Narrowing the Extraterritorial Reach of U.S. Patent Laws: Cardiac Pacemakers Inc. v. St. Jude Medical Inc.

In a follow-on development from a 2007 U.S. Supreme Court case that was previously discussed on this site (*Microsoft Corp. v AT&T Corp*.), an *en banc* decision by the U.S. Court of Appeals for the Federal Circuit on Wednesday has again narrowed the reach of U.S. patent laws covering companies' overseas production and sales. In *Cardiac Pacemakers Inc. v. St. Jude Medical Inc*., the Federal Circuit determined that patents for "methods or processes" are not subject to 35 U.S.C. § 271(f), and thus cannot give rise to patent infringement liability if the products are assembled and sold overseas. Two years ago, the Supreme Court similarly held that Microsoft was not liable under U.S. patent law for sending master discs with encrypted Windows data to foreign companies, who would then sell the products to non-U.S. customers, even though the end-product infringed on an AT&T speech software patent.

The plaintiffs in the case accused a company that sells implantable cardioverter defibrillators, which detect and correct abnormal heartbeats, of infringing on a patent for a "method of heart stimulation." The method uses a programmable, implantable heart stimulator. The en banc ruling overturned the Federal Circuit's Dec. 18 decision holding defendant liable for infringement of a method patent, and refusing to limit damages to U.S. sales. As in *Microsoft*, the dispute here concerned the interpretation of 35 U.S.C. § 271(f), which seeks to impose liability on companies that send "components of a patented invention" abroad for assembly and sale. Circuit Judge Alan Lourie got the "clear message" from the Supreme Court in *Microsoft*: "that the territorial limits of patents should not lightly be breached." Writing for the majority of the en banc court, he acknowledged that Federal Circuit "precedents draw a clear distinction between method an apparatus claims for purposes of infringement liability, which is what Section 271 is directed to," and held that "the langue of [the law's relevant section], its legislative history, and the provision's place in the overall statutory scheme all support the conclusion that [that section] does not apply to method

patents." This decision overruled a 2005 Federal Circuit decision on the same issue, *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, and drew a lengthy dissent from Judge Newman.