DRAFT

DECONSTRUCTING AN "OFFER" TO SELL

Lucas S. Osborn[1]

ABSTRACT

This Article analyzes how various areas of the law define an "offer" in the context of an offer to sell. First, the Article deconstructs the meaning of "offer" in the traditional contract law context to determine the policies undergirding its definition. Next, the Article describes how U.S. courts apply contract law's traditional definition of an "offer" to patent law's prohibition against "offers to sell" infringing technology. By adopting the contract law meaning of "offer," patent law does not generally consider advertisements and the like as "offers." After comparing and finding incongruities between the policies driving the contract law and patent law uses of the "offer" concept, this Article argues that courts should broaden the definition of an offer in the patent infringement context to include advertisements and the like.

This conclusion in favor of a broader definition of an "offer" is tested by analyzing the definitions of an "offer" applied in other areas of U.S. law (including Securities Law, False Advertising, Criminal Law, and others) and in foreign patent laws (including UK, Germany, and Canada). The comparative analysis reinforces the conclusion that courts should define an "offer" more broadly than its contract law definition to include advertisements and other solicitations.

Finally, the Article considers whether the patent statute gives courts the freedom to define "offer" broadly. The Article concludes that while common law terms (such as "offer to sell") are presumed to have their common law meaning, the policies underlying the provision overcome this presumption in the patent context.

---

[1] Assistant Professor, Campbell University School of Law. Thanks to Emir Aly Crowne, Tim Holbrook, Will Hubbard, Justin Hughes, Sapna Kumar, Greg Mandel, Joe Miller, Lee Petherbridge, Matthew Sawchak, and Marketa Trimble for their helpful comments. Mallory Haddon and Marshall Jones deserve credit for their excellent research assistance. Thanks also to the participants at the 2011 Southeastern Association of Law Schools (SEALS) Patent program and the 2011 Intellectual Property Scholars' Conference at DePaul University College of Law for valuable insights.

TABLE OF CONTENTS

[TO COME]

I. THE PROLIFERATION OF THE "OFFER" CONCEPT

The doctrines of offer and acceptance in contract formation are pillars of basic contract law. First year law students spend numerous contracts classes immersed in the niceties of offers: offers can be terminated by a counter-offer, rejection, the death of the offeror, revocation, lapse,[1] and so on (and the rules all change if the offer is an option[2]). Based on the attention given to the concept of offer and acceptance in law school, one might think that the concepts are indispensable to any legal system. They are not.

The formal concepts of offer and acceptance did not appear until about the mid-eighteenth century, when Pothier[3] developed them in French law, after which they eventually migrated to England and the U.S.[4] Precursors to the concepts can be found in Roman law, but the formalized concepts of a sequential offer and acceptance did not exist until Pothier identified them, and the concepts did not gain prominence until the nineteenth century.[5]

The simplicity and conceptualizability of an initial concrete "offer" that is followed by an identifiable "acceptance" make the concepts wonderful pedagogical tools. They are also excellent practical tools for many simple situations involving two individuals forming a contract. As scenarios evolve from a simple sequential offer and acceptance between two individuals into more complex patterns involving multiple parties, multiple negotiators, and/or multiple draft contracts, the tools of offer and acceptance begin to lose their utility.[6]

---

1 RESTATEMENT (SECOND) OF CONTRACTS 36 (1979).

2 *Id.* 37.

3 Robert Joseph Pothier (1699-1772) was a French jurist who had an enormous influence in the law of contracts in Europe, England, and America, and he is best known for his work TRAITE D'OBLIGATIONS (1761). *See* Joseph M. Perillo, Robert J. Pothier's Influence on the Common Law of Contract, 11 TEX. WESLEYAN L. REV. 267, 267-69 (2005).

4 Parviz Owsia, *The Notion and Function of Offer and Acceptance under French and English Law*, 66 TUL. L. REV. 871, 873 (1992).

5 *Id.* at 873-78.

6 *See, e.g., id.* at 893-911.

Nevertheless, in the United States, the concept of "offer" has migrated from basic contract law and has infiltrated myriad bodies of law, including patent law,[7] consumer protection law,[8] securities law,[9] criminal law,[10] and even endangered species law.[11] The policies behind the use of the "offer" concept in each of these areas of law often differ from the original contract law policies; consequently, these areas of law often define an offer in unique ways. The result is a multitude of definitions for what constitutes an offer, with each area of law potentially differing from each other and from the traditional contract law definition.

In many cases, the chosen definition can be explained with reference to the policy behind the law. At other times, however, the definition of offer seems to have been copied directly from traditional contract law with little thought to whether the definition is congruous with its new environment. This Article analyzes several appearances of the offer concept in areas of law outside traditional contract law, and concludes that while many areas of law properly tailor the definition of an offer to the new context, one area of law, patent law, stands out for clinging to the traditional contract law definition. The result is the proverbial square peg in a round hole.

Before analyzing the other areas of law, this Article first (in Section II) deconstructs the common law definition of an "offer" to distill the policies guiding its definition. Section III then discusses how courts currently construe an offer to sell in patent law to have the same meaning as a traditional common law offer. Section IV discusses how the policies behind patent law's use of "offer" dictate that courts should interpret "offers" in the patent law context to include not only formal contract law offers, but also advertisements and similar commercializing activities. It also concludes that courts should not, however, interpret "offer" so broadly as to preclude competitors from studying whether market demand exists for another's patented technology, because competitors should be able to make informed decisions about whether to license the technology

7 *See infra* Section XXX.
8 *See infra* Section XXX.
9 *See infra* Section XXX.
10 *See infra* Section XXX.
11 *See infra* Section XXX.

from the patentee and/or design similar technology that would nevertheless avoid infringing the patent.

Finally, Section V compares the recommended definition for a patent law "offer" to sell under § 271(a) to the definitions given to "offer" in other areas of U.S. law, including trademark law, securities law, criminal law, and even endangered species law. It also compares the proposed definition to other countries' definition of an "offer" to sell in their patent laws.

As a first step in the analysis, the next section defines and deconstructs traditional contract law's definition of an "offer."

II. DECONSTRUCTING THE CONTRACT LAW "OFFER" TO SELL

The traditional common law definition of an offer can be stated as "the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it."[12] As explained below, the reason for sthis definition can be attributed in large part to the balancing contract law performs to allow parties to enter into contracts with as much ease as possible, without allowing contracts to be so easily entered into as to become a nuisance.

Traditional contract law desired individuals to have the freedom to enter into contracts at their will without having to jump through too many hoops. This freedom can be called the "freedom ***to*** contract," and encompasses the idea that ordinary individuals should be able to order their affairs through contract without the need for lawyers or other experts or for sophisticated rituals.[13] A sufficient measure of freedom to contract protects individuals' autonomy by allowing them to enter contracts if they

[12] RESTATEMENT (SECOND) OF CONTRACTS 24 (1979).

[13] *See generally,* P.S. ATIYAH, THE RISE AND FALL OF FREEDOM OF CONTRACT (1979); GRANT GILMORE, THE DEATH OF CONTRACT (1974); Mark Pettit, Jr., *Freedom, Freedom of Contract, and the "Rise and Fall,"* 79 B. U. L. REV. 263 (1999). *See also* Printing & Numerical Registering Co. v. Sampson, 19 L.R.Eq. 462, 465 (V.C. 1875) ("[M]en of full age and competent understanding shall have the utmost liberty of contracting, and their contracts when entered into freely and voluntarily shall be held sacred and shall be enforced by Courts of justice.").

choose and facilitates an efficient economy whereby persons can easily bind themselves and their trading partners into enforceable contracts.

At the same time, traditional contract law wanted to ensure that individuals were free from having contractual obligations forced upon them unexpectedly. This freedom can be referred to as "freedom ***from*** contract," and centers on the same autonomy and economic efficiency concerns as freedom to contract.[14] That is, freedom from contract encompasses the ideas that individuals should have their autonomy preserved to avoid contractual obligations if they so choose and that economic efficiency is best attained where parties are comfortable engaging in preliminary negotiations without contractual liability; otherwise they might forgo negotiations altogether and deals would not be made.[15]

Contract law seeks to balance the interests in freedom ***to*** contract and freedom ***from*** contract by making contracts neither too easy nor too difficult to create.[16] One of the tools the law uses to balance these interests is the concept of an "offer," which is traditionally the first step in creating a contract, followed by acceptance and the concept of consideration. To help assure freedom to contract, the law does not generally require an individual to use special words or rigid, prescribed conduct in order to make an offer.[17]

---

14 *See, e.g.,* E. Allan Farnsworth, *Precontractual Liability and Preliminary Agreements: Fair Dealings and Failed Negotiations*, 87 COLUM. L. REV. 217, 221 (1987) (discussing the traditional view of freedom from contract); Pettit, *supra* note 13, at 265 ("[The idea of contract] is less often an obligation voluntarily assumed by the contracting parties, and more often an obligation imposed by courts to protect the reasonable expectations of others.").

15 *See, e.g.,* Omri Ben-Shahar, *Foreword: Symposium on the Freedom From Contract*, 2004 WIS. L. REV. 261, 267-68 (2004) (describing arguments in favor of freedom from contract).

16 *See, e.g.,* Edwin W. Patterson, *An Apology for Consideration*, 58 COLUM. L. REV. 929, 948 (1958) ("A good legal rule as to the enforceability of promises should make contracting available to nonlawyers who will take pains to clarify their ideas as to what they want to contract about; yet it should not make contracting so easy that it hooks the unwary signer or the casual promisor. The first may be called freedom to contract, the second, freedom from contract.").

17 *See, e.g.,* 1 ARTHUR L. CORBIN, CORBIN ON CONTRACTS § 2.2 ("[T]here is no magic formula to determine whether a particular communication is an offer . . . . [T]he ordinary meaning of language is influential, but never determinative. For example, the

On the other hand, to protect individuals' freedom from contract, the law is hesitant to label something an "offer" because of the shift in power that occurs between offeror to offeree: once the offer has been communicated, the power to create a contract shifts almost entirely to the offeree.[18] By labeling something an "offer," the law potentially transforms the relationship between the offeror and offeree from an environment of autonomy and individual norms and morals to an environment of state-governed responsibilities and remedies.[19] If contractual offers (and thus formation) occur too easily, parties may reduce their interactions out of a fear of losing control and being exposed to state-determined liability.[20]

To hinder the prospect of state interference upon unexpecting actors, the law has traditionally set the bar for what is an "offer" rather high – it must be sufficiently definite to be accepted without anything other than an offeree stating "I accept" or performing the required action.[21] This principle of restraint has caused courts to tend to distinguish offers from mere negotiations, advertisements, and invitations to offer,

word 'quote' may be understood as making a commitment, while the word 'offer' may, in context be deemed a mere price quotation.").

18 E. ALLAN FARNSWORTH, CONTRACTS, § 3.10 at 131 (4th ed. 2004) ("Courts have reason for caution, since to hold the maker of a proposal to a contract exposes the maker to liability based on the recipient's expectation interest, even in the absence of any reliance.").

19 *See, e.g.*, 1 SAMUEL WILLISTON, A TREATISE ON THE LAW OF CONTRACTS 1:1 (Richard A. Lord ed., 4th ed. 1990) (defining a contract as a promise for which the law will provide a remedy when it is breached).

20 *See generally*, ATIYAH, *supra* note 13 (noting instances where parties are constrained in their ability to govern themselves according to their intentions); GILMORE, *supra* note 42 (same). *See, e.g.,* Ben-Shahar, *supra* note 15, at 267-68; Melvin A. Eisenberg, *Expression Rules in Contract Law and Problems of Offer and Acceptance,* 82 CALIF. L. REV. 1127, 1178 (1994) (noting that liability concerns might reduce the amount of contracting, but also arguing that making contracting too difficult would reduce people's autonomy to choose to enter into contracts).

21 *See, e.g.,* RESTATEMENT (SECOND) OF CONTRACTS 24 (1981) ("An offer is the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it."); FARNSWORTH, *supra* note 18, at § 3.3, at 110 ("[An offer] can be defined as a manifestation to another of assent to enter into a contract if the other manifests assent in return by some action, often a promise but sometimes a performance. By making the offer, the offeror thus confers upon the offeree the power to create a contract."). Other doctrines also slow contract formation, for example, the doctrine of consideration and that silence is generally not acceptance.

rationalizing the rule on the grounds that "neither the advertiser nor the reader of the [advertisement] understands that the reader is empowered to close the deal without further expression by the advertiser."[22] This view has been challenged, with some scholars calling for courts to presume advertisements and similar communications are offers.[23] While the common law presumption remains, contract law does recognize that advertisements may be specific enough to constitute an offer, such as where it specifies the price, quantity, and who can purchase it (*e.g.*, "first come, first served").[24]

Despite the patchwork of exceptions and sub-rules, the notions of offers, counter-offers, and acceptances work well within the relatively simple back-and-forth bargaining paradigm involving two individuals or representatives hashing out the purchase of some item. Yet these tools' usefulness and preeminence began to strain under the weight of evermore complex deals involving not serial communications between individuals, but rather rounds of negotiation involving managers, officers, and lawyers during which no formal offer could be pinpointed.[25] In many complex negotiations, there is no explicit offer for a party to accept, and thus there is "little occasion to apply the classic rules of offer and acceptance."[26] Recognizing these difficulties, courts have at times abolished the all-or-nothing formation test, ignored the search for an offer, and even applied liability to a party at the precontractual stage.[27]

---

22 CORBIN, *supra* note 17 at § 2.4.

23 *See, e.g.,* Eisenberg, *supra* note 20, at 1167-68 ("Suppose a store advertises 17" Sony TVs at $350, a customer comes in and says he will buy the TV at that price, and the salesman responds, 'We're not selling the set at $350, but we'll sell it at $400.' The reaction of the customer would not be, as Corbin would have it, 'Of course; I understand; your advertisement was only inviting me to consider and examine and negotiate,' but instead, 'You people are liars, cheats, or both.'"); M. Feinman & Stephen R. Brill, *Is an Advertisement an Offer? Why It Is and Why It Matters*, 58 HASTINGS L.J. 61 (2006) (arguing that advertisements are offers).

24 *See, e.g.,* Lefkowitz v. Great Minneapolis Surplus Store, Inc. 86 N.W.2d 689 (Minn. 1957).

25 *See, e.g.,* Farnsworth, *supra* note 14, at 218-220.

26 *Id.* at 219.

27 *See generally id.*

That the doctrine of an "offer" is no longer sacrosanct can also be seen in Article 2 of the Uniform Commercial Code ("UCC"),[28] a model code governing sales and transactions in "goods."[29] Article 2 explicitly dispenses with the requirements of an identifiable offer[30] and an identifiable moment of formation,[31] and liberally allows for open terms.[32] Thus, the UCC seeks to grease the wheels of freedom ***to*** contract by dispensing with some of the common law's more rigid requirements in an effort to more closely track business norms.[33] While increasing freedom ***to*** contract, the UCC has in some ways reduced freedom ***from*** contract.[34]

In a somewhat similar manner, the United Nations Convention on Contracts for the International Sale of Goods ("CISG"),[35] which as its name implies covers contracts for the sale of goods where the contractual parties' places of business are in different countries.[36] The CISG mirrors the UCC in many ways, and includes the concepts of offer[37] and

---

[28] The UCC came about through a joint project between the National Council of Commissioners on Uniform State Laws and the American Law Institute in the 1940s. JOHN D. CALAMARI & JOSEPH M. PERILLO, CONTRACTS, § 1.7 at 15 (6th ed. 2009). After revisions, every state except Louisiana adopted a version of the UCC (though with various modifications) between 1957 and 1967. *Id.*

[29] *See* UCC § 2-102.

