

## NOTES

### EXTRATERRITORIAL PATENT ENFORCEMENT AND MULTINATIONAL PATENT LITIGATION: PROPOSED GUIDELINES FOR U.S. COURTS

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## INTRODUCTION

PROFESSOR Donald Chisum, in his 1997 comment “Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law,” predicted that “[t]wo developments—the increasing interdependence of the global economy and the growing concern over the costs of multinational intellectual property rights procurement and enforcement—will make territorialism an unacceptable obstacle to international trade.”<sup>1</sup> Almost ten years later, Chisum’s prediction seems prophetic as courts increasingly face decisions about whether to extend domestic patent law abroad through extraterritorial enforcement and whether to adjudicate foreign patents through multinational patent litigation. While U.S. courts have exhibited a willingness to extend U.S. patent law extraterritorially, they have been reluctant to adjudicate foreign patents. This Note will suggest that U.S. courts should enforce parallel foreign patents through multinational patent litigation before seeking to extend U.S. patent law extraterritorially.

Patent law is traditionally territorial in scope. Territoriality in patent law generally means that a patent owner can exclude others from making, using, offering to sell, or selling his or her patented invention in the jurisdiction that granted the patent and nowhere else. The primary statute in the Patent Act<sup>2</sup> that governs patent infringement—35 U.S.C. § 271(a)—also illustrates the territoriality of patent infringement, providing that a person who “without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”<sup>3</sup> Congress, however, has expanded the effective territorial scope of U.S. patents by adding Sections 271(f) and (g) to the Patent Act<sup>4</sup> and by adding two means of infringement: importing

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<sup>1</sup> Donald S. Chisum, Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law, 37 Va. J. Int’l L. 603, 616 (1997).

<sup>2</sup> 35 U.S.C. §§ 1–376 (2000).

<sup>3</sup> See 35 U.S.C. § 271(a); see also Margo A. Bagley, Patently Unconstitutional: The Geographical Limitation on Prior Art in a Small World, 87 Minn. L. Rev. 679, 729 (2003); Curtis A. Bradley, Territorial Intellectual Property Rights in an Age of Globalism, 37 Va. J. Int’l L. 505, 520–23 (1997).

<sup>4</sup> Patent Law Amendments Act of 1984, Pub. L. No. 98-622, § 101(a), 98 Stat. 3383, 3383 (codified at 35 U.S.C. § 271) (adding § 271(f)); Process Patent Amendments Act

into the United States and offering for sale.<sup>5</sup> Professor Chisum suggests that “[t]hese individual pieces of legislation and the resulting interpretive problems raise fundamental questions regarding the territorial scope of a U.S. patent.”<sup>6</sup> Moreover, in interpreting this recent legislation, courts have exhibited a willingness to expand the reach of U.S. patent law.<sup>7</sup>

Concurrent with Congress’s and the judiciary’s struggle to resolve these “fundamental questions regarding the territorial scope” of U.S. patents, the United States Court of Appeals for the Federal Circuit recently faced the question of whether U.S. courts should adjudicate claims based on foreign patents in *Voda v. Cordis Corp.*<sup>8</sup> Professors Bradley and Chisum have agreed that U.S. courts’ reluctance to adjudicate claims based on foreign intellectual property laws is “overly parochial.”<sup>9</sup> Notably, they made these observations before the Federal Circuit’s recent decisions in *NTP, Inc. v. Research in Motion*,<sup>10</sup> *AT&T Corp. v. Microsoft Corp.*,<sup>11</sup> *Eolas Technologies v. Microsoft Corp.*,<sup>12</sup> and *Bayer AG v. Housey Pharmaceuticals*<sup>13</sup> regarding the extraterritorial reach of U.S. patent law. U.S. courts’ reluctance to adjudicate foreign patent claims is inconsistent with these recent decisions that seek to stretch U.S. patent law even further.<sup>14</sup> This Note will propose that courts, instead of trying

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of 1988, Pub. L. No. 100-418, § 9003, 102 Stat. 1563, 1563–64 (codified as amended at 35 U.S.C. § 271(g)) (adding § 271(g)).

<sup>5</sup> Uruguay Round Agreements Act, Pub. L. No. 103-465, § 533, 108 Stat. 4988, 4988 (1994) (codified at 35 U.S.C. § 271(g)).

