

## Ricoh Co. v. Quanta Computer, Inc.

No. 07-1567, Fed. Cir. (Gajarsa, Linn, Dyk)

***[T]he sale of a product with substantial noninfringing uses is within a “safe harbor” for purposes of contributory infringement. The sale of such a “safe harbor” product in and of itself cannot establish induced infringement.***

On December 23, 2008, the Federal Circuit affirmed the district court’s summary judgment that U.S. Patent No. 6,631,109 was invalid for obviousness, and vacated and remanded the rulings that the defendants did not infringe U.S. Patents No. 6,172,955, No. 5,063,552, and No. 6,661,755, which related to recordable optical disk drive technology. The Federal Circuit stated:

[A]ssuming direct infringement is found, Quanta would be liable under § 271(c) if it imported into or sold within the United States a bare component (say, a microcontroller containing routines to execute the patented methods) that had no use other than practicing the methods of the ’552 and ’755 patents. Such a component, specially adapted for use in the patented process and with no substantial noninfringing use, would plainly be “good for nothing else” but infringement of the patented process. It thus follows that Quanta should not be permitted to escape liability as a contributory infringer merely by embedding that microcontroller in a larger product with some additional, separable feature before importing and selling it. If we were to hold otherwise, then so long as the resulting product, as a whole, has a substantial non-infringing use based solely on the additional feature, no contributory liability would exist despite the presence of a component that, if sold alone, plainly would incur liability.

Under such a rule, evasion of the protection intended by Congress in enacting § 271(c) would become rather easy. A competitor who wished to sell hardware that would enable infringement of a patented process could do so without incurring liability for contributory infringement by selling a device that simply embedded the hardware for practicing the patented process within other hardware that also performs another process, or by combining the enabling hardware with other hardware before importing it. Moreover, only the first person in the supply chain (in the example above, the manufacturer who sells the microcontroller) could be liable for contributory infringement. The person who bought that infringing component and assembled it into something else would face no liability for contributory infringement, even if that component were good for nothing but infringement. And most importantly, no § 271(c) liability could ever be found where an infringing component is both manufactured and assembled into something else by the same person. In many of these situations, the only remedy would be against end users of the product for direct infringement. This result would be contrary to [a] a fundamental purpose of contributory infringement liability . . . .

Unlike contributory infringement, induced infringement liability under § 271(b) requires proof that “the inducer [has] an affirmative intent to cause direct

infringement.” [T]he sale of a product with substantial noninfringing uses is within a “safe harbor” for purposes of contributory infringement. The sale of such a “safe harbor” product in and of itself cannot establish induced infringement. Rather, the copyright owner or patentee must show other “statements or actions directed to promoting infringement.” [I]t may or may not be the case here that Quanta has taken such acts directed at promoting the infringing use of its drives (such as advertising their infringing writing capability or providing instruction as to infringing use), and thus shown an intent to induce infringement. But it is incorrect to conclude as a general matter that § 271(b) will provide a sufficient substitute for liability for the sale of an infringing component under § 271(c). We thus vacate the district court’s grant of summary judgment of no contributory infringement and remand to the district court for further proceedings on the material issue of fact of whether Quanta’s optical disc drives contain hardware or software components that have no substantial noninfringing use other than to practice Ricoh’s claimed methods, in which case contributory infringement may appropriately be found. . . .

Ricoh claims that QSI induced infringement by its customers (e.g., Hewlett-Packard, Dell, and Gateway) as well as the end-users of the drives. . . . The issue before us is whether Ricoh has introduced evidence sufficient to create a material issue of fact as to Quanta’s intent that its drives be used to infringe the method claims of the ’552 and ’755 patents. [L]iability for active inducement may be found “where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement.” [T]he district court erred to the extent that it discounted Ricoh’s evidence of QSI’s intent as failing to present evidence that QSI communicated the nature of its actions to alleged direct infringers. Similarly, the court erred in discounting evidence that QSI made a presentation to Dell, which touted the advantages of the Quanta drives, on the grounds that the presentation disclosed an algorithm rather than one of the claimed methods. . . . That the presentation may have failed to communicate any information regarding the patented methods or the possibility of infringement does not render it irrelevant as evidence of QSI’s intent. [O]n remand, the issues and proofs regarding QSI’s inducement of the manufacturer customers (e.g., Dell) may be different from those regarding its inducement of end-use customers, and the outcome on remand may be different for these groups.

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