[30] UCC § 2-204(1) ("A contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract.").

[31] *Id.* at § 2-204(2) ("An agreement sufficient to constitute a contract for sale may be found even though the moment of its making is undetermined.").

[32] *Id.* at 2-204(3) ("Even though one or more terms are left open a contract for sale does not fail for indefiniteness if the parties have intended to make a contract and there is a reasonably certain basis for giving an appropriate remedy.").

[33] *See, e.g.,* Charles L. Knapp, *Enforcing the Contract to Bargain*, 44 N.Y.U. L. REV. 673, 678 (1969).

[34] *Id.* at 693 (noting that "some have attacked [UCC 2-204(3)] as giving the court a warrant to 'make a contract' for the parties by fixing terms the parties themselves had not agreed upon"). The UCC attempts to make up for this possibility with an increased focus on the intention of the parties, among other things. *Id.* at 693-94.

[35] United Nations Convention on Contracts for the International Sale of Goods, U.N. Doc. A/Conf. 97/18 (1980) [hereinafter *CISG*].

[36] *See, e.g.*, PETER SCHLECHTRIEM, COMMENTARY ON THE UN CONVENTION ON THE INTERNATIONAL SALE OF GOODS (CISG) 1-3 (Gregory Thomas, trans., Clarendon Press, 2d ed. 1998).

[37] *See* CISG, *supra* note 35, art. 14(1) ("A proposal for concluding a contract addressed to one or more specific persons constitutes an offer if it is sufficiently definite and indicates the intention of the offeror to be bound in case of acceptance. A proposal is

acceptance.[38] The CISG, however, is more conservative in its departures from common law concepts, and while it allows the parties' conduct to help establish an offer and acceptance,[39] it does not go as far as the UCC in reducing the role of offer and acceptance.[40] Thus, the CISG offers some increased freedom ***to*** contract with respect to the common law, and consequently offers some comparative reduced freedom ***from*** contract.

Though reasonable minds may differ about the appropriate balance between freedom to contract, freedom from contract, and other societal interests, a focus on freedom ***to*** and ***from*** contract makes sense where the focus of the law of offer, formation, etc. is primarily upon the offeror and offeree. Lawmakers have, however, exported the concept of "offer" from the simple back-and-forth bargaining paradigm (with a negotiated cadence of offers, counter-offers, and acceptances) and applied it, with little discussion or analysis, to patent infringement, an area involving wholly different parties and policies.

As a next step in the analysis, this Article introduces patent law's use of the "offer" concept and surveys the current law interpreting what constitutes an offer to sell in the patent infringement context.

III. PATENT LAW: INFRINGEMENT FOR AN "OFFER TO SELL"

U.S. patent law has not always used the concept of offer in its infringement provisions, and did not do so until adopting a relatively new

---

sufficiently definite if it indicates the goods and expressly or implicitly fixes or makes provision for determining the quantity and the price.").

[38] *See* CISG, *supra* note 35, art. 18(1) ("A statement made by or other conduct of the offeree indicating assent to an offer is an acceptance. Silence or inactivity does not in itself amount to acceptance.").

[39] *See, e.g.*, *id.*, art. 8(3) ("In determining the intent of a party . . . due consideration is to be given to all relevant circumstances of the case including the negotiations, any practices which the parties have established between themselves, usages and any subsequent conduct of the parties."); art. 9(1) ("The parties are bound by any usage to which they have agreed and by any practices which they have established between themselves."); art. 9(2) ("The parties are considered, unless otherwise agreed, to have impliedly made applicable to their contract or its formation a usage of which the parties knew or ought to have known and which in international trade is widely known to, and regularly observed by, parties to contracts of the type involved in the particular trade concerned.").

[40] *See* CLAYTON P. GILLETTE & STEVEN D. WALT, SALES LAW: DOMESTIC AND INTERNATIONAL 47 (Rev'd ed. 2002).

provision makes "offering to sell" a patented invention in the U.S. an act of infringement.[41] As part of the international harmonization of intellectual property laws under the TRIPS agreement,[42] in 1994 Congress added a provision to 35 U.S.C. § 271(a) making an "offer to sell" infringing technology an independent act of patent infringement.[43] Before this amendment, a mere offer to sell would not infringe, whereas an actual sale would.

Infringement for an "offer to sell" has not yet generated an abundance of attention, but that will change as patent owners realize they can obtain large monetary awards based on infringing offers. Recently, a jury found Maersk's offer to sell its offshore drilling rig infringed Transocean's patents[44] and awarded Transocean $15,000,000.[45] Thus, the question of what constitutes an "offer" to sell represents a timely question. For example, what if Maersk had merely advertised its rig – would that count as an "offer"? Indeed, questions abound in this area because despite

---

41 35 U.S.C. § 271(a).

42 *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994) ("Article 28 . . . A patent shall confer on its owner the following exclusive rights: … to prevent third parties not having the owner's consent from the acts of: … offering for sale") [hereinafter *TRIPS*].

43 35 U.S.C. § 271(a) ("whoever . . . offers to sell . . . within the United States any patented invention . . . infringes."). The statute became effective January 1, 1996. *See also* Uruguay Round Agreements Act, H.R. 5110, 103d Cong. (1994), Pub. L. No. 103-465, 101(d)(15), 108 Stat. 4809, 4815 (approving TRIPS).

44 U.S. Patent Nos. 6,047,781; 6,068,069; 6,085,851. Transocean became notorious in 2010 when one of its rigs, the Deepwater Horizon, was involved in the explosion and subsequent oil spill on a project overseen by British Petroleum (BP). *See, e.g.*, Elizabeth Shogren, *Panel Spreads Blame For BP Oil Rig Explosion*, NPR.ORG (Jan. 6, 2011), http://www.npr.org/2011/01/06/132680706/panel-spreads-blame-for-bp-oil-rig-explosion.

45 Court's Instructions to the Jury and Jury Verdict in favor of Transocean Offshore Deepwater Drilling, Inc. at 21, Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contrs. USA, Inc., No. 4:07-cv-02392, (S.D. Tex. March 3, 2011) ECF No. 270 (filed April 22, 2011); *but see* Memorandum Opinion, *id*. at ECF No. 292 (filed June 30, 2011) (vacating the jury's verdict); *id.* at ECF No. 314 Order Conditionally Granting a New Trial, Granting 308 Request For Entry Of Order Ruling On Maersk Drilling USA, Inc's Motion In The Alternative For A New Trial Pursuant To Fed. R. Civ. P. 59 (filed August 18, 2011) (ordering a new trial based on the jury verdict being against the great weight of the evidence, erroneous jury instructions, and erroneous evidentiary rulings). Transocean has appealed this decision to the Federal Circuit Court of Appeals.

this radical change in the law, Congress gave no instruction about the intent or meaning of the new language.[46]

Without any legislative guidance, the Federal Circuit has slowly (and somewhat fitfully) fleshed out what amounts to an "offer to sell" that infringes under § 271(a). The first clarifications came in cases dealing not with the substantive question of whether an accused infringer made an "offer," but rather in the context of whether specific personal jurisdiction[47] existed over a defendant based on an alleged offer to sell an infringing device. Because these cases concerned only personal jurisdiction and not substantive patent law, their pronouncements about the scope of an infringing offer to sell are dicta.[48]

In *3D Systems v. Aarotech Labs. Inc.*,[49] the court took a broad view of what constitutes an offer to sell. Applying federal common law to the question,[50] the court indicated that a price quotation could infringe because "[o]ne of the purposes of adding 'offer[] to sell' to § 271(a) was to prevent exactly the type of activity [the accused infringer] has engaged in, *i.e.*, generating interest in a potential infringing product to the

---

[46] *See* Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1252 (Fed. Cir. 2000) ("Unfortunately, other than stating that an 'offer to sell' includes only those offers 'in which the sale will occur before the expiration of the term of the patent,' 35 U.S.C. § 271(i) (Supp. 1997), Congress offered no other guidance as to the meaning of the phrase. . . . [T]he legislative history of the statute offers little additional insight.").

[47] Under Federal Circuit law, personal jurisdiction over an out-of-state defendant exists when the relevant state's long-arm statute permits the assertion of jurisdiction without violating federal due process. *See, e.g.,* Akro Corp. v. Luker, 45 F.3d 1541, 1543 (Fed. Cir. 1995). Personal jurisdiction under a general jurisdiction theory exists where the defendant has "continuous and systematic contacts with the forum state." *See, e.g.*, Avocent Huntsville Corp. v. Aten Int'l Co., 552 F.3d 1324, 1331-32 (Fed. Cir. 2008). Specific personal jurisdiction exists where (1) the defendant "purposefully directed" its activities at residents of the forum state; (2) the claim "arises out of or relates to those activities;" and (3) personal jurisdiction can be fairly exercised while still comporting with "fair play and substantial justice." *Akro Corp.*, 45 F.3d at 1545-46 (quoting Burger King Corp. v. Rudzewicz, 471 U.S. 462, 471-77 (1985)).

[48] *See* Larry S. Zelson, Comment*, The Illusion of "Offer to Sell" Patent Infringement: When an Offer is an Offer But Is Not an Offer*, 154 U. PA. L. REV. 1283, 1289-99 (2006) (criticizing the Federal Circuit's conflation of "offer to sell" and specific personal jurisdiction jurisprudence).

[49] 160 F.3d 1373 (Fed. Cir. 1998).

[50] *Id.* at 1379 (citing *N. Am. Philips Corp. v. Am. Vending Sales, Inc.*, 35 F.3d 1576, 1578-79 (Fed. Cir. 1994)).

commercial detriment of the rightful patentee."[51] Thus, in its first exploration of the provision, the Federal Circuit held that something less than a formal, contract law "offer" (a price quotation) could count as an "offer" under § 271(a).

As will be shown, the *3D Systems* court's enunciation of the policy behind § 271(a)'s offer to sell provision is crucial to defining the proper scope of an "offer" under § 271(a). Subsequent cases affirm this policy and offer no additional competing rationales.[52] Thus, the touchstone of an infringing offer is whether the activity generates interest in the infringing product and harms the patentee.[53]

Two years after *3D Systems*, in *Rotec Industries, Inc. v. Mitsubishi Corp.*,[54] the Federal Circuit for the first time squarely addressed the standard for "offer to sell" infringement on the merits, and concluded that it should "define § 271(a)'s 'offer to sell' liability according to the norms of traditional contractual analysis."[55] Specifically, the court relied on the definition of "offer" in the *Restatement (Second) of Contracts*.[56]

Not only did *Rotec* refuse (without significant discussion) to adopt the *3D Systems* panel's potentially broader definition of "offer,"[57] but also it declined to adopt the United Kingdom's broader interpretation of an "offer," which holds that "mere advertising activities could infringe, even

---

51 *Id.* at 1379 ("The price quotation letters . . . state on their face that they are purportedly not offers, but to treat them as anything other than offers to sell would be to exalt form over substance. . . . As a matter of federal statutory construction, the price quotation letters can be regarded as 'offers to sell' under § 271 based on the substance conveyed in the letters, *i.e.*, a description of the allegedly infringing merchandise and the price at which it can be purchased.").

52 *See infra* note XX and accompanying text.

53 The second personal jurisdiction case, *HollyAnne Corp. v. TFT, Inc.*, 199 F.3d 1304 (Fed. Cir. 1999), dealt not with the definition of "offer", but rather of "sell" under § 271(a). The court held that the offered "donation" was not an offer to "sell" under the statute where the offered donation was small and insignificant, the donation was never consummated, and the would-be donor appeared not to be motivated by any current or future commercial gain. *Id*. at 1309-10.

54 215 F.3d 1246 (Fed. Cir. 2000).

55 *Id.* at 1254-55.

56 *Id.* at 1257 (citing RESTATEMENT (SECOND) OF CONTRACTS § 24 (1979)).

57 *See supra* notes XXX and accompanying text.

if the activities do not meet the common law definition of offer."[58] As discussed *infra*,[59] the policy behind the U.K. court's broader definition mirrors precisely the policy articulated by the Federal Circuit, suggesting that the Federal Circuit should follow the U.K.'s definition.

In any event, while the *Rotec* court did not explicitly address its reasons for adopting the contract law standard for an offer, the court gave two hints. First, it noted that,

> Before the TRIPS agreements, the United States stood apart from its trading partners in limiting infringement protection only to actual "sales," as opposed to "offers for sale." Indeed, our first draft proposal during the TRIPS negotiations reflected our unique approach in setting forth only "making, using or selling" patented inventions as acts of infringement."[60]

Reading between the lines a bit, the court seemed to imply that a narrow interpretation of "offer to sell" is appropriate to effectuate the intent of the United States as evidenced by its reluctant behavior during the TRIPS negotiations. While not implausible, the logic is attenuated at best. The more natural interpretation is that the U.S. simply agreed to adopt infringement for an "offer to sell" as that phrase was understood by other countries.[61] Indeed, if the U.S. only grudgingly agreed to include the "offer to sell" language, one would expect a legislative history indicating as much. None exists.

The second clue as to why the court adopted a contract law standard is found in its discussion of the Supreme Court's holding in *Pfaff v. Wells Electronics, Inc.*[62] The *Pfaff* court adopted a "commercial offer for sale" standard for the somewhat analogous "on sale bar" under 35 U.S.C. § 102(b).[63] *Rotec's* attention to the *Pfaff* decision suggests the

---

58 Rotec, 215 F.3d at 1253 (discussing Gerber Garment Tech. Inc. v. Lectra Sys. Ltd., 13 R.P.C. 383, 411-12 (U.K. Patents Court 1995)).

59 *See infra* Section V.B.1.

60 *Rotec*, 215 F.3d at 1253.

61 *See infra* Section V.B regarding other countries' interpretations of "offer."

62 525 U.S. 55, 67 (1998).

63 *Id.* at 67; *see also infra* Section V.A.1 (further discussing *Pfaff* and § 102(b)).

Rotec panel was heavily influenced by *Pfaff's* § 102(b) ruling in making its § 271(a) decision.[64]

In conclusion, *Rotec* set the current standard for what constitutes an "offer to sell" under § 271(a), interpreting the phrase according to the norms of traditional contractual analysis, *e.g.*, the *Restatement (Second) of Contracts*. Subsequent cases have echoed this standard without deviation or significant discussion.[65] Interestingly, however, the same cases recognize that the policy underlying "offer to sell" infringement is to prevent a competitor from generating interest in an infringing product to the commercial detriment of the patentee.[66] Yet never does the Federal Circuit discuss the fact that (1) the policy to which it points differs from the policies undergirding the standard for an "offer to sell" under traditional contract analysis, or (2) the identified policy behind § 271(a) suggests a broader interpretation of the phrase "offer to sell" so as to include advertisements and the like.[67]

While other aspects of the scope of an offer to sell within the United States have been analyzed and further defined by the Federal Circuit[68] and commentators,[69] those aspects are not relevant to this

---

64 *See Rotec*, 215 F.3d at 1254 ("[T]he analysis of an 'offer to sell' under § 271(a) is consistent with the [Supreme] Court's analysis in *Pfaff* of § 102(b).").