<sup>6</sup> Chisum, *supra* note 1, at 608.

<sup>7</sup> See *NTP, Inc. v. Research in Motion*, 418 F.3d 1282 (Fed. Cir. 2005); *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366 (Fed. Cir. 2005), *rev’d*, 127 S. Ct. 1746 (2007); *Eolas Techs. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005), *cert. denied*, 126 S. Ct. 568 (Oct. 31, 2005) (No. 05-288).

<sup>8</sup> 476 F.3d 887, 889–90 (Fed. Cir. 2007) (holding that the district court abused its discretion in extending its jurisdiction to foreign patent infringement claims). Additionally, over ten years prior to *Voda*, the Federal Circuit declined to exercise jurisdiction over patent infringement claims of a Japanese patent.

<sup>9</sup> See Bradley, *supra* note 3, at 577; Chisum, *supra* note 1, at 610.

<sup>10</sup> 418 F.3d 1282 (Fed. Cir. 2005).

<sup>11</sup> 414 F.3d 1366 (Fed. Cir. 2005), *rev’d*, 127 S. Ct. 1746 (2007).

<sup>12</sup> 399 F.3d 1325 (Fed. Cir. 2005).

<sup>13</sup> 340 F.3d 1367 (Fed. Cir. 2003).

<sup>14</sup> Professor John R. Thomas made a similar argument in an amicus brief to the Federal Circuit in *Voda*. Brief for Amici Curiae Law Professors in Support of the Appellee, *Voda v. Cordis Corp.*, No. 05-1238, 2007 WL 269431 (Fed. Cir. Feb. 1, 2007), 2005 WL 2156900. John Thomas, Georgetown University Law Center, is the principal au-

to apply U.S. patents extraterritorially as a default rule, first should consider enforcing foreign patents in certain situations.

Academics, practitioners, and judges alike need a current examination of the interaction between extraterritorial patent enforcement and multinational patent litigation.<sup>15</sup> Given that an increasing number of entities hold patents on the same inventions in multiple jurisdictions,<sup>16</sup> multinational patent litigation inevitably will continue to be a crucial issue in international patent law. This Note will bring together divergent strands of research by examining both extraterritorial patent enforcement and multinational patent litigation.<sup>17</sup>

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thor of the brief, and he is joined by Professors Christopher A. Cotropia, Graeme B. Dinwoodie, Jay P. Kesan, and Mark A. Lemley.

Harold Wegner also has argued that “the clear pathway for reaching the result sought by an Eolas or Housey is transnational patent enforcement.” Harold C. Wegner, *Voda v. Cordis*: Trans-Border Patent Enforcement 12 (Nov. 17, 2005) (manuscript prepared for the 2005 Advanced Patent Law Program at the U.S. Patent and Trademark Office, available at [http://www.foley.com/files/tbl\\_s31Publications/FileUpload137/2989/Voda\\_Texas\\_Paper.pdf](http://www.foley.com/files/tbl_s31Publications/FileUpload137/2989/Voda_Texas_Paper.pdf)).

<sup>15</sup> Part I will explain that extraterritorial patent enforcement arises when a patentee relies on a domestic patent in order to reach infringing activity abroad. In contrast, multinational patent litigation, which is discussed in Part II, occurs when a domestic court adjudicates foreign patents related to the domestic patent-in-suit.

<sup>16</sup> The number of Patent Cooperation Treaty (“PCT”) patent applications filed each year has increased steadily over the past 25 years. See World Intellectual Prop. Org. (“WIPO”), WIPO Statistics: PCT Statistical Report 3 (May 2006), [http://www.wipo.int/ipstats/en/statistics/patents/pdf/pct\\_yearly\\_report.pdf](http://www.wipo.int/ipstats/en/statistics/patents/pdf/pct_yearly_report.pdf). The PCT enables applicants to seek patent protection for an invention in a large number of countries simultaneously by filing an international patent application. See generally WIPO, About the Patent Cooperation Treaty, <http://www.wipo.int/pct/en/treaty/about.htm> (last visited Aug. 14, 2007).

