different laws and legal systems, territoriality must come into play.[253] To hold potential infringers liable in the United States for acts that have highly attenuated links to anything going on in the United States—such as a foreign offer for a foreign sale—directly opposes the presumption against extraterritoriality.[254] Thus, the line must be drawn somewhere, and the LCS rule provides clear guidance on liability that gives notice to potential infringers and simplifies the issue for courts. Patent holders who feel they need patent protection that extends to sales in other countries have the option of seeking patent protection in those countries. Liability for infringement of a U.S. patent cannot reasonably be extended to every other country in the world.

Thus, the LCS rule provides a clear guide for courts struggling to find the proper scope of "offer to sell" infringement under § 271(a). It follows the reasoning of the Federal Circuit in the most recent case dealing with "offer to sell" infringement, *Transocean*.[255] It respects the presumption against extraterritoriality articulated by the Federal Circuit[256] and is in line with the policy rationale underlying the existence of "offer to sell" infringement.[257] Adoption of this rule has the potential to clarify the bounds of "offer to sell" infringement and provide clear notice to potential infringers.

V. CONCLUSION

The scope and bounds of liability for transnational "offer to sell" patent infringement is currently unclear. Properly construing the "offer to sell" provision of § 271(a) is important for giving notice to patent owners and potential infringers as to what activities are potentially infringing. The "offer to sell" provision of the patent infringement statute came into being as part of an effort to harmonize international patent laws, but a lack of legislative history leaves many questions unanswered as to the statute's intended scope.[258] Even after the holding in *Transocean*, many questions still remain.

This Note proposes an extension of the Federal Circuit's *Transocean* holding in the form of a clear rule: the "Location of the Contemplated Sale" rule.[259] This rule states that in all "offer to sell" infringement

253. *See* Holbrook, *Extraterritoriality*, *supra* note 1, at 2162–64.
254. This would allow U.S. laws to reach beyond the borders of the United States to attempt to regulate activities that occur entirely in other countries. *See* Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 441, 445–46 (2007).
255. *See supra* Part III.A.5.
256. *See supra* notes 236–46 and accompanying text.
257. *See supra* notes 247–54 and accompanying text.
258. *See supra* Part II.B.
259. *See supra* Part IV.

cases, the location of the contemplated sale controls and requires that the sale location be within the United States. Thus, two foreign companies who make a foreign offer, contemplating sales in the United States, would be liable under the "offer to sell" infringement provision in the United States. Further, two companies which make an offer in the United States, but which contemplate a foreign sale, would not be liable. This rule is in line with the Federal Circuit's holding in *Transocean*, and it respects the underlying policies of the statute and the presumption against extraterritoriality in the modern global marketplace. Post-*Transocean* district court cases now seem to be adopting this type of rule when dealing with potential transnational "offer to sell" infringement.[260]

The scope of "offer to sell" infringement must eventually be clarified. It is in the public interest to clearly define the scope of a patent owner's right to exclude. A clear rule will be of the greatest benefit to all potential parties, as it reduces ambiguity and puts all parties on notice as to what actions create liability for patent infringement. The decision as to what rule to adopt will require balancing the justifications and policy considerations presented in this Note. As inventions become ever more international and the marketplace becomes more global, the urgency to clarify this issue will continue to increase. Adoption of the "Location of the Contemplated Sale" rule, both in the United States and internationally, would provide much-needed certainty and clarity to this area of law.

260. *See supra* Part III.B.3.