65 MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369, 1376 (Fed. Cir. 2005) (citing *Rotec* and the RESTATEMENT (SECOND) OF CONTRACTS); Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contrs. USA, Inc., 617 F.3d 1296, 1308 (Fed. Cir 2010) (citing *Rotec*).

66 *MEMC*, 420 F.3d at 1376 (noting that "one of the purposes of adding 'offer[] to sell' to section 271(a) was to prevent . . . generating interest in a potential infringing product to the commercial detriment of the rightful patentee"); *Transocean*, 617 F.3d at 1309 (same).

67 Section IV, *infra*, discusses these points.

68 *See, e.g., Transocean*, 617 F.3d at 1308-10 (examining the extraterritorial reach of infringement for an offer to sell and separately holding that an infringing offer to sell may occur even if the device offered for sale was not built when the offer was made); Embrex, Inc. v. Service Eng'g Corp., 216 F.3d 1343, 1349 (Fed. Cir. 2000) (holding that "a mere offer to sell a machine [that can perform a patented method] cannot serve as the sole basis for finding infringement of the claimed method").

69 *See, e.g.*, Scott A. Cromar, Note, *Location of the Contemplated Sale: The Ultimate Guide in "Offer to Sell" Transnational U.S. Patent Infringement*, __ OHIO ST. L.J. __ (forthcoming 2011), at 28-31 *available at http://ssrn.com/abstract=1765342* (examining the extraterritorial reach of infringement for an offer to sell); Timothy Holbrook, *Territoriality and Tangibility After Transocean*, EMORY L.J. (forthcoming Fall 2011) (same); Timothy Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. &

Article's focus on the definition for an "offer." Instead, this Article turns to developing a framework for determining what constitutes an offer to sell under § 271(a).

IV. CONSTRUCTING A DEFINITION FOR "OFFER" IN PATENT LAW

Having explored the policies governing offers to sell in contract law and the current state of patent law's definition of an offer, this section compares contract law's policies with the policy underlying § 271(a)'s offer to sell provision, which is to prevent an infringer from generating commercial interest in infringing technology to the harm of the patentee. The policy comparison reveals that the Federal Circuit's adherence to the contract law definition of "offer" is incongruous with § 271(a)'s purpose. Instead, this section concludes that courts should adopt a less strict test for what amounts to an "offer" to sell that would include advertisements and similar commercial activities.[70]

Because Congress provided no guidance regarding the meaning of "offer to sell" in § 271(a),[71] the general rule of statutory construction is that Congress intended words to carry their ordinary meaning.[72] Further, since the phrase "offer to sell" is a common-law term, courts should "assume the term . . . comes with a common law meaning, absent anything pointing another way."[73] [*More discussion of the standard when a statute can be construed other than common law meaning? CCNV v. Reid, 490 U.S. 730 – does the reason need to be within the statute? Examples of*

MARY L. REV. 2151 (2007) (same); Rex W. Miller, Note, *Construing "Offers to Sell" Patent Infringement: Why Economic Interests Rather Than Territoriality Should Guide the Construction*, 70 OHIO ST. L.J. 403 (2009).

70 Others have made similar arguments, but have only analyzed the issue by focusing on the harm to the patentee. *See, e.g.,* Timothy 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, 788-800 (2003) [hereinafter, Holbrook, *Threat of a Sale*]. This Article broadens earlier analyses by not only considering harm to the patentee, but also comparing that harm with policies driving the definition of "offer" in contract law, trademark law, securities law, and criminal law.

71 *See supra* note XXX.

72 Microsoft Corp. v. i4i Ltd. P'ship, 564 U.S. ___, 180 L. Ed. 2d 131, 139 (June 9, 2011).

73 *Id*. (quotations omitted).

non-common law constructions that arose from circumstances rather than statutory phraseology?] In the case of § 271(a), the Federal Circuit has assumed the term carries its common law meaning,[74] but has neglected to notice that there are many reasons "pointing another way."

Specifically, the standard for an "offer" in contract law is governed in part by a policy to strengthen freedom from contract and preserve individual autonomy. To accomplish this policy, the common law of contracts creates friction between the offeror and offeree so that parties will be less likely to form a contract unwittingly.[75] One way the common law creates friction is to set the bar for an "offer" relatively high – it must put the power of acceptance into the offeree.[76]

But contract law's focus on the offeror's and offeree's autonomy and freedom from contract bears little relationship to the patent infringement context, which takes the focus almost entirely away from the offeree and focuses instead on the patentee. In traditional contract law, an unanticipated contractual relationship invites – out of thin air – the state to direct (and set remedies for) an ongoing contractual relationship. In patent law on the other hand, the government has already granted the patentee the power of exclusivity against competitors, and the infringer does not escape liability based on ignorance of the patent.[77] Thus, in the patent context, the law is not forcing parties into a mutually-dependent contract before which time little or no rights or obligations existed between them, but rather is compensating a patentee based on its pre-existing right of exclusivity. Consistent with the Supreme Court's statutory interpretation principles, these policy differences should point courts in a different direction than assuming the common law meaning of "offer to sell" applies.

Having established that the common law meaning of offer to sell should not apply, this Article next considers whether the threshold for an "offer" in the patent infringement context should be stricter, the same, or

74 *See supra* notes XXX and accompanying text.
75 *See supra* notes XXX and accompanying text.
76 *See supra* note XXX and accompanying text.
77 35 U.S.C. § 154(a)(1) ("Every patent shall contain . . . a grant to the patentee, his heirs or assigns, of the ***right to exclude*** others from making, using, offering for sale, or selling the invention throughout the United States . . . .") (emphasis added).

more relaxed than at common law. One can consider a spectrum along which the possible definitions of an "offer" might be placed, with one end representing the strictest definition and the other end representing the most relaxed. One can identify several points of interest along the spectrum, such as the following, listed in descending order of strictness:

- Formal Offer in Writing: At the highest (or strictest) end of the "offer" spectrum, a court could define "offer" to exist only if the communication (1) was in writing and (2) constituted a formal, contract law offer under the *Restatement (Second) of Contracts*.[78]

- Contract Law Definition: Relaxing the definition a little bit can be done by removing the requirement that the offer be in writing, leaving simply the *Restatement* definition.[79]

- Advertisements: Moving to about the middle of the spectrum, the definition of "offer" could include not only contract law offers, but also advertisements, price lists, catalogs, circular letters, solicitations for offers, clear statements of intention to sell in the future, estimates, and preliminary agreements.[80]

- Market Investigation: At the lowest end of the spectrum would be speech that did not indicate a present desire to sell a product, but merely sought to gauge buyers' interest in a particular product. This would include informal information gathering and formal surveys.[81]

---

[78] Under an even stricter test, one could require specification of terms in addition to price, quantity, and description, such as delivery date, warranties, etc.

[79] This Article will refer to this as the "contract law" definition. While differences exist as to defining an "offer" under the *Restatement* (strictest definition) versus the CISG (less strict) versus the UCC (least strict), I lump them together here for convenience.

[80] This Article will refer to these activities generally as "advertisements." This category is somewhat broad, and for simplicity I have not distinguished, for example, between advertisements that mention a price and those that do not. Further, this category would not include statements (advertisements, etc.) indicating an intent to sell a product in the future after the patent of interest has expired, which patent law does not preclude. *See* 35 U.S.C. § 271(i).

[81] This Article will refer to these activities generally as "market investigation."

This Article now turns to arguments that might support either a stricter or more relaxed test along the spectrum. In calibrating the test, courts should keep in focus the primary policy behind § 271(a)'s offer to sell provision, which is "to prevent 'generating interest in a potential infringing product to the commercial detriment of the rightful patentee.'"[82]

A. Arguments For a Strict "Offer" Test

Generally, patent holders will desire a more lax offer test because it would strengthen their market protection by allowing them to exclude additional commercial activity. Conversely, a patentee's competitors will generally favor a stricter offer bar to avoid infringement.[83] Those inclined toward a relatively strict "offer" test (such as the current contract law standard) may put forth at least three arguments in their favor, each of which is analyzed below.

1. Would a Strict Offer Test Prevent Increases in Patent Litigation?

It might be argued that courts should adopt a high offer bar because a low bar would increase patent litigation, which may be distasteful to those who see the patent system as dysfunctional.[84] All things being equal, the lower the "offer" bar, the more litigation will occur, because there will be more infringing activity. But one would not expect a huge increase in litigation, as most offers lead to sales that would have infringed anyway under the previous version of the statute. Generally only those offers that never result in a sale in the U.S. will show up as truly "new" infringement lawsuits.

Whether an increase in litigation is desirable or not depends on one's view of the patent system. Obviously, for those who believe the

---

82 Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contrs. USA, Inc., 617 F.3d 1296, 1309 (Fed. Cir. 2010) (quoting 3D Sys. v. Aarotech Labs. Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998).

83 These generalizations must be qualified because a patent holder can also simultaneously be a competitor to another patent holder. Thus, as used herein, the term "patent holder" refers generally to an entity for which the desire for strong patent protection outweighs its concerns about infringing others' patents, and the term "competitor" refers generally to an entity for which the desire for strong patent protection is outweighed by its concerns about infringing others' patents.

84 *See infra* notes 85-91 (discussing criticisms of the patent system).

patent system is generally undesirable or unnecessary to provide adequate innovation incentives,[85] then any accretion in patent rights will be disdainful. Similarly, those who argue patent incentives are not a net benefit in certain technology areas[86] will be averse to stronger patent rights in those fields. Likewise, those opining that there is simply too much patent litigation[87] might oppose broader patent rights that would increase litigation.

On the other hand, more nuanced criticisms of the patent system are likely to have little to say about how strict courts should make the test for an offer to sell. For example, many criticisms focus only on specific aspects of the patent system, such as the issuance of "bad" patents (*i.e.*, undeserving under the current legal framework),[88] forum shopping,[89]

---

85 *See, e.g.,* Wesley M. Cohen et al., *Protecting Their Intellectual Assets: Appropriability Conditions and Why U.S. Manufacturing Firms Patent (Or Not)*, (Nat'l Bureau of Econ. Research Working Paper 7552, 2000), *available at* http://www.nber.org/papers/w7552. (suggesting that the majority of manufacturing industries may not need patents to incentivize innovation); Tom G. Palmer, *Intellectual Property: A Non-Posnerian Law and Economics Approach*, 12 HAMLINE L. REV. 261, 304 (1989) ("Patents . . . have no place in a regime based on individual rights and are insupportable on either the grounds of (utilitarian) efficiency or of a jurisprudence of law and economics."); Tom G. Palmer, *Are Patents and Copyrights Morally Justified?*, 13 HARV. J.L. & PUB. POL'Y 817 (1990).

86 *See, e.g.*, Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 CAL. L. REV. 1 (2001) (noting the inadequacy of current patent law practice to software issues); Jay Dratler, Jr., *Does Lord Darcy Yet Live? The Case Against Software and Business-Method Patents*, 43 SANTA CLARA L. REV. 823 (2003) (arguing against the desirability of business and software patents); Stuart J.H. Graham et al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 BERKELEY TECH. L.J. 1255 (2009) (finding that patents provide technology startups "relatively weak incentives for core activities in the innovation process"); Lucas Osborn, *Tax Strategy Patents*, 18 ALB. L.J. SCI. TECH. 325 (2008) (analyzing arguments for and against tax strategy patents and business method patents).

87 Mark Lemley, *Reconceiving Patents in the Age of Venture Capital*, 4 J. SMALL & EMERGING BUS. L. 137, 140-42, 145-46 (Spring 2000) (discussing problems and possible solutions to current patent litigation practices).

88 *See, e.g.*, Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 766 n.6 (2002) (discussing proposals to improve patent quality); Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 GEO. MASON L. REV. 43, 43 (2010) ("[T]here are 'bad' patents everywhere."); Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1496 (2001); Mark Lemley, Doug Lichtman & Bhaven Sampat, *What to Do About Bad Patents*?, REGULATION, Winter 2005.

lawsuits by certain non-practicing entities (*i.e.*, patent trolls),[90] and the lack of clarity in the law.[91] These specific criticisms, even if accurate, should not influence how high or low courts should set the offer bar as a general matter. For example, assuming patent trolls pose a problem, solutions should generally be directed to limiting patent trolls, not changing an area of the law that would affect predominately non-troll patentees.[92] Thus, assuming patent system is on the whole desirable, any increase in litigation associated with a broader definition of an "offer" is acceptable.

---

89 *See, e.g.*, La Belle, *supra* note XXX, *passim* (arguing that the inability for many accused infringers to bring declaratory relief actions in convenient and friendly forums significantly hinders the patent system from combating the issue of bad patents); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001) (suggesting limiting venue by statute to decrease transaction costs incurred defending in inconvenient forums, thereby increasing certainty and predictability for parties).

90 *See, e.g.*, John M. Golden, *"Patent Trolls" and Patent Remedies*, 85 TEX. L. REV. 2111 (2007) (arguing against a categorical rule denying permanent injunctive relief to non-practicing entities).

91 *See, e.g.*, Emir Aly Crowne-Mohammad, *Can You Patent That? A Review of Subject Matter Eligibility in Canada and the United States,* 23 TEMP. INT'L & COMP. L.J. 269, 313 (2009) (criticizing the Federal Circuit's recent patentable subject matter decisions); Timothy J. Le Duc, *Apples Are Not Common Sense in View of Oranges: Time to Reform KSR's Illusory Obviousness Standard*, 21 DEPAUL J. ART, TECH. & INTELL. PROP. L. 49 (2010) (criticizing the Supreme Court's approach to obviousness); Peter S. Menell et al., *Patent Claim Construction: A Modern Synthesis and Structured Framework*, 25 BERKELEY TECH. L.J. 711, 715 (2010) (noting that "scholars roundly criticize the jurisprudence of claim construction for lacking theoretical or practical coherence"); Kristen Osenga, *Ants, Elephant Guns, and Statutory Subject Matter*, 39 ARIZ. ST. L.J. 1087, 1092 (2007) ("The question of subject-matter eligibility for any invention is essentially pro forma, and whether a patent is granted . . . should be based on the application meeting the requirements of patentability provided by 35 U.S.C. §§102, 103, and 112."); Michael Risch, *Everything Is Patentable*, 75 TENN. L. REV. 591, 658 (2008) ("The PTO and courts should focus on answering specific questions about how to best apply rigorous standards of novelty, nonobviousness, utility, and specification with a scalpel rather than simply eliminating broad swaths of innovation with a machete.").

92 There may be exceptions to this statement. One might change a law that is general in application because the benefit of the effect on the "problem area" (*e.g.*, patent trolls) outweighs any detriment in the non-problem area (*e.g.*, all other patents). Because the number of cases concerning infringement for offering to sell is relatively small compared to the vast total of patent infringement actions, no exception would seem to apply.

2. Would a Strict Offer Test Prevent Overreaching By Patentees?

Supporters of a stricter test for an offer in patent law might argue that a less strict test would embolden patentees to overreach and attack virtually all competitor activity remotely related to the patented technology, even that which does not reach the "offer" threshold (wherever that threshold is set). It is certainly foreseeable that some patentees will aggressively push the envelope for what constitutes an "offer" when suing or threatening suit. Such aggressive activity, however, would likely occur regardless where one draws the line – the overzealous will always try to press the boundaries to capture more competitor activity.

But this does not necessarily mean courts should make the offer test more strict than they believe is optimal simply to account for overreaching.[93] Rather, the preferred solution to minimizing bullying and overreaching should be to make the test for what constitutes an "offer to sell" as clear as possible. That is, courts should strive to make the test more rule-like, rather than standard-like.

In the context of a test's clarity, room exists for a variety of tests falling along the familiar spectrum of rules versus standards. Scholars have analyzed rules and standards extensively,[94] and recent literature has explored rules versus standards in relation to patent law.[95] A familiar

---

[93] *See* Lucas Osborn, *Instrumentalism at the Federal Circuit*, 56 ST. LOUIS U.L.J. ____, ____ (forthcoming Dec. 2011) (discussing the difference between a precise test (*i.e.*, reproducible) versus an accurate test (*i.e.*, gives the "correct" answer)).

[94] *See, e.g.,* Colin S. Diver, *The Optimal Precision of Administrative Rules*, 93 YALE L.J. 65 (1983); Ronald M. Dworkin, *The Model of Rules*, 35 U. CHI. L. REV. 14, 22-29 (1967); Frank Easterbrook, *The Supreme Court 1983 Term – Foreword: The Court and the Economic System,* 98 HARV. L. REV. 4 (1984); Isaac Ehrlich & Richard A. Posner, *An Economic Analysis of Legal Rulemaking*, 3 J. LEGAL STUD. 257 (1974); Louis Kaplow, *Rules Versus Standards: An Economic Analysis,* 42 DUKE L.J. 557, (1992); Duncan Kennedy, *Form and Substance in Private Law Adjudication*, 89 HARV. L. REV. 1685 (1976); Carol Rose, *Crystals and Mud in Property Law*, 40 STAN. L. REV. 577 (1988); Justice Antonin Scalia, *The Rule of Law as a Law of Rules*, 56 U. CHI. L. REV. 1175 (1989); Kathleen M. Sullivan, *The Supreme Court, 1991 Term – Foreword: The Justices of Rules and Standards*, 106 HARV. L. REV. 22 (1992); Cass R. Sunstein, *Problems with Rules*, 83 CAL. L. REV. 953 (1995).

[95] *See, e.g.,* John F. Duffy, *Rules and Standards on the Forefront of Patentability,* 51 WM. & MARY L. REV. 609, 611 (2009); Osborn, *Instrumentalism at the Federal*

example of a rule is a speed limit of "55 miles per hour," while a familiar corresponding standard is "drive at a reasonable speed."

All things being equal, businesses generally prefer certainty.[96] Supporters of rules laud their ability to facilitate efficient allocation by providing ex ante certainty.[97] Certainty allows competitors to maximize their opportunities for economic advancement by organizing their activities around whatever legal test is adopted, even if it is imperfect.[98] Rule-like tests permit businesses to conduct their operations with precision, giving them clear signals about permissible behavior. To the extent that businesses perceive economic advantage by engineering their activities to approach the bright-line edge of the rule, companies will do so. Similarly, and most pertinent here, a bright-line rule minimizes aggressive threats of litigation against behavior not encompassed by the rule, because competitors will be able to analyze confidently whether their behavior violates the rule.

On the other hand, standard-like tests are flexible, which might have ex post benefits associated with fairness and pragmatism.[99] But that same flexibility generally yields less predictable results because standards may invite inconsistent judicial application[100] and leave parties uncertain

---

Circuit, *supra* note XXX, at ___; John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771 (2003).

[96] *See, e.g.*, Douglas Baird & Thomas Jackson, *Information, Uncertainty and the Transfer of Property*, 13 J. LEGAL STUD. 299, 320 (1984); Duffy, *supra* note XXX, at 610; Troy A. Paredes, *A Systems Approach to Corporate Governance Reform: Why Importing U.S. Corporate Law Isn't the Answer*, 45 WM. & MARY L. REV. 1055, 1133-34 (2004) (stating that certainty in law "is a valuable asset that facilitates business and investing"); *but see* Ian Ayres & Paul Klemperer, *Limiting Patentees' Market Power Without Reducing Innovation Incentives: The Perverse Benefits of Uncertainty and Non-Injunctive Remedies*, 97 MICH. L. REV. 985, 1000-01 (1999) (suggesting that uncertainty regarding patent law remedies may reduce the deadweight losses involved with patents).

[97] *See, e.g.,* Baird & Jackson, *supra* note XXX, at 312-14; Kaplow, *supra* note XXX, at 575-76.

[98] *See* Burnet v. Coronado Oil & Gas, Co., 285 U.S. 383, 406 (1932) (Brandeis, J., dissenting) ("Stare decisis is usually the wise policy, because in most matters it is more important that the applicable rule of law be settled than that it be settled right.").

[99] *See, e.g.,* Easterbrook, *supra* note XXX, at 11-13 (criticizing the ex post considerations of standards and preferring to focus on the position of the parties before the dispute or deal); Rose, *supra* note XXX, at 591-93.

[100] *See* Kaplow, *supra* note XXX, at 587-88.

ex ante as to permissible behavior.[101] Uncertainty with what constitutes an offer would allow patent holders to threaten litigation against activity that probably does not fall within the definition of an offer. Such uncertainty and threats of litigation will lead to under-investment by competitors who will likely prefer to err on the side of caution (*e.g.*, avoid activities that are close to, but not included in, the definition of an offer to sell) rather than risk exposure to infringement liability.[102] As a result, the market will receive less technology and competition than if uncertainty did not exist.

While this discussion only scratches the surface of the rules versus standards debate, an important consideration in whether to adopt a rule versus a standard is whether lawmakers can, practically speaking, draft a workable rule. In general, where a test covers myriad actions and scenarios that do not share common facts or elements, it will be difficult to draft a workable, simple rule.[103] For instance, negligence applies to numerous acts, but those acts vary widely in terms of their particular key facts,[104] thus making a simple rule difficult to draft. Basic income tax, on the other hand, covers numerous acts most of which share factually similar elements,[105] thus making a rule much more efficient and easy to draft.

In the context of offers to sell, the law requires no particular words or actions to make an offer, and the same words can amount to an offer in one circumstance but not in another.[106] Centuries of contract law demonstrate the difficulty of drafting a simple rule to cover the multitudinous acts that might constitute an offer to sell.

---

101 *See, e.g.,* Rose, *supra* note XXX, at 591.

102 Infringement results in damages of lost profits, or at a minimum a reasonable royalty. 35 U.S.C. § 284 ("Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer . . . ."). The court has discretion to increase the damages up to treble damages. *Id.* ("the court may increase the damages up to three times the amount found or assessed."). Further, courts can issue injunctions. 35 U.S.C. § 284.

103 Kaplow, *supra* note XXX, at 563-64, 573; Sunstein, *supra* note XXX, at 1003. Theoretically, one could draft a complex rule to cover all anticipated fact patterns. Kaplow, *supra* note XXX, at 590-96 (noting the difference between simple and complex rules and standards). Practically speaking, complex rules are rarely adopted by courts.

104 For example, driving, food handling, floor maintenance, surgery, etc.

105 For example, though peoples' earning amounts and sources may vary widely, they can be grouped together as "income."

106 *See* note XXX, *supra*.

While drafting a simple rule to cover infringing "offers" to sell may not be practical, courts should strive to draft a test that is as rule-like as possible to produce corresponding ex ante certainty. Courts can move a test toward the rule und of the spectrum by adopting rebuttable presumptions and/or factor-based tests.[107] The clearer the test is, the less likely a patent holder will be to threaten litigation for an invalid claim, and thus courts can adopt a test that is as relaxed as seems proper with correspondingly less worry about overreaching by patentees.

3. **A Strict Offer Test Might Allow More Beneficial Commercial Activity**

Those in favor of a high offer bar might also argue that low bar would chill commercial activity that would legitimately compete with the patented technology.[108] Obviously, a low bar would decrease the commercialization of ***infringing*** technology, because competitors will not want to expose themselves to litigation. A parallel concern is that an offer test that is too lax may chill legitimate commercial activity of ***non-infringing*** substitute goods. Thos those unfamiliar with patent law, this concern might appear to conflate the issue of offer with the issue of infringement. That is, if the competitor's technology is non-infringing, then it should not matter whether the competitor offers it for sale – exposure to liability will depend on whether the device infringes or not.

The conflation of offer and infringement is justifiable, however, because despite competitors' desire to predict accurately whether their technology will infringe,[109] patent law rarely permits an accurate predetermination of infringement.[110] The ex ante uncertainty regarding

---

107 *See, e.g.*, Timothy R. Holbrook, *Substantive Versus Process-Based Formalism in Claim Construction*, 9 LEWIS & CLARK L. REV. 123, 129 (2005); Kaplow *supra* note XXX, at 561-62; Sunstein, *supra* note XXX, at 961-968.

108 *See* Holbrook, *Threat of a Sale*, *supra* note XXX, at 779 ("An overly broad definition of offer to sell infringement could have a chilling effect on competitors, particularly attempts to design around the patent. If something short of a commercial offer could constitute infringement, a competitor's ability to assess the marketability of a device would be limited and would risk earlier exposure to an infringement suit.").

109 *See supra* notes XXX and accompanying text regarding the benefits of certainty and predictability.

110 Literal infringement of a patent claim requires that the accused technology contain each and every limitation of the patent claim. *See, e.g.,* Enercon GmbH v. ITC,

whether a given technology infringes a patent's claims can be heightened by the unpredictable application of the doctrine of equivalents.[111] Because the issue of infringement is unpredictable, one might argue that the offer bar should be set relatively high so competitors have some freedom to explore the marketability of competing technology without exposure to patent infringement lawsuits.

If the offer bar is high, a competitor, aware of a patent covering technology "A" could more easily test the marketability of "A-prime" (such as by advertising or soliciting orders) without crossing the offer bar. If the market does not receive "A-prime" well, then the competitor will not commercialize it any further and will not expose itself to liability for offering to sell potentially infringing technology. In this way, a strict offer

151 F.3d 1376, 1384 (Fed. Cir. 1998). The test for infringement, while easily stated, masks great uncertainty in part because the metes and bounds of each patent claim are not known until a court construes them, a process that is famously unpredictable. *See, e.g.,* Kimberly A. Moore, *Are District Court Judges Equipped To Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 2 (2001) ("district court judges improperly construe patent claim terms in 33% of the cases appealed to the Federal Circuit"); Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 233 (2005) (reporting the reversal rate for appealed claim terms from 1996 to 2003 was 34.5%); David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223 (2008).

[111] Under the doctrine of equivalents, the "scope of a patent is not limited to its literal terms but instead embraces all equivalents to the claims described" to prevent competitors from avoiding infringement by making unimportant and insubstantial differences to their technology. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 732 (2002). The doctrine of equivalents "renders the scope of patents less certain." *Id.* At the same time, a patentee cannot benefit from the doctrine of equivalents when its application would be contrary to a representation the patentee made to the patent office during prosecution of the patent. *See id.* at 733-34. Commentators have explored the doctrine of equivalents at length. *See, e.g.,* John R. Allison & Mark A. Lemley, *The (Unnoticed) Demise of the Doctrine of Equivalents*, 59 STAN. L. REV. 955, 962-63 (2007); Alan L. Durham, *Patent Symmetry*, 87 B.U. L. REV. 969 (2007); Doug Lichtman, *Substitutes for the Doctrine of Equivalents: A Response to Meurer and Nard*, 93 GEO. L.J. 2013 (2005); Michael J. Meurer & Craig Allen Nard, *Invention, Refinement and Patent Claim Scope: A New Perspective on the Doctrine of Equivalents*, 93 GEO. L.J. 1947 (2005); Paul R. Michel, *The Role and Responsibility of Patent Attorneys in Improving the Doctrine of Equivalents*, 40 IDEA 123, 123 (2000); Lee Petherbridge, *On the Decline of the Doctrine of Equivalents*, 31 CARDOZO L. REV. 1371 (2010); John R. Thomas, *Claim Re-Construction: The Doctrine of Equivalents in the Post-Markman Era*, 9 LEWIS & CLARK L. REV. 153, 154-55 (2005); R. Polk Wagner, *Reconsidering Estoppel: Patent Administration and the Failure of Festo*, 151 U. PA. L. REV. 159, 234-37 (2002).

test allows some breathing room for competitors to explore the market without generating expensive litigation. Only if the market received "A-prime" technology favorably will the competitor need to decide whether to cross the offer threshold, or, in the alternative, to seek a license to the patent.

As a competitor approaches the offer threshold, it may wisely expend more resources analyzing the patent to determine (as best it can) whether "A-prime" will infringe or not, and depending on the prediction, may redesign its "A-prime" technology further to lower the chances of infringement.[112] Purposefully configuring technology to avoid patent infringement is known as "designing around" a patent. The Federal Circuit[113] and writers[114] endorse the practice of designing around patents because it disseminates technology and encourages further innovation: by studying a patent or patented technology, a competitor can devise improvements, simplifications, or other modifications more cheaply than without the knowledge acquired from the patented item.

Thus, a higher bar theoretically permits competitors to explore the profitability of developing competing technology without the threat of litigation and to shift forward in time (or avoid altogether) the costs of closely analyzing and designing around a problematic patent. A stricter offer test would therefore arguably encourage third parties to create and commercialize more competing, non-infringing technology. In addition, it would allow competitors to better assess whether to seek a license to the patent.

---

112 The competitor may alternatively decide to seek a license to the patent.

113 *See, e.g.,* Cross Med. Prods. v. Medtronic Sofamor Danek, Inc., 480 F.3d 1335, 1347 (Fed. Cir. 2007) (noting that designing around patented technology is something "that patent law encourages"); State Indus. Inc. v. A.O. Smith Corp., 751 F.2d 1226, 1236 (Fed. Cir. 1985) ("One of the benefits of a patent system is its so-called 'negative incentive' to 'design around' a competitor's [patented products], thus bringing a steady flow of innovations to the marketplace.").

114 *See, e.g.,* Matthew J. Conigliaro et al., *Foreseeability in Patent Law*, 16 BERKELEY TECH. L.J. 1045, 1050 (2001) ("those who invent new devices by intentionally designing around a patent nonetheless advance the public welfare and fulfill the purpose of the Patent Clause"); Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. REV. 1421, 1434 (2009); Timothy R. Holbrook, *Possession in Patent Law*, 59 S.M.U. L. REV. 123 (2006); Paul N. Katz & Robert R. Riddle, *Designing Around A United States Patent*, 45 S. TEX. L. REV. 647 (2004).

While competitors should be able to evaluate the market for a product, this insight does not necessarily demonstrate the need for a contract law standard for an "offer." First, only the broadest definition of "offer" would prevent market evaluation. For example, successful market assessment would not require soliciting orders or advertising. Instead, less formal inquiries can likely do the trick: competitors could conduct a formal or informal market survey asking about buyer interest in a certain product. In addition, if competitors advertise products without a present intent to sell them, they would run afoul of false advertising laws.[115] Further, courts should not allow competitors such extensive marketing freedom that their marketing efforts distract them from focusing on the socially beneficial behavior of designing around existing patents. That is, by focusing efforts first on extensive marketing and technology second, a company may spend less total resources on technology development.

4. <u>Would a Strict Offer Test Avoid First Amendment Problems?</u>

Advertisements and formal offers to sell trigger First Amendment free speech protections. Thus, offers to sell technology that may infringe a patent may deserve First Amendment protections.

Although advertisements and other offers are generally not political speech, the First Amendment protects commercial speech that "does no more than propose a commercial transaction."[116] While the need to protect commercial speech may not be as apparent as the need to protect political speech, beginning in the mid-1970s the Supreme Court began to protect commercial speech, noting that the free flow of commercial information is "indispensable" to the public so that its private economic decisions in a free enterprise economy will be "intelligent and well informed."[117]

While the First Amendment may generally protect commercial speech, it does not protect commercial speech that advertises illegal

---

115 *See infra* notes 131-143 and accompanying text.

116 Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc., 425 U.S. 748, 762 (1976).

117 *Id.* at 765.

activities.[118] Because patent law makes "selling" a device that infringes a patent an unlawful act,[119] an advertisement or other offer to sell an infringing device is an advertisement/offer for an illegal activity;[120] thus, the advertisement/offer is not protected by the First Amendment.[121] This is true whether "offer" is defined as a formal contract law offer or an advertisement, as both are generally commercial speech that does not more than proposes a commercial transaction.[122]

The First Amendment may nevertheless restrict whether and to what extent courts can ***enjoin*** offers to sell allegedly infringing devices because preliminary injunctions[123] constitute a prior restraint on speech. The First Amendment strongly disfavors "prior restraint" of speech, that is, a "governmental restriction on speech or publication before its actual

---

118 *Id.* at 770-772 (listing categories of commercial speech regulation that "are surely permissible," including regulating "advertisements [that] are themselves illegal in any way."); Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n, 447 U.S. 557, 563-64 (1980) ("The government may ban . . . commercial speech related to illegal activity . . . .") (citations omitted); *id*. at 566 ("For commercial speech to [be protected by the First Amendment], it at least must concern lawful activity . . . .").

119 35 U.S.C. § 271(a) ("[W]hoever without authority . . . ***sells*** any patented invention, within the United States, . . . during the term of the patent therefor, infringes the patent.").

120 There is one scenario where a court might have the power to restrain the "offer" but not the "sale," and that is when an "offer" is made in the United States, but the eventual sale would be consummated outside of the United States. If such an offer were held to infringe, it would not be an offer for illegal activity, and the restriction would need to be analyzed under the Supreme Court's commercial speech test set forth in *Central Hudson*. The most recent Federal Circuit interpretation of infringement for an "offer to sell," however, found that offers in the U.S. for sales abroad would not infringe; rather, offers made abroad for sales that would be in the U.S. do infringe. *See* Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contrs. USA, Inc., 617 F.3d 1296, 1309 (Fed. Cir. 2010) ("The 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.").

121 Andrew Beckerman-Rodau, *Prior Restraints and Intellectual Property: The Clash between Intellectual Property and the First Amendment from an Economic Perspective*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1, 36 (2001); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L. J. 147, 234 (1998).

122 *See* Bolger v. Youngs Drug Prods. Corp., 463 U.S. 60 (1983) (noting that the "core notion of commercial speech" is "speech which does no more than propose a commercial transaction.") (quotations and citations omitted).

123 This Article refers to "preliminary injunctions," but the analysis is the same for temporary restraining orders.

expression."[124] It is not that speech can never be restrained before its utterance, but the presumption against prior restraint is most forceful when, as in the case of preliminary relief, the law abridges "expression prior to a full and fair determination of the constitutionally protected nature of the expression by an independent judicial forum."[125] As professor Redish argues, a full and fair judicial assessment of the accused speech is the touchstone for whether restraint is permissible.[126]

In patent law, preliminary restraints against offers for sell allegedly infringing devices implicate prior restraint concerns: not only must a court make a determination that the speech is commercial (likely an easy determination), but also it must determine that the offer is to sell a device that ***is actually infringing***. As discussed above, determining infringement is extremely difficult, and often involves ambitious study of the technology involved, the patent's claims, the patent's validity, and an analysis of whether the accused device infringes under the doctrine of equivalents.[127] If the device offered for sale does not infringe the patent, then no justification for restraining the speech exists. Yet in many cases a court is not likely to know whether the device infringes until it has devoted much time to the inquiry, making preliminary injunctions against offers to sell infringing devices suspect under the First Amendment.[128]

While the constitutional arguments against preliminary restrictions of offers to sell infringing devices suggest courts should be cautious in granting them, they may have little practical impact. Because patent law makes "selling" an infringing device an act of infringement, and "selling" is not speech and thus not protected by the First Amendment, a court could enjoin the sale of the device, making many offers for sale futile.[129]

---

[124] BLACK'S LAW DICTIONARY 1212 (7th ed. 1999).

[125] Martin H. Redish, *The Proper Role of the Prior Restraint Doctrine in First Amendment Theory*, 70 VA. L. REV. 53, 57 (1984).

[126] *See generally id.*; *see also* Lemley & Volokh, *supra* note XXX, at 169-198 (analyzing the First Amendment's implications on preliminary relief in the copyright context).

[127] *See supra* notes XXX.

[128] *See* Beckerman-Rodau, *supra* note XXX, at 34-39; Lemley & Volokh, *supra* note XXX, at 234.

[129] Lemley & Volokh, *supra* note XXX, at 234; *but see supra* note XXX (discussing offers made in the U.S. for sales that would be consummated abroad).

More importantly for the present analysis, the First Amendment analysis is not affected by the strictness of the definition for an offer: the same issues arise whether an offer includes only contract law offers or also advertisements and the like. The First Amendment might, however, be offended if courts defined an "offer" to sell to include mere market investigation that does not propose a commercial transaction, because such speech is far removed from selling an infringing device.[130]

5. Conclusion Regarding a Strict "Offer" Test

In conclusion, courts can calibrate patent law's "offer" test to include advertisements and solicitations without sacrificing the beneficial proliferation of design-around technology and without violating the First Amendment.

B. Arguments For a Relaxed "Offer" Test

This Article argues that courts should relax and broaden the test for what constitutes an offer from its current contract law standard in order to better effectuate the broad underlying purpose of "offer to sell" liability, which is to prevent a competitor from generating interest in a potential infringing product to the commercial detriment of the patentee.[131] As explained below, the current contract law definition of "offer" does not adequately protect patentees against price erosion or lost sales.

[130] The Supreme Court has not been entirely clear whether a statute can prohibit advertisements of activity that, while not currently illegal, could be made illegal by statute. *Compare* Posadas de Puerto Rico Assocs. v. Tourism Co. of Puerto Rico, 478 U.S. 328 (1986) (upholding a Puerto Rico law that prohibited advertising by casino gambling companies even though casino gambling was legal because the government could have banned all casino gambling and "the greater power . . . necessarily includes the lesser power") *with* Greater New Orleans Broad. Ass'n v. United States, 527 U.S. 173 (1999) (holding unconstitutional a federal law that prohibited casinos from advertising). But such is not the situation in patent law for advertisements and contract law offers, because the underlying conduct, "selling" in the U.S., is made illegal. *Supra, note* XXX-2.

[131] *See supra* notes XXX and accompanying text.

1. **A Relaxed Offer Test Protects the Patentee Against Price Erosion**

Those advocating more relaxed offer test can point to various commercial activities, such as advertisements, which generate interest in an infringing product and harm the patentee even though they are not contract law offers.[132]

Initially, it may seem that an offer to sell an infringing product, if not eventually consummated by a sale, would not harm the patentee. Yet any competitor's advertisement[133] of the patented product at a lower price[134] than the patentee charges will potentially cause price erosion, as the patentee must adjust its price to compete with the infringer and/or may forgo future price increases.[135] This harm is most apparent and direct where the patentee is both (1) practicing the invention[136] and (2) has market power to charge a premium for the patented product (*i.e.*, there are no adequate non-infringing alternatives).[137] Where the patentee is not practicing the invention, she is still entitled to a reasonable royalty,[138] which must have some value, however small, since the infringer obviously valued the right to offer the product for sale as evidenced by its actual offer.

In the case of a market with non-infringing alternatives (*e.g.*, a nail as a substitute for a patented screw), a patentee will lose market power and

---

132 Tim Holbrook has explored this economic argument at some length. *See* Holbrook, *Threat of a Sale*, *supra* note XXX, at 788-801.

133 "Advertisements" is used broadly as discussed in note XXX, *supra*.

134 Indeed, even if a price is not mentioned, the mere appearance of competition could cause downward price pressure.

135 Holbrook, *Threat of a Sale*, *supra* note XXX, at 791-92 (citing Harold R. Brown, *Proof of Lost Profits Damages Following Rite-Hite v. Kelley*, 23 AM. INTELL. PROP. L. ASS'N Q.J. 577, 609-10 (1995) and Robert S. Frank, Jr. & Denise W. DeFranco, *Patent Infringement Damages: A Brief Summary*, 10 FED. CIR. B.J. 281, 287-88 (2000)).

136 "Practicing the invention" refers to a patentee that either sells the product itself or has others (*e.g.*, licensees) sell on its behalf. If the patentee is not practicing the invention, then price fluctuations will not harm him.

137 *See* Holbrook, *Threat of a Sale*, *supra* note XXX, at 792.

138 35 U.S.C. § 284 mandates a minimum damage award of a reasonable royalty, calculated based on a hypothetical contractual negotiation that might have taken place between the patentee and the infringer at a time just before infringement occurred. *See* Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1554 (Fed. Cir.), *cert. denied*, 516 U.S. 867 (1995).

potentially the ability to charge a premium.[139] Where the non-infringing alternative is a perfect substitute (*i.e.*, it performs as well as or better than the patented product at a similar or lower price), the patentee will have no market power[140] and price erosion will not be a cognizable harm. As with the non-practicing entity, a reasonable royalty will still be available, though it might be small. As the non-infringing alternative becomes less perfect, the patentee gains correspondingly more market power.

That a patentee ***might*** be harmed by price erosion from advertisement is beyond debate. While one may argue that the harm is small and/or difficult to prove, this only goes to the issue of damages. Whether the patentee can recover damages in a given case should be governed by the rules relating to damages.[141] Since the patentee can be harmed from advertising, the definition of "offer" should include advertising.[142]

2. A Relaxed Offer Test Protects the Patentee Against Lost Sales

In addition to harm from price erosion, a patentee who practices the invention might be able to show harm from lost sales. Obviously, if the infringing offer to sell culminated in an infringing sale, the patentee would generally be able to show a lost sale. But other circumstances may exist where the competitor's eventual sale does not infringe and yet the patentee may be able to show a lost sale, and two such scenarios are discussed below.

a) *Bait-and-Switch Tactics May Result In Lost Sales*

Competitors may steal sales from a patentee by engaging in a bait-and-switch tactic.[143] If the test for an offer is relatively strict, the "bait"

---

139 *See* Holbrook, *Threat of a Sale*, *supra* note XXX, at 796.

140 This assumes a reasonably functioning market and excludes, *e.g.*, a duopoly and price-fixing.

141 *See* 35 U.S.C. § 284 (governing damages).

142 *See supra* note XXX and accompanying text (defining "advertising").

143 *See* Am. Seating Co. v. USSC Group, Inc., 514 F.3d 1262 (Fed. Cir. 2008) (upholding a jury verdict that characterized defendant's offering to sell an infringing

occurs when a competitor generates interest in an infringing technology without crossing the "offer" threshold, *e.g.*, by advertising. Once the competitor generates market interest in the infringing technology, the competitor flips the "switch" by substituting alternate non-infringing technology.

Some have questioned whether bait-and-switches would occur: since a successful switch implies a non-infringing substitute, the competitor would simply have offered the non-infringing substitute to begin with.[144] But a bait-and-switch scenario could occur in a market where the non-infringing substitute is imperfect, *i.e.*, it is good but not as good as the patented technology. In this situation, the patented technology may be the attention-grabbing, state-of-the-art product. Still, one might ask how a bait-and-switch could occur with an imperfect substitute – wouldn't the buyer simply leave and seek out the patentee's superior product? Not necessarily. Several factors relating to information and transaction costs may contribute to the customer staying with the competitor, including where relationships between the buyer and seller are important, where the buyer has already expended considerable transaction costs with the competitor and is unwilling to start over, and where information costs are high such that the competitor is unaware of the patentee.

Because information and transaction costs will cause some buyers to stay with a competitor even after the switch is pulled, competitors will be able to divert a percentage of sales from the patentee. Thus, in accordance with the policy of preventing a competitor from generating commercial interest in infringing technology to the detriment of the patentee, the law should protect patentees against this type of activity.

It might be argued, however, that patentees may be protected against intentional bait-and-switch tactics through laws prohibiting false

device but subsequently completing the sale with a non-infringing device as a bait-and-switch); Beloit Corp. v. Valmet Corp., 44 U.S.P.Q.2D (BNA) 1792 (W.D. Wis. 1997) ("[B]efore offers to sell were included in § 271(a), a third party could employ 'bait-and-switch' tactics by offering for sale a patented invention and then switching the offered design to a non-infringing one before the sale was complete.").

144 *See* Holbrook, *Threat of a Sale*, *supra* note XXX, at 795 n.273.

advertising.[145] A competitor may engage in an intentional bait-and-switch (as where the competitor never intended to sell the first-offered technology) or an unintentional bait-and-switch (as where the competitor modifies the offered technology after discovering, or in good faith more closely analyzing, a problematic patent).

A competitor who ***intentionally*** offers an infringing technology that it has no intent to sell would run afoul of false advertising laws. For example, the Federal Trade Commission Act ("FTC Act") prohibits any "false advertisement," which it defines as "an advertisement . . . which is misleading in a material respect."[146] Although apparently never litigated in the context of § 271(a), engaging in bait-and-switch advertising fits squarely within the FTC Act's prohibition against false advertising.[147] In addition, any advertisement to sell a product that the advertiser knows may infringe a patent may constitute false advertising if the advertiser does not disclose the risk of infringement. In determining whether an advertisement is misleading under the FTC Act, courts shall consider "the extent to which the advertisement fails to reveal facts . . . [that are] material with respect to consequences which may result from the use of the [advertised product]."[148] Since use in the U.S. by the buyer of an infringing product is an act of infringement,[149] the buyer would be subject to patent infringement damages. Such damages would appear to fall under the natural meaning of the phrase "material" consequences.

The FTC Act, however, may not provide adequate protection to patentees, because it does not create a private cause of action, but instead only empowers the FTC to bring actions.[150] The FTC may decide not to

---

145 *See infra* notes 132-143 (discussing various laws against false advertising).

146 15 U.S.C. § 55(a)(1).

147 16 C.F.R. § 238.1 (2006) ("No advertisement containing an offer to sell a product should be published when the offer is not a bona fide effort to sell the advertised product.").

148 15 U.S.C. § 55(a)(1).

149 35 U.S.C. § 271(a) (making the use of an infringing product within the U.S. an act of infringement). If the eventual contemplated sale was to occur outside the U.S. or for use outside the U.S., materiality under the FTC Act would likely depend in part on whether the use would infringe in the country where the sale or use would occur.

150 *See* Jeff Sovern, *Private Actions Under the Deceptive Trade Practices Acts: Reconsidering the FTC Act as Rule Model*, 52 OHIO ST. L.J. 437, 441 n.21 (1991) (citing cases for this proposition).

bring a suit for a variety of reasons, including limitations on resources and broader public interest concerns.[151] Further, since the focus of the FTC Act is on the consumer and not the patentee, even if a suit is brought, patentees will not receive a remedy.

Besides the Federal FTC Act, each state has adopted similar statutes called "little FTC acts," and has adopted other consumer protection measures to prohibit other unfair or deceptive practices.[152] Unlike the Federal FTC Act, many state acts give injured consumers the power to sue merchants who violate the statute, and some provide for treble damages, punitive damages, minimum damages, and/or the award of attorney's fees to successful consumer plaintiffs.[153] While the state acts may disincentivize parties from engaging in bait-and-switch tactics, many allow only consumers to sue, as opposed to competitors (*i.e.*, patentees) and thus do not adequately protect the patentee's interests.[154] Other state statutes, however, have been construed to allow competitors to sue.[155]

In addition to the Federal FTC Act and the various state actions, causes of action for false advertising may be brought under § 43 of the Lanham Act, which prohibits a "false or misleading representation of fact, which . . . in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or

---

151 *Id.* at 441-443.

152 *Id.* at 446-452; *see also* Henry N. Butler & Joshua D. Wright, *Are State Consumer Protection Acts Really Little-FTC Acts?*, 63 FLA. L. REV. 163 (2011); Stewart Macaulay, *Bambi Meets Godzilla: Reflections on Contracts Scholarship and Teaching v. State Unfair and Deceptive Trade Practices and Consumer Protection Statutes*, 26 HOUS. L. REV. 575, 582-89 (1989).

153 Sovern, *supra* note XXX, at 448.

154 *See, e.g.,* MO. ANN. STAT. § 407.025.1 (West 2006); OHIO REV. CODE ANN. § 1345.02(a) (2006); R.I. GEN. LAWS § 6-13.1-1(5)(M) (2006); *see also* David L. Belt, *the Standard for Determining "Unfair Acts or Practices" Under State Unfair trade Practices Acts*, 80 CONN. B.J. 247, 310-311 (discussing who has standing to sue under various state deceptive practices acts).

155 *See, e.g.,* Harrington Mfg. Co. v. Powell Mfg. Co., 248 S.E.2d 739, 742 (N.C. App. 1978) (holding that North Carolina's deceptive trade practices act, N.C. GEN. STAT. § 75-1.1(a), allows suits by competitors as well as consumers); *see also* Matthew W. Sawchak & Kip D. Nelson, *Remembering to Add Content to the Test for Unfairness In Unfair or Deceptive Practices*, 90 N.C. L. REV. ___ (forthcoming 2012) (draft on file with the author) (discussing at length N.C. GEN. STAT. § 75-1.1(a)).

another person's goods, services, or commercial activities."[156] Competitors can bring actions under the Lanham Act.[157] If a patentee could prove the competitor was engaging in a bait-and-switch tactic and never intended to sell the infringing article, the patentee could bring a false advertising claim. But if the competitor was not engaging in a bait-and-switch, it is not clear that the patentee could sue on a false advertising theory.

In sum, Federal and State false advertising laws may not adequately protect patentees against intentional bait-and-switch tactics that use infringing technology as the bait. Further, they may not adequately protect against unintentional bait-and-switch activities, even though such activities could divert sales from the patentee. Therefore, the strictness of the offer test should not be influenced by false advertising statutes. Instead, courts should construe "offer" under § 271(a) to include advertisements.

b) "Option to Modify" Clauses May Result In Lost Sales

Somewhat related to a bait-and-switch scenario is an offer to sell technology that includes an "option to modify" the technology to avoid patent infringement. While the option may be general in nature (*i.e.*, drafted to avoid any infringement of any patent, known or unknown), sometimes parties are aware of one or more specific patents and draft the option specifically toward the known patent(s). The defendant in *Transocean* included such an option in its offer of its offshore drilling rig.[158]

When drafting an option to modify, the option may be triggered by either discretionary or contingent events. A discretionary option would

---

156 15 U.S.C. § 1125(a)(1)(B) (2006) (prohibiting "unfair or deceptive acts or practices in or affecting commerce"); *id*. at § 52 (prohibiting "false advertisement").

157 *See, e.g.*, Am. Ass'n of Orthodontists v. Yellow Book USA, Inc., 434 F.3d 1100, 1103-04 (8th Cir. 2006); U.S. Healthcare v. Blue Cross of Greater Phila., 898 F.2d 914 (3d Cir. 1990).

158 Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contrs. USA, Inc., 617 F.3d 1296, 1308 (Fed. Cir. 2010) ("[T]he contract gave Maersk the option to alter the rig to avoid infringement.").

put the decision to modify in the discretion of a non-governmental entity or person, typically the offeror and/or offeree.[159] For example, the offeror could offer an infringing product, but reserve the right to modify it to a non-infringing configuration at its discretion. The opposite scenario is equally possible: the initial offer is for a non-infringing configuration with the optional modification infringing. Under either scenario, a court should find the offer infringes the patent. From the patentee's perspective, this is nothing more than an option to infringe. Making such offers actionable as infringement comports with the policy of preventing competitors from commercializing the patentee's technology. Since the offeree is presumably enticed by the infringing version of the technology offered (or else the offeror would not have bothered to risk infringement), the patentee may have lost a sale even if the non-infringing version of the technology is ultimately delivered.

In contrast to a discretionary option, a contingent option would make the option to modify triggered on an event that is outside the parties' direct or indirect influence or control. One such triggering event is a governmental actor (*e.g.*, judge) exercising its official authority to define, limit, or eliminate the patentee's powers under the patent. For example, the triggering event could be a court holding the patent claims invalid or unenforceable,[160] or holding that the particular technology that is covered by the option to modify does not infringe the patent's claim. A discretionary option that used such a triggering event would avoid infringement for an offer to sell where the original offer was for non-infringing technology. This is because the offer has not generated interest in infringing technology, but has expressly limited the possibility selling the particular technology to a situation where it does not infringe.

159 The option might be in the discretion of a third party (*e.g.*, an attorney or a neutral party), but, as discussed *infra* with respect to contingent options, unless the third party is a governmental actor with the authority to limit or eliminate the patentee's powers (*e.g.*, a court or the Patent and Trademark Office ("PTO")), the analysis is the same as when discretion remained with the parties.

160 A court may find a patent's claims invalid for failure to meet the various statutory requirements for patentability. *See, e.g.*, 35 U.S.C. §§ 101, 102, 103, and 112. A court may find a patent unenforceable based on the patentee's inequitable conduct when prosecuting the patent before the PTO. *See, e.g.*, Therasense, Inc. v. Becton, Dickinson & Co., __ F.3d ___, 99 U.S.P.Q.2D (BNA) 1065 (2011) (*en banc*).

On the other hand, where the contingent option is structured such that the initial offer is for the infringing technology, then the offer should be found to infringe since the modification to a non-infringing state is not certain to occur and the offer has generated interest in the infringing configuration. Similarly, even where the original offer is for non-infringing technology, where the contingent event is anything other than a governmental actor exercising its authority to define, limit, or eliminate the patentee's powers under the patent (*e.g.*, "if it rains on Tuesday" or, more realistically, "if 3rd quarter profits are up 10%"), a court should find the offer infringes[161] the patent because the possibility of obtaining the infringing technology has likely diverted sales.[162]

C. Conclusion: Advertisements and the Like Should Count as"Offers" Under § 271(a)

Keeping in mind the overarching policy goal of § 271(a)'s prohibition against "offers to sell" is to prevent competitors from generating interest in infringing technology to the detriment of the patentee, the above analysis reveals the contours of a proper test for an "offer" in U.S. patent law. Of the above arguments, the most forceful is that patentees can only be protected against price erosion and lost sales by defining "offer" to include advertisements and similar activities. Otherwise, a competitor could manipulate market prices to the patentee's harm. While the harm at times may be small or difficult to prove, those issues affect damage calculations, not whether the patentee should have the chance to prove damages at all.

An additional meritorious argument is that the test for an offer must not be so strict as to chill beneficial activity such as designing around a patent. For competitors to be willing to invest in designing around a patent, they must be able to measure market demand for an infringing

[161] This statement should be qualified for the possibility of strange (and unlikely to ever happen in the real world) triggering events, such as where the triggering event is certain not to occur before the expiration of the patent or at all (*e.g.*, if it rains on January 1, 2050). Such scenarios are almost certainly entirely theoretical.

[162] One could have a mixed contingent and discretionary option, such as where a contingent event outside the parties' control triggers the offeror or offeree's opportunity to exercise its discretion to modify. The analysis for whether or not such an offer infringes is determined solely by the contingent portion of the offer, as described above.

article and its close substitutes. To allow assessment of market demand, the definition of "offer" should not prohibit market investigation.[163]

Other arguments favoring a strict offer test are not convincing. First, while arguments that a low "offer" bar would increase litigation are true in part because broadening a patentee's right allows more infringing conduct, but there is no indication that it would be the "wrong" kind of litigation. Hence, the increased litigation should be tolerated. Second, arguments that a lax definition of "offer" will lead to overreaching by the patentee confuse the strictness of a test with its clarity. Courts should strive to create as clear a rule as possible to create certainty, but that says nothing about how strict or lax the rule should be.

In conclusion, the definition of "offer" in § 271(a)'s prohibition against infringing offers to sell should not prohibit market investigation, but should prohibit advertising and contract law offers.[164] Keeping in mind this test for what constitutes an "offer" under § 271(a), the next section compares this definition with the definition of "offer" in other areas of U.S. law and in foreign jurisdictions' patent laws.

V. HOW ELSE IS "OFFER" DEFINED?

This section first considers how U.S. law defines "offer" in contexts outside of contracts and patents and considers the policy rationales behind each definition. Second, this section considers how foreign jurisdictions have defined "offer" in the context of patent infringement, and the reasons behind those definitions. As will be shown, in both cases the analysis confirms that § 271(a) should prohibit advertisements as "offers to sell."

---

163 *See supra* note XXX and accompanying text for the definition of market investigation.

164 *See supra* notes XXX and accompanying text for the definitions of "advertising," "contract law offer," and "market investigation."

A. Other Meanings of "Offer" In U.S. Law

The term "offer" appears in a variety of contexts outside of traditional contract law and § 271(a). The definition of "offer" in these contexts can help inform how to define it under § 271(a).

1. Patent Law's On Sale Bar

U.S. Patent law provides in 35 U.S.C. § 102(b) that an inventor cannot obtain a patent if "the invention was . . . ***on sale*** in this country, more than one year prior to the date of the application for patent in the United States."[165] While the statute does not use the word "offer," the Supreme Court in *Pfaff v. Wells Electronics, Inc.*,[166] concluded that the on sale bar applies when a product is the subject of a "commercial ***offer for sale.***"[167] The Federal Circuit subsequently interpreted "commercial offer to sell" to mean an "an offer for sale in the contract sense."[168]

Thus, the Federal Circuit currently interprets § 102(b) and § 271(a) as both requiring a contractual "offer." This is not an inescapable conclusion. Recall that initially in the § 271(a) context the *3D Systems* Federal Circuit panel adopted a broader definition of an "offer" than the contract law definition.[169] The *3D Systems* court "decline[d] to import the authority construing the 'on sale' bar of § 102(b) into the 'offer to sell' provision of § 271(a)," and was untroubled by the inconsistency it introduced. The court simply noted that the policies between the two provisions differed,[170] and stressed that the policy underlying § 271(a) infringement was one of preventing an infringer from "generating interest

---

165 35 U.S.C. § 102(b) (emphasis added).

166 525 U.S. 55, 67 (1998).

167 *Id.* at 67 (emphasis added). Though not pertinent to our discussion, the court also held that to be "on sale" the product must also be "ready for patenting." *Id.*

168 Group One, Ltd. v. Hallmark Cards, Inc., 254 F.3d 1041, 1047 (Fed. Cir. 2001) ("Though the Court did not elaborate on what was meant by 'a commercial offer for sale' – the issue not being directly presented – the language used strongly suggests that the offer must meet the level of an offer for sale in the contract sense, one that would be understood as such in the commercial community.").

169 *See supra* note XXX and accompanying text.

170 3D Sys. v. Aarotech Labs. Inc., 160 F.3d 1373, 1379 n.4 (Fed. Cir. 1998).

in a potential infringing product to the commercial detriment of the rightful patentee."[171]

As discussed throughout this Article, this author agrees with the *3D Systems* court's intuition that an "offer" under § 271(a) should be less strict than the contract law definition.[172] Further, while it is true that the policies between the § 271(a) and § 102(b) differ, the differing policies do not necessarily dictate a different definition of "offer," and the test for an offer under § 102(b) should be more relaxed that the contract law standard, as many commentators have argued.[173]

The policies behind the on sale bar demonstrate that the test under § 102(b) should include advertisements. The *Pfaff* Court recognized several policies underlying the § 102(b) on sale bar, including (1) preventing inventors from commercializing their inventions while delaying applying for a patent,[174] (2) "reluctance to allow an inventor to remove existing knowledge from public use,"[175] (3) encouraging prompt

---

[171] *Id.* at 1379.

[172] As discussed above *Rotec* declined to follow *3D Systems*' dicta, and instead revised the standard for offer to sell infringement to be a commercial offer to sell in the contract sense. *See supra* notes XXX and accompanying text. In doing so, the *Rotec* court glossed over the reinterpretation of the term "offer" and implied that its prior *3D Systems* decision was "consistent" with the Supreme Court's *Pfaff* decision. *See* Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1254 (Fed. Cir. 2000).

[173] *See, e.g.,* Frank Albert, *Reformulating the On Sale Bar*, 28 HASTINGS COMM. & ENT. L.J. 81, 88 (2005) (noting that the current on sale bar test "allows inventors to . . . begin building demand for their invention [because they] may advertise, give price quotes, [and] send product samples to potential customers"); Holbrook, *Threat of a Sale*, *supra* note XXX, at 780-84, 799 (noting problems with the "commercial offer for sale" portion of the on sale bar and arguing that "the focus [of the § 102(b) on sale bar] should be on what was in the public domain, as opposed to the exact nature of the transaction"); Mark Levy, *An Analysis of the On Sale Bar and Its Impact on the Structure and Negotiation of Development Agreements*, 30 U. DAYTON L. REV. 181, 206 (2004) (outlining strategies for an inventor wishing to commercialize its invention without triggering the "offer" prong of the on sale bar); Stephen Bruce Lindholm, Comment, *Revisiting Pfaff And The On-Sale Bar*, 15 ALB. L.J. SCI. & TECH. 213, 217 (2004) (noting that "parties are sometimes able to avoid meeting the [on sale bar] through careful contracting").

[174] Pfaff v. Wells Elecs., Inc., 525 U.S. 55, 64 (1998) (identifying an interest in "confining the duration of the monopoly to the statutory term").

[175] *Id*.

and widespread disclosure of inventions to the public,[176] and (4) giving investors a reasonable period to discern the potential value of an invention."[177]

Since one of the policies for the on sale bar is to prevent inventors from commercializing their inventions while delaying applying for a patent, a contract law test for what constitutes an "offer" under § 102(b) is inadequate for the same reasons that it is inadequate to an infringing "offer" to sell under § 271(a): commercialization does not require a formal contract law offer. Further, none of the other enunciated policies undergirding the on sale bar supports a strict test for on "offer." Hence, the test for an "offer" under § 102(b) should be the same as the test under § 271(a).[178]

2. Trademark Law

The Lanham Act[179] is the principle source of federal law governing trademarks. The Lanham Act appears to treat advertisements as something separate from an offer to sell, thus suggesting that an "offer" does not include an "advertisement." Specifically, § 32(1)(a) imposes liability on a person who, without permission, "use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, ***offering for sale***, distribution, ***or advertising*** of any goods or services, . . . if such use is likely to cause confusion, or to cause mistake, or to deceive."[180]

---

176 *See id.* at 63 ("[T]he patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology . . . .").

177 *See id.* at 64-65 (discussing the ability of an inventor to test his invention and the market for it within the time allowed by Congress); *see also 3D Sys.*, 160 F.3d at 1379 n. 4 (listing policies underlying the on sale bar).

178 It could be argued that the on sale bar should have a higher standard for an "offer" than § 271(a)'s infringement provision, since other prior art provisions in 102(b) might cover advertisements and the like. For example, to the extent that an advertisement is generally available to the public and clearly discloses all claimed features of the invention, it would qualify as a "printed publication" under § 102(b). But the "printed publication" prong might not cover confidential or small-scale solicitations or advertisements.

179 15 U.S.C. § 1051 *et seq.*

180 15 U.S.C. § 1114(1)(a) (emphasis added).

Basic statutory construction dictates that by specifically listing both "offering for sale" and "advertising," the Lanham act considers the former not to encompass the latter, otherwise, the listing of "advertising" would be superfluous. This fact supports a theory that Congress knows how to include "advertising" in a list of liability-inducing acts, and thus its failure to include "advertising" in § 271(a) should preclude interpreting "offer" broadly for patent infringement purposes.

On the other hand, a review of the policies behind the Lanham Act demonstrates that including "advertising" in its prohibitions was required to fulfill the law's intent. Whatever the force of the statutory comparison between § 32(1)(a) of the Lanham Act and § 271(a) of the patent act, an analysis of the Lanham Act's policies reinforces the argument that patent law should include "advertisements" in its definition of "offer" under § 271(a).

Trademark law has both a consumer protection rationale and a utilitarian rationale. Under the consumer protection rationale, trademark law protects consumers against confusion as to the quality and source of certain goods: consumers associate a trademark with the producer of those goods, and thus the quality of the goods.[181] If a competitor could sell its goods under the trademark of a well-known brand (*e.g.*, Starbucks), the consumer would be harmed if the competitor's goods were not the same quality as the trademark owners (*e.g.*, the consumer might pay $4.00 for a terrible cup of coffee). If trademark law did not prohibit advertisements using another's trademark, competitors would likely bombard buyers with advertisements for brand-name goods to grab buyers' attention even if the competitor did not formally "offer" the goods for sale. In that case, consumers would be harmed and the purposes of the Lanham Act would be partially unfulfilled.

---

[181] *See, e.g.,* Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S.C. L. REV. 695, 699-700 (1998) ("The primary stated purpose for legal recognition of trademark rights is to prevent consumer confusion. . . . [Consumers] use the mark as a signal of the quality of goods, expecting that goods branded with the mark will be of the quality they have come to associate with past purchases bearing the mark."); 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.01[1] (3d ed. 1996) ("The policies of consumer protection, property rights, economic efficiency and universal concepts of justice underlie the law of trademarks.").

Additionally, the Lanham Act embodies a utilitarian rationale that encourages companies to invest in high quality goods by protecting consumers' association between the high quality goods and the producer.[182] Because only the trademark owner can control who uses the trademark (and thus its associated consumer goodwill), trademark owners will be willing to invest in quality goods to build up goodwill. Obviously, a trademark owner's incentive to invest in high quality goods would be dented if the law only prevented infringing "offers" in the contract law sense, but permitted competitors to "advertise" using the owner's trademark. If the Lanham Act did not include "advertising" in its prohibitions, trademark owners' investments would be largely unprotected.

The Lanham Act's protection of a trademark owner's investment in the quality of its goods provides particularly interesting parallels to infringement for an "offer to sell" in patent law. In both cases, the owner of a right (trademark or patent) is harmed by a competitor's activity (an advertisement) that is directed toward buyers. In both cases, a mere advertisement, even if not followed by a sale, is enough to harm the right owner through price depression and possibly lost sales. Why then, does the Lanham Act specifically preclude advertisements whereas the patent act does not? Because no legislative history accompanied the amendment to § 271(a), we cannot glean any intent from Congress in this regard. The inclusion of "advertising" in the Lanham Act may be explained in part on its focus on consumers, whose harm from false advertisements is perhaps historically more obvious and/or urgent than the trademark owner's harm. In addition, the Lanham Act had the benefit of years of common law development (both regarding trademarks and unfair competition) preceding it,[183] whereas patent law's "offer to sell" provision was brought

---

182 *See, e.g.,* Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164 (1995) ("[Trademark] law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby 'encourage[s] the production of quality products.'") (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.01[2] (3d ed. 1994)).

183 *See, e.g.,* Edward S. Rogers, *The Lanham Act and the Social Function of Trademarks*, 14 LAW & CONTEMP. PROBS. 173 (1949); Keith Stolte, *How Early Did*

about quickly to comply with the United States' obligations under the TRIPS agreement.[184]

Regardless, it is clear that trademark's utilitarian and consumer protection goals are best achieved by including commercial activity broader than formal contract law "offers." While the Lanham Act specifically includes "advertisements" as a prohibited activity and the patent act does not, the lack of any legislative history or guidance behind § 271(a)'s inclusion of liability for an "offer to sell" provides courts with flexibility in interpreting that provision.[185] Thus, in the patent law context, courts should recognize the parallels between the goals of the Lanham Act and § 271(a) of the patent act and should interpret § 271(a) to include activities such as advertisements in the definition of "offer."

3. Securities Act of 1933

The phrase "offer to sell" also appears in securities law. As with trademark law, the difference in policies between securities law and traditional contract law result in a broader definition of "offer" in securities law. As will be seen, the same type of policy that forces a broader definition for "offer" in securities law demonstrates that courts should interpret the term "offer" in § 271(a) more broadly than the current contract law standard.

The 1933 Securities Act[186] regulates offerings of securities, such as an initial public offering. Various sections of the Securities Act impose liability on persons who "***offer***" to sell securities in violation of provisions the Act (*e.g.*, by making false statements).[187] The statute does not leave

---

Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum," 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 505 (1988).

184 *See* TRIPS, *supra* note XXX, and accompanying text.

185 *See supra* notes XXX.

186 This Article focuses on selected provisions of the Securities Act of 1933. Congress has enacted other acts to provide various forms of protection to investors. *See, e.g.,* the Securities Exchange Act of 1934; Public Utility Holding Company Act of 1935; Trust Indenture Act of 1939; Investment Company Act of 1940; Investment Advisers Act of 1940; and the Securities Investor Protection Act of 1970.

187 *See, e.g.*, 15 U.S.C. § 77e(c) (2011) (making it unlawful for "any person . . . to ***offer to sell*** or offer to buy through the use or medium of any prospectus . . . unless a registration statement has been filed as to such security . . . ."); *id.* at § 77l(a) (imposing liability on "[a]ny person who ***offers*** or sells a security" in violation of provisions of the

the definition of "offer" to the common law standard, but instead defines "offer" (and "offer to sell" and "offer for sale") to "include every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value."[188]

Further, the statutory definition is not limited to the items listed: by stating that the offer can "include" certain things, the statute implies it is not limited to that list.[189] An example of the Security Act's broad interpretation can be found in Section 5(c)'s[190] treatment of "gun-jumping," which is offering a security before the issuer, underwriter, or dealer has filed a registration statement.[191] In the pre-filing context, the SEC has expansively defined "offer," and in 1959 held that an offer is everything that "even though not couched in terms of an express offer, condition[s] the public mind or arouse[s] public interest in the particular securities."[192] While the Securities Act is an extremely complex and evolving piece of legislation, and while there are exceptions to the broad definition of "offer,"[193] the Act generally treats "offers" is to include advertisements and other concepts not included in the common law definition.[194]

Act); *id.* at § 77q (regulating the "***offer*** or sale of any securities or any security-based swap agreement" against fraudulent interstate transactions) (emphasis added).

188 15 U.S.C. § 77b(a)(3) (2011). The section further provides that "[a]ny security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been offered and sold for value."

189 Eric A. Chiappinelli, *Gun Jumping: The Problem of Extraneous Offers of Securities*, 50 U. PITT. L. REV. 457, 461 (1989).

190 15 U.S.C. § 77e(c).

191 *See, e.g.,* Chiappinelli, *supra* note XXX, at 466.

192 *In re* Carl M. Loeb, Rhoades & Co., 38 S.E.C. 843, 850 (1959); *see also Publication of Information Prior to or After Effective Date of Registration Statement*, Securities Act Release No. 3844, 1 FED. SEC. L. REP. (CCH) P 3250, P 3254-56, at 3147, 3149-52 (Oct. 8, 1957) (offering examples of pre-filing publicity that violated section 5(c)).

193 *See* Chiappinelli, *supra* note XXX, at 462-63 (discussing exceptions, including SEC Rule 135 (17 C.F.R. § 230-135) that "allows issuers to announce that they intend to offer securities to be registered under the Act if the notice is restricted to certain basic information about the issuer and the issue, and states that the offer will be made only by means of a prospectus").

194 *See id.*; *see also* THOMAS LEE HAZEN, THE LAW OF SECURITIES REGULATION, §2.3[2] (6th ed. 2009); Jeffrey A. Brill, Note, *"Testing the Waters" – The SEC'S Feet Go from Wet to Cold*, 83 CORNELL L. REV. 464 (1998); Stuart R. Cohn, *Securities Markets*

The Securities Act adopts a broad definition of "offer" because it seeks, as its preamble states, "[t]o provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof . . . ."[195] Thus, the Act seeks to protect consumers by forcing offering companies to file registration statements, which in turn helps to "assure that the investor has adequate information upon which to base his or her investment decision."[196] If companies seeking to offer securities were allowed to advertise them before filing a registration statement, they would be able to generate commercial interest in the offering before adequate (or perhaps truthful) information was available.

The Security Act's consumer-protection focus largely mirrors that of trademark law. As with trademark law, the logic behind the Act's expansive definition of "offer" is clear: a narrow, contract law definition would not adequately protect consumers. While patent law's § 271(a) protects patentees, rather than consumers, the parallels between the Security Act's policy and the patent act's policy are striking: the SEC recognizes any activity that "arouses public interest"[197] in securities can harm the public, and the Federal Circuit recognizes that § 271(a)'s purpose is to prevent a competitor from "generating interest in a potential infringing product to the commercial detriment of the rightful patentee."[198]

Even though the Securities Act and the patent act concern the same core harm, *i.e.*, an entity improperly "arousing" or "generating" interest in a thing being commercialized, the Federal Circuit continues cling to an ill-fitting contract law definition of "offer." The Federal Circuit should broaden the definition under § 271(a) to prevent harms to patentees from advertising and related activities.

for Small Issuers: The Barrier of Federal Solicitation and Advertising Prohibitions, 38 U. FLA. L. REV. 1 (1986).

195 Securities Act of 1933, ch. 38, 48 Stat. 74 (preamble) (codified as amended at 15 U.S.C. §§77a-77aa (2006).

196 HAZEN, *supra* note XXX, at §2.2[1][A].

197 *See supra* note XXX and accompanying text.

198 3D Sys. v. Aarotech Labs. Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998); *see also supra* Section III (discussing the Federal Circuit's treatment of § 271(a)).

4. Endangered Species Act

In 1973, the United States enacted the Endangered Species Act ("ESA"),[199] in large part to fulfill its obligations under the newly signed Convention on International Trade in Endangered Species of Wild Fauna and Flora ("CITES").[200] The ESA prohibits, with certain exceptions, a person from "sell[ing] or offer[ing] for sale in interstate or foreign commerce" certain endangered species.[201]

The statute does not define "offer," but a subsequent regulation provides that an "***advertisement*** for the sale of endangered wildlife which [includes a certain proviso] shall not be considered an ***offer for sale*** within the meaning of this section."[202] Because the regulation exempts a specific type of advertisement from the definition of "offer," by implication all other advertisements would be "offers."

In addition to the regulation, one judicial decision has touched on the meaning of "offer" under the ESA, though without much elaboration. In *United States v. Clark*,[203] the Fourth Circuit upheld a conviction of Clark for, among other things, offering for sale a Siberian tiger skin rug.[204] Unfortunately, it is unclear from the opinion whether the advertisement was specific enough to constitute an "offer" under traditional contract law.

---

199 7 U.S.C. § 136, 16 U.S.C. § 1531 et seq.

200 Convention on International Trade in Endangered Species of Wild Fauna and Flora, Mar. 3, 1973, 27 U.S.T. 1087, 993 U.N.T.S. 243, available at http:// www.cites.org/eng/disc/text.shtml; *see also* Elizabeth A. Beardsley, *Poachers with PCs: The United States' Potential Obligations and Ability to Enforce Endangered Wildlife Trading Prohibitions against Foreign Traders Who Advertise on eBay*, 25 UCLA J. ENVTL. L. & POL'Y 1, 3-7 (2006).

201 16 U.S.C. § 1538(a)(1)(F). Other statutes protecting wildlife and other items of interest have similar prohibitions. *See, e.g.,* 16 U.S.C. § 707(b) (1994) (prohibiting, inter alia, "offer[ing] for sale" certain migratory birds); 16 U.S.C. 668-668d (1994) (making it unlawful to "take, possess, sell, purchase, barter, offer to sell, purchase or barter, transport, export or import" bald eagles or golden eagles); CONN. GEN. STAT. ANN. 10-390(b) (West Supp. 1994) (forbidding a person to "sell, exchange, transport, receive or offer to sell, any archaeological artifact or human remains collected, excavated or otherwise removed from state lands or a state archaeological preserve").

202 50 C.F.R. § 17.21(f)(2) (emphasis added) (exempting from the definition of "offer" an advertisement that "carries a warning to the effect that no sale may be consummated until a permit has been obtained from the U.S. Fish and Wildlife Service").

203 986 F.2d 65 (4th Cir. 1993).

204 *Id.* at 67. Although the rug was not a live animal, the ESA defines endangered wildlife to include the dead bodies or parts of animals. 16 U.S.C. § 1532(8).

The opinion does not provide the specifics of the advertisements, noting only that Clark "advertised a Siberian tiger skin rug for sale in the *Washington Post*" and that "[o]ther advertisements in several national newspapers did not specify the kind of tiger."[205] It is possible that the advertisement could have included specific language that included price and who could purchase (*e.g.*, first come, first served) such that it would be an offer even under traditional contract law.[206] Thus, while one cannot be sure whether the advertisement was specific enough to constitute a contract law offer, one can infer from the lack of discussion about the details of the advertisement that the court was untroubled by this question.

It would seem that general advertisements would come within the ESA's definition of an offer. An ESA definition of "offer" that included general advertisements would make sense, because interpreting "offer" narrowly in the formal contract law sense would allow undesirable commercialization of animals and skins via advertising.

Thus, the ESA provides another interesting comparison to § 271(a) of the patent act. Both statutes included an undefined prohibition against "offers" to sell, both statutes were enacted to comply with international agreements, and both statutes will more fully implement their background policies by adopting a definition of "offer" that is broader than the contract law definition.