<sup>17</sup> While John Thomas and Harold Wegner both have raised this inconsistency, the academic literature continues to address extraterritorial patent enforcement separately from multinational patent litigation. See, e.g., Fritz Blumer, Jurisdiction and Recognition in Transatlantic Patent Litigation, 9 Tex. Intell. Prop. L.J. 329 (2001) (multinational patent litigation); Timothy R. Holbrook, Territoriality Waning? Patent Infringement for Offering in the United States to Sell an Invention Abroad, 37 U.C. Davis L. Rev. 701 (2004) (extraterritoriality); John Gladstone Mills III, A Transnational Patent Convention for the Acquisition and Enforcement of International Rights, 84 J. Pat. & Trademark Off. Soc’y 83 (2002) (multinational patent litigation); John R. Thomas, Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement, 27 Law & Pol’y Int’l Bus. 277 (1996) (multinational patent litigation); Joan E. Beckner, Note, Patent Infringement by Component Export: *Waymark Corp. v. Porta Systems Corp.* and the Extraterritorial Effect of U.S. Patent Law, 39 Hous. L. Rev. 803 (2002) (extraterritoriality); Daniel P. Homiller, iBrief, From *Deepsouth* to the Great White North: The Extraterritorial Reach of United States Patent Law After *Re-*

Part I of this Note will address the extension of U.S. patent laws abroad through an examination of U.S. cases dealing with the extraterritorial reach of 35 U.S.C. § 271 and a discussion of the policy concerns underlying both these decisions and the extraterritoriality of U.S. patent law generally. Part II will focus on the domestic treatment of foreign patents. It will provide an overview of the limited case law addressing U.S. courts' adjudication of claims based on foreign patents and will contrast the U.S. courts' traditional reluctance to adjudicate foreign patents with foreign courts' enforcement of foreign patents. It also will highlight the recent *Voda* decision, in which the Federal Circuit held that a district court abused its discretion in exercising supplemental jurisdiction over foreign patent infringement claims.<sup>18</sup> In Part III, this Note will conclude by suggesting guidelines that U.S. courts can follow in adjudicating multinational patent litigation and extraterritorial patent enforcement cases. Specifically, this Note will recommend that courts should consider enforcing foreign patents in certain situations instead of trying to apply U.S. patents extraterritorially.

#### I. EXTENSION OF U.S. PATENT LAWS ABROAD

Section 271(a) of the Patent Act generally addresses what constitutes direct infringement of a patent: a person who “without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”<sup>19</sup> As explained above, the statute reflects the territorial nature of patent rights in that all infringing acts must occur within the United States. The statute, however, does not address whether the domestic manufacture of the components of an invention con-

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*search in Motion*, 2005 Duke L. & Tech. Rev. 17 (June 1, 2005), <http://www.law.duke.edu/journals/dltr/articles/PDF/2005DLTR0017.pdf> (extraterritoriality); Peter Nicolas, Comment, The Use of Preclusion Doctrine, Antisuit Injunctions, and Forum Non Conveniens Dismissals in Transnational Intellectual Property Litigation, 40 Va. J. Int'l L. 331 (1999) (multinational patent litigation).

Bradley and Chisum have suggested that multinational patent litigation exists as an alternative to extending U.S. patent laws extraterritorially, but they suggested this alternative almost ten years ago—prior to developments in Federal Circuit case law. See Bradley, *supra* note 3, at 576–85; Chisum, *supra* note 1, at 610–18.

<sup>18</sup> 476 F.3d at 904.

<sup>19</sup> 35 U.S.C. § 271(a) (2000).

stitutes infringement if the components are not assembled domestically into the infringing device, but are exported with the intention of assembly abroad. In other words, a manufacturer could make all of the components of a patented device within the United States and then, knowing that the components will be assembled abroad, ship these components outside the United States in an attempt to escape liability under Section 271(a).

In *Deepsouth Packing Co. v. Laitram Corp.*, the Supreme Court addressed this issue and expressly declined to extend the extraterritorial reach of U.S. patent law.<sup>20</sup> Deepsouth Packing Company made all of the components of a shrimp deveining machine within the United States and then shipped the components to foreign customers for assembly and use abroad.<sup>21</sup> In a 5-4 decision, the Court held that Deepsouth's practice of shipping the unassembled machine abroad did not constitute infringement because there was no "making" in the United States within the meaning of 271(a).<sup>22</sup> The Court noted that an inventor who needs protection in foreign markets can seek foreign patent protection.<sup>23</sup> The Court also remarked that Congress is free at any time to redefine the scope of patent protection.<sup>24</sup> The Supreme Court's holding in *Deepsouth* is consistent with its traditionally strict territorial approach to patent cases.<sup>25</sup> In 1856, the Supreme Court explained this point:

But these acts of Congress do not, and were not intended to, operate beyond the limits of the United States; and as the patentee's right of property and exclusive use is derived from them, they cannot extend beyond the limits to which the law itself is confined. And the use of it outside of the jurisdiction of the United States is not an infringement of his rights, and he has no claim to any compensation for the profit or advantage the party may derive from it.<sup>26</sup>

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<sup>20</sup> 406 U.S. 518, 527-29 (1972).

<sup>21</sup> *Id.* at 519-24.

<sup>22</sup> *Id.* at 527-29.

<sup>23</sup> *Id.* at 531.

<sup>24</sup> *Id.* at 530.

<sup>25</sup> See, e.g., *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 650 (1915); *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1856).

<sup>26</sup> *Brown*, 60 U.S. at 195-96.

In 1984, twelve years after *Deepsouth*, Congress enacted Section 271(f)<sup>27</sup> in order to overrule the Supreme Court's holding in *Deepsouth* and "to close a loophole in patent law."<sup>28</sup> Section 271(f)'s legislative history also explains that the amendments sought to make the patent system more "responsive to the challenges of a changing world" and to "avoid encouraging manufacturing outside the United States."<sup>29</sup> Congress divided Section 271(f) into two Subsections: 271(f)(1) and 271(f)(2).<sup>30</sup> Section 271(f)(1) imposes liability on exporters of unassembled components of what would be an infringing device if it were built in the United States when the exporter actively induces the assembly of the device outside of the United States. In contrast, Section 271(f)(2) imposes liability on anyone who exports a patented device's component that is either not a staple article of commerce or that has no substantial noninfringing use if the exporter knows that the component's only use is in the patented device and also knows that it will be combined into the completed device outside of the United States.

Four years later, Congress enacted the Process Patent Amendments Act ("The Process Act"), another amendment concerning the territorial scope of U.S. patents, which added Section 271(g).<sup>31</sup> Prior to the enactment of Section 271(g), a manufacturer could perform a patented process abroad and import the products of this process into the United States without any fear of liability. The addition of Section 271(g) attempted to close this additional loophole in patent law by imposing liability for anyone who imports into, sells in, or uses in the United States an unpatented component

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<sup>27</sup> Patent Law Amendments Act of 1984, Pub. L. No. 98-622, § 101, 98 Stat. 3383, 3383 (codified at 35 U.S.C. § 271(f)).

<sup>28</sup> 130 Cong. Rec. 28,069 (1984) (statement of Rep. Kastenmeier).

<sup>29</sup> *Id.*

<sup>30</sup> Patent Law Amendments Act of 1984 § 101. This Note does not go into detail regarding the legislative intent and statutory terms of § 271(f) since many commentators already have analyzed § 271(f) in great detail. See, e.g., Alan M. Fisch & Brent H. Allen, *The Application of Domestic Patent Law to Exported Software*: 35 U.S.C. § 271(f), 25 U. Pa. J. Int'l Econ. L. 557, 565-73 (2004); Beckner, *supra* note 17, at 814-34; Steven C. Tietsworth, *Comment, Exporting Software Components—Finding a Role for Software in 35 U.S.C. § 271(f) Extraterritorial Patent Infringement*, 42 San Diego L. Rev. 405, 426-30 (2005). Instead, this Note will provide a brief summary so as to enable readers to understand the recent decisions involving § 271(f).

<sup>31</sup> Pub. L. No. 100-418, § 9003, 102 Stat. 1563, 1563-64 (1988) (codified as amended at 35 U.S.C. § 271(g) (2000)).

“made by” a process covered by a U.S. patent.<sup>32</sup> Although the U.S. Court of Appeals for the Federal Circuit has not hesitated to extend “component” software patents extraterritorially under Section 271(f), the Federal Circuit has refused to apply Section 271(g) to the importation of “intangible information” into the United States.

Understanding Sections 271(f) and (g) and courts’ interpretations of these statutes is critical for appreciating their effects on the extraterritorial application of domestic patent law and the willingness of courts to extend domestic patent law abroad. Although the text of Sections 271(f) and (g) seemingly limits these statutes’ extraterritorial reach by requiring some nexus between the foreign conduct and the conduct occurring within the United States, recent cases illustrate that the Federal Circuit has been willing to stretch the text of these statutes in order to find such a connection. This extension, however, raises several important policy concerns, and the Supreme Court reversed the Federal Circuit’s expansive decision in *AT&T Corp. v. Microsoft Corp.*, narrowly interpreting Section 271(f) as applied to foreign duplication of software.<sup>33</sup> Consequently, before stretching the text of Sections 271(f) and (g), U.S. courts should look to the adjudication of parallel foreign patents in addition to the U.S. patent in suit. In many situations, the adjudication of foreign patents serves as a practical alternative that can alleviate some of the policy concerns arising from courts’ recent constructions of Sections 271(f) and (g). The next Section will discuss this recent case law construing Sections 271(f) and (g) in such a way as to extend domestic patent law abroad.

#### A. Case Law

The case law interpreting Section 271(f) is sparse; in fact, one commentator has suggested that Section 271(f) “serves little purpose at all.”<sup>34</sup> Indeed, most of the early cases interpreting Section 271(f) involved a straightforward application of the statute to me-

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<sup>32</sup> 35 U.S.C. § 271(g) (2000).

<sup>33</sup> See *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007).

<sup>34</sup> Fisch & Allen, *supra* note 30, at 567 (citing Timothy F. Myers, *Foreign Infringement of Business Method Patents*, 7 *Willamette J. Int’l L. & Disp. Resol.* 101, 109 (2000) (suggesting that “given the dearth of cases interpreting [§] 271(f), it has not been of major importance”)).



chanical inventions.<sup>35</sup> Over time, however, courts have had to address the application of Section 271(f) to non-mechanical inventions.<sup>36</sup> Most recently, the Federal Circuit, in *Eolas Technologies v. Microsoft Corp.*, held that Section 271(f) applies to method claims (process patents) for software.<sup>37</sup> This decision, combined with the Federal Circuit's subsequent decision in *AT&T Corp. v. Microsoft Corp.*,<sup>38</sup> illustrates the expanding reach of U.S. patent laws. Because this expanding reach of domestic patent law raises economic, foreign relations, and separation of powers concerns, understanding the recent doctrine is of critical importance. The Supreme Court, in reversing the Federal Circuit's *AT&T* decision, reined in the extraterritorial effect of U.S. patent law as it applies to foreign-made copies of software and recognized some of these policy concerns in its decision.<sup>39</sup>

In interpreting Section 271(g), courts have had to determine the relationship between the patented process and the imported product. Notably, the Federal Circuit's decision in *Bayer AG v. Housey Pharmaceuticals* that Section 271(g)'s "component" does not apply to the importation of "intangible information" into the United States as a result of practicing the patented method abroad<sup>40</sup> indicates that there may indeed be limits to the Federal Circuit's willingness to expand the reach of U.S. patent law. Understanding these potential limits is essential given the implications of these re-

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<sup>35</sup> See, e.g., *T.D. Williamson, Inc. v. Laymon*, 723 F. Supp. 587, 590 (N.D. Okla. 1989) (applying § 271(f) to a "caliper pig, used for measuring and reporting on the internal geometry of pipelines"); *Windsurfing Int'l v. Fred Ostermann GmbH.*, 668 F. Supp. 812, 813 (S.D.N.Y. 1987) (applying § 271(f) to windsurfing boards); *Smith Int'l v. Hughes Tool Co.*, 229 U.S.P.Q. (BNA) 81, 81 (C.D. Cal. Mar. 12, 1986) (applying § 271(f) to complex drill bits).

<sup>36</sup> See, e.g., *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, No. 95 Civ. 8833 (RPP), 2001 U.S. Dist. LEXIS 16895, at \*1-3 (S.D.N.Y. Oct. 19, 2001) (applying § 271(f) to drug compounds); *W.R. Grace & Co.—Conn. v. Intercat, Inc.*, 60 F. Supp. 2d 316, 319-21 (D. Del. 1999) (applying § 271(f) to chemical compounds); *Aerogroup Int'l v. Marlboro Footworks*, 955 F. Supp. 220, 232 (S.D.N.Y. 1997) (refusing to apply § 271(f) to a design patent for a shoe sole because design patents lack the requisite "component parts" (quoting 35 U.S.C. § 271(f)(1))).

<sup>37</sup> 399 F.3d 1325, 1330, 1341 (Fed. Cir. 2005).

<sup>38</sup> 414 F.3d 1366, 1368-70 (Fed. Cir. 2005) (holding that § 271(f) "component" applies to method claims for software and that liability under § 271(f) should attach for foreign-made copies), rev'd, 127 S. Ct. 1746 (2007).

<sup>39</sup> 127 S. Ct. at 1758-60.

<sup>40</sup> 340 F.3d 1367, 1374 (Fed. Cir. 2003).

cent decisions on economic policy, separation of powers, and foreign relations.

I. *Eolas Technologies v. Microsoft Corp.*

*Eolas Technologies v. Microsoft Corp.* broadened the reach of U.S. patent law by expanding the application of Section 271(f) to embrace method patents. Eolas alleged that Microsoft infringed its interactive web technology patent that provided a method for running embedded interactive programs in a computer network environment.<sup>41</sup> Microsoft had shipped a master copy of computer code for Internet Explorer to foreign Original Equipment Manufacturers (“OEMs”) who then used the disk to copy the code onto computer hard drives for sale abroad.<sup>42</sup> The Federal Circuit held that software may be a “component” of a patented invention under Section 271(f) because “the statutory language did not limit Section 271(f) to patented ‘machines’ or patented ‘physical structures.’”<sup>43</sup> The court noted that “the language of section 271(f) does not impose a requirement of ‘tangibility’ on any component of a patented invention.”<sup>44</sup> The Federal Circuit ruled that all computers made and sold abroad on which foreign OEMs installed Windows software with Internet Explorer can infringe a U.S. patent because the software was designed in the United States and a single disk on which the software code was recorded was supplied from the United States and copied abroad by the foreign OEMs. In *Eolas*, the Federal Circuit exhibited a willingness to increase the extrater-

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<sup>41</sup> *Eolas*, 399 F.3d at 1328–29.

<sup>42</sup> *Id.* at 1331.

<sup>43</sup> *Id.* at 1339. Note that the Federal Circuit in *Eolas* limited its holding in *Pellegrini v. Analog Devices*, 375 F.3d 1113 (Fed. Cir. 2004). *Eolas*, 399 F.3d at 1340–41. In *Pellegrini*, the Federal Circuit found that § 271(f) did not apply because Analog’s accused integrated circuit chips were manufactured by subcontractors outside the United States and were never physically present in the United States. *Pellegrini*, 375 F.3d at 1118. In *Eolas*, Microsoft argued that *Pellegrini* imposes a physicality requirement on § 271(f) components. *Eolas*, 399 F.3d at 1340. The Federal Circuit responded to this argument by clarifying that the court in *Pellegrini* did not address the meaning of the “components” language in § 271(f), explaining that “*Pellegrini* requires only that components are physically supplied from the United States. *Pellegrini* does not impose on Section 271(f) a tangibility requirement that does not appear anywhere in the language of that section.” *Id.* at 1341.

<sup>44</sup> *Eolas*, 399 F.3d at 1340.

itoriality of U.S. patents by holding that software may be a physical “component” under Section 271(f).

## 2. *AT&T Corp. v. Microsoft Corp.*

In *AT&T*, a companion case to *Eolas*, AT&T sued Microsoft for the infringement of a patent covering certain speech codecs<sup>45</sup> that are included in Windows.<sup>46</sup> As in *Eolas*, Microsoft generated its source code in the United States and then shipped it abroad to foreign OEMs who, pursuant to their license agreement with Microsoft, generated copies of the software that were then installed on computers that were sold abroad.<sup>47</sup> Microsoft argued that software could not be a “component” under 271(f) and that the copies were manufactured abroad rather than “supplied” from the United States.<sup>48</sup> The Federal Circuit looked to *Eolas* in holding that software can be a “component” under 271(f), finding that

[g]iven the nature of the technology, the “supplying” of software commonly involves generating a copy. . . . Accordingly, for software “components,” the act of copying is subsumed in the act of “supplying,” such that sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies.<sup>49</sup>

Judge Rader, dissenting in *AT&T*, criticized the majority’s provision of “extraterritorial expