



## TECHNOLOGY LAW UPDATE

*Union Carbide  
Chems. & Plastics  
Tech. Corp.  
v.  
Shell Oil Co.*

Nos. 04-1475, -1512

Federal Circuit  
Oct. 3, 2005

*[35 U.S.C. § 271(f)] is generally directed at the exportation, from the United States, of components of patented inventions [and] makes no distinction between patentable method/process inventions and other forms of patentable inventions.*

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On October 3, 2005, the Federal Circuit affirmed the district court's judgment entering the jury verdict that Shell infringed U.S. Patent No. 4,916,243, which related to improved silver catalysts for the commercial production of EO gas used primarily in the industrial production of ethylene glycol, which is used, in turn, to produce polyester fiber, resin and film. The Federal Circuit, however, vacated and remanded the award of \$153.6 million in damages and prejudgment interest, stating:

Union Carbide asserts that the district court erred as a matter of law by ruling in limine that 35 U.S.C. § 271(f) "is not directed to process claims." In doing so, the court prohibited Union Carbide from submitting evidence of Shell's foreign sales for the purpose of recovering additional damages under 35 U.S.C. § 271(f)(2). This prohibition was in error.

Section 271(f) of title 35 is generally directed at the exportation, from the United States, of components of patented inventions. [T]he statute makes no distinction between patentable method/process inventions and other forms of patentable inventions. . . . Shell supplies all of its catalysts from the United States directly to foreign affiliates. Shell's foreign affiliates do not copy these catalysts and use the copies in a foreign process, but instead use the catalysts supplied by Shell directly in their processes. [B]ecause § 271(f) governs method/process inventions, Shell's exportation of catalysts may result in liability under § 271(f). Accordingly, the district court abused its discretion in excluding Shell's exportation of catalysts as part of its damages award. This court remands this case to the district court for additional findings on Shell's potential liability under 35 U.S.C. § 271(f).

The cross appeal also questions the district court's denial of Union Carbide's motion for JMOL that Shell willfully infringed the '243 patent. Specifically, Union Carbide contends that Shell became aware of the '243 patent shortly after issuance, but continued to produce EO in an infringing process without ever obtaining a formal opinion of counsel. Thus, according to Union Carbide, the undisputed facts demonstrate Shell willfully infringed the '243 patent. This argument overstates the facts in the record before the district court.

This court has already declined to draw a negative inference from a party's failure to obtain a formal opinion of counsel after it becomes aware of an issued patent. Thus, Shell's decision to proceed without an opinion of counsel does not affect the jury verdict in this case.

Moreover, the record shows that Shell was reasonable in its response to the '243 patent. Shell first became aware of the '243 patent when Dr. Clendenen, an in-house patent attorney, discovered the patent as part of a routine monitoring of recently issued patents in the EO catalyst field. The record shows that Dr. Clendenen, a Ph.D. chemical engineer and licensed patent attorney, interpreted the claims as requiring a specific efficiency equation for development of the catalyst in the claimed process. Because Shell did not make catalysts with this specific efficiency equation, Dr. Clendenen concluded that Shell had no reason to fear infringement. The district court at first adopted Dr. Clendenen's reading of the patent which was later rejected by this court. Nonetheless this record suggests that Dr. Clendenen's analysis was not entirely implausible. Accordingly, Shell did not engage in the kind of egregious and reckless conduct that warrants a willfulness finding.