5. **<u>Criminal Law</u>**

Numerous criminal laws prohibit persons from offering to sell various dangerous items.[207] While not all statutes define "offer" and few, if any, cases litigate the issue, it strains reason to believe that one who merely "advertises" a prohibited dangerous weapon would escape

205 *Clark*, 986 F.2d at 67.

206 *See supra* note XXX and accompanying text.

207 *See, e.g.,* MICH. PENAL CODE § 750.224b (prohibiting any "offer to sell" a short–barreled shotgun); WISC. STATS. § 941.28(2) (same); Ill. Stat. 5/24-2.2 § 720 (prohibiting any "offer to sell" certain dangerous weapons); ANN. L. MASS. GEN. L. ch. 140, § 131N (same); *see also* Barton Deiters, *"Joke Ad" On eBay Offering Tot For Sale Could Land Prankster in Prison for More Than Two Years*, MLIVE.COM (July 21, 2011), http://www.mlive.com/news/grand-rapids/index.ssf/2011/07/joke_ad_on_ebay_offering_tot_f.html (detailing criminal charges brought against woman for placing an advertisement on eBay to sell her two-year old cousin).

prosecution simply because the advertisement did not amount to a contract law offer. [but cite to British case from 1960s (?) that did just that… Others?] Other criminal statutes define what an "offer" is, and, unsurprisingly, define it to include advertisements and the like.

For example, South Carolina and Florida laws make it "unlawful for any person . . . to offer to sell . . . any identification card or document purporting to contain the age or date of birth of the person in whose name it was issued" unless certain restrictions are met.[208] Recognizing that excluding advertisements from the definition of "offer" would inadequately protect the state's interest in protecting against false identification cards, each statute defines "offer to sell" to "include[] every inducement, solicitation, attempt, printed or media advertisement to encourage a person to purchase an identification card."[209] The broader definition of "offer" under criminal laws comports with the rationale of deterring certain undesirable behaviors and more fully protecting society against the harms associated therewith. By the same token, a broader definition of "offer" is needed under § 271(a) to protect patentees.

[Can I find cases litigating the issue in the U.S.?]

6. Conclusion Regarding U.S. Law

In areas of law outside the patent context, courts and/or legislatures have recognized that a contract law definition of "offer" is inadequate to implement various policy goals. Patent law stands out for its adherence to a contract law definition of an offer when it is clear that a broader definition is needed to protect patentees. While some statutes or regulations in these areas specifically provide a broader definition of an "offer," § 271(a) should not be confined to the common law meaning of "offer" since there are reasons "pointing another way" to a broader definition.[210]

208 S.C. CODE ANN. § 16-13-450(1) (2010); FLA. STAT. § 877.18(1) (2011).

209 S.C. CODE ANN. § 16-13-450(3); FLA. STAT. § 877.18(2).

210 *See supra* notes XXX.

B. The Meaning of "Offer" in Foreign Patent Law

In contrast to the U.S. courts' narrow definition of an "offer" to sell an infringing product, foreign countries generally define "offer" more broadly to include advertisements and the like. As the Federal Circuit has recognized, the fact that "the United States agreed to include ['offers to sell' as an act of infringement], suggest[s] that the amendment to § 271(a) reflects the approaches of the other signatory nations."[211] While it is not the duty of U.S. courts to harmonize laws for the sake of harmonization,[212] where the foreign nations' interpretations of their patent laws coincide with the policy rationales recognized by the Federal Circuit for § 271(a), the persuasive authority of foreign jurisdictions should be unusually forceful. This Article considers various foreign approaches below.

1. The United Kingdom

The United Kingdom's patent law creates liability for infringement when a person "makes, disposes of, ***offers to dispose of***, uses or imports" a patented product without permission in the U.K.[213] The U.K. statute's "offers to dispose of" parallels the U.S. statute's "offers to sell." While the U.K.'s term "disposes" arguably connotes a broader category of transactions than the U.S.'s "sells"[214] (*e.g.*, offers of gifts) both statutes use the identical word "offer," and both should interpret "offer" in the same way.

---

211 *Rotec*, 215 F.3d at 1253. Of course, the *Rotec* court went on to reject the approach of the U.K., a signatory nation. *See supra* notes XXX and accompanying text.

212 *See generally* Edward Lee, *The New Canon: Using or Misusing Foreign Law To Decide Domestic Intellectual Property Claims*, 46 HARV. INT'L L.J. 1 (2005).

213 Patents Act of 1977, vol. 37, pt. I, 60(1)(a) (Eng.) (emphasis added) [hereinafter *U.K. Patents Act*]. Others have helpfully discussed the state of the U.K.'s patent laws regarding offers to dispose. *See* Holbrook, *Threat of a Sale*, *supra* note XXX at 784-86; David Sulkis, Note, *Patent Infringement by Offer To Sell: Rotec Industries, Inc. v. Mitsubishi Corporation*, 38 HOUS. L. REV. 1099, 1112-16 (2001); Zelson, *supra* note XXX at 1309 n.142.

214 Indeed, other areas of the U.K. Patents Act distinguish between "selling" and "disposing." *See U.K. Patents Act*, *supra* note XXX, §55(1)(a)(ii) (allowing, in certain circumstances, the government to "sell or offer to sell [another's patented product] for foreign defence purposes or for the production or supply of specified drugs and medicines, or ***dispose*** or offer to ***dispose*** of it (***otherwise than by selling it***) for any purpose whatever") (emphasis added).

Since at least 1995, U.K. courts have broadly interpreted the term "offer" in patent law, as evidenced by the decision in *Gerber Garment Technology Inc. v. Lectra Systems Ltd*.[215] The *Gerber* court interpreted "offer" to include not simply contract law offers, but also advertisements and the like, recognizing that such acts "disturb[] the patentee's monopoly."[216] Thus, U.K. patent law recognizes the harm a patentee suffers from advertisements and activities not amounting to a contract law offer.

It is worth noting that when interpreting the term "offer," the *Gerber* court relied in part on a treaty to which the U.K. was at the time a signatory, the Convention for the European Patent for the Common Market (Community Patent Convention, or simply "CPC").[217] The CPC was an early attempt to create a uniform European patent law,[218] which never became binding because too few EU member states ratified it.[219] Even though not ratified by all EU members,[220] the CPC provides insight into both the U.K.[221] and the EU countries' views regarding the appropriate interpretation of infringement for an offer to sell. Specifically,

---

215 [1995] 13 R.P.C. 383 (U.K. Patents Ct.).

216 *Id.* at 411-12 (specifically declining to limit "offer" to a contract law definition and stating that one "who approaches potential customers . . . by advertisement saying he is willing to supply a machine, terms to be agreed, is offering it").

217 Convention for the European Patent for the Common Market (Community Patent Convention), 1976 O.J. (L 17) 1, available at http://legis.obi.gr/espacedvd/legal_texts/LAWS_E/eu_cvn04.htm [hereinafter *CPC*]. The CPC, which was signed December 15, 1975, but never become effective, should not be confused with the European Patent Convention (EPC), also known as the Munich Convention, which was signed in Munich, Germany, on October 5, 1973 and became effective on October 7, 1977. 1065 U.N.T.S. 199, *available at* http://www.european-patent-office.org/legal/epc.

218 *See, e.g.,* Seth Cannon, Note, *Achieving the Benefits of a Centralized Community Patent System at Minimal Cost*, 35 CASE W. RES. J. INT'L L. 415, 415-16 (2003).

219 *See* Canon, *supra* note XXX, at 421 n.43 (citing Michael Burnside, *The Community Patent Convention: Is It Obsolete In Its Present Form?*, 14 E.I.P.R. 285 (1992)).

220 The failure of the CPC did not have anything to do with the scope of the "offer" provisions, but centered on issues such as sovereignty and what languages the patents would be published in. *See* Vincenzo Di Cataldo, *From the European Patent to Community Patent*, 8 COLUM. J. EUR. L. 19, 27-29 (2002).

221 Though it has since repealed its implementation of the CPC, the U.K. had at one time adopted the CPC. *See U.K. Patents Act*, *supra* note XXX, § 86 (1977) (subsequently repealed by the U.K. Patent Act 2004, Ch. 16).

Article 25 provides that a "Community patent shall confer on its proprietor the right to prevent all third parties not having his consent . . . from making, ***offering, putting on the market*** or using a product which is the subject-matter of the patent . . . ."[222]

The CPC's text is interesting in that it appears to distinguish between "offering" and "putting on the market." In accord with this Article's argument that courts should penalize advertisements for infringing technology, the CPC makes clear a policy to prohibit more than contract law offers by specifying "putting on the market" as an infringing act. At the same time, however, the CPC appears to distinguish between "offering" and "putting on the market," and that since "putting on the market" likely covers advertising, by implication the term "offering" does not include advertising. Whatever the reasons for the CPC's separate recitation, however, it is clear that the U.K. does not read the term "offer" in its statute so narrowly. Instead, the U.K. recognizes that comprehensive protection of a patentee requires protection against advertising, and that and advertisement can constitute an offer under its patent laws.

2. <u>Germany</u>

German law prohibited offers to sell as far back as 1877.[223] Consistent with U.K. courts, German courts hold that the term "offer" "must be understood in the economic sense and does not coincide with the legal term of a contract offer,"[224] but rather includes advertising and related commercial marketing.[225] Thus, German patent law supports this

---

222 *CPC*, *supra* note XXX, at Art. 25(a).

223 MARKETA TRIMBLE, GLOBAL PATENTS: LIMITS OF TRANSNATIONAL ENFORCEMENT, § 3.3 (Oxford U. Press, *forthcoming* Jan. 2012) (excerpts on file with the author) (citing German Patent Act of 1877, §4 and noting that "[t]he Act used the term 'feilhalten' as opposed to the term 'anbieten' that was used later. The term 'feilhalten,' somewhat more limited than 'anbieten,' was eventually interpreted so broadly that it overlapped with 'anbieten.'") (citing Gerhard Schricker, *Anbieten als Verletzungstatbestand im Patent- und Urheberrecht*, 2004 GRUR INT. 786, 787-788).

224 *Thermocycler*, Düsseldorf Oberlandesgericht, 2 U 58/05, Dec. 21, 2006, 2007 GRUR-RR 259, 261 (translated and quoted in TRIMBLE, *supra* note XXX at § 3.3).

225 *See* TRIMBLE, *supra* note XXX at § 3.3 (citing, *inter alia*, *Kreuzbodenventilsäcke*, Bundesgerichtshof, I ZR 109/58, Mar. 29, 1960, 1960 GRUR 423; *Kupplung für optische Geräte*, Bundesgerichtshof, X ZR 179/02, Sept. 16, 2003; Reichsgericht, I 137/33, Jan. 13, 1934, RGZ 29, 173; *Zeitlagenmultiplexverfahren*,

Article's thesis that courts should interpret an "offer" as broader than a contract law offer.

Germany's understanding of an "offer" to sell in the patent infringement context is particularly salient because Germany's interpretation existed before the TRIPS agreement, and thus provides an understanding of what the term "offer to sell" means under TRIPS. Because Congress provided no guidance or legislative history with its adoption of this TRIPS provision, the most logical assumption is that Congress adopted the meaning used by the major countries favoring the inclusion of "offering to sell" as a mode of infringement. In addition, as with the U.K.'s interpretation of "offer," Germany's interpretation better aligns with § 271(a)'s policy of preventing an infringer from generating interest in another's patented technology to the harm of the patentee.

3. <u>Other Countries</u>

Research revealed no cases in Canada or Australia directly interpreting the meaning of the term "offer" or discussing whether "offer" includes advertisements.

Australian patent law, rather than directly defining patent infringement, gives the patentee the exclusive right "to exploit the invention,"[226] and then defines exploit to "include [the right to] . . . ***offer to make [or] sell***" the product.[227] While no decision interpreted the scope of an "offer,"[228] the Federal Court of Australia has hinted that the right to

---

Düsseldorf Landgericht, 4a O 124/05, Feb. 13, 2007; and Schricker, *supra* note XXX at 787).

[226] Australian Patent Act of 1990, § 13(1).

[227] *Id.* at Sch. 1.

[228] One court decision might imply that a letter soliciting offers to buy would constitute an offer. In *Air-Cell Innovations Pty Ltd. v Tanwing Int'l* [2006] FCA 1117 (21 August 2006), the court granted an injunction based on evidence that the defendant "sold" an infringing product and/or "offered" the infringing product for sale. *Id.* at ¶¶ 14-15. The evidence of the "offer" was a "distribution of letters to a number of potential purchasers" and "a number of entities contacted by the respondent as potential purchasers of the product." *Id.* at ¶ 15. Unfortunately, however, the court decision did not detail the letters' contents, and thus they may have amounted to a formal contract law offer.

"exploit" should be construed broadly, since "[t]he definition of 'exploit' in the present Act is not exhaustive; it 'includes' the matters specified.[229]

Interestingly, Canadian patent law does not appear to prohibit "offers" to sell infringing products, despite Canada's obligations under TRIPS Article 28.[230] Canada's patent laws give the patentee "the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used,"[231] but does not mention offers to sell.[232]

[I'VE GOT TO FIND A WAY TO TRACK THIS ANSWER DOWN.]

4. Conclusion Regarding Foreign Patent Law

To the extent that a foreign jurisdiction's treatment of an offer to sell should influence the United States' treatment of § 271(a), there is highly persuasive authority to broaden the definition of "offer." Two of the most influential jurisdictions, the U.K. and Germany, interpret "offer" more broadly than its traditional contract law meaning to include advertisements. In addition to a desire to harmonize laws internationally, these countries' treatments should be found persuasive because they better align with the policy behind § 271(a)'s offer to sell provision, which is to prevent an infringer from generating commercial interest in a patented product to the detriment of the patentee.

---

229 Azuko Pty Ltd. v Old Digger Pty Ltd. [2001] FCA 1079 (8 August 2001) at ¶ 118.

230 *See* TRIPS, *supra* note XXX.

231 1985 Revised Statutes of Canada, ch. P-4, § 42 (1985) ("Every patent granted under this Act shall contain the title or name of the invention, with a reference to the specification, and shall, subject to this Act, grant to the patentee and the patentee's legal representatives for the term of the patent, from the granting of the patent, the ***exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used***, subject to adjudication in respect thereof before any court of competent jurisdiction.") (emphasis added).

232 Research revealed no discussion of this apparent TRIPS violation.

VI. CONCLUSION

The policies that result in contract law's rather strict definition of what constitutes an "offer" to sell have little relevance to the reason patent law prohibits "offers" to sell infringing technology. Whereas contract law seeks to preserve the notion of freedom from contract by setting a standard for what constitutes an "offer" that excludes advertisements and similar activity, patent law's objective is to prevent an infringer from generating commercial interest in a patented product to the detriment of the patentee. Because an infringer's advertisements and similar activities can both generate interest in another's patented product and cause the patentee harm in the form of price erosion and lost sales, courts should interpret § 271(a) to prohibit advertisements and the like. Influential foreign jurisdictions interpret their patent laws to preclude advertisements. In addition, numerous areas of law in the U.S. use the term "offer" and defined it to include advertisements and related activities, and the policy reasons for these broad definitions share commonalities with § 271(a). It is time for patent law to relinquish its myopic adherence to the contract law definition of an "offer" to sell under § 271(a) and broaden the definition to better achieve its policy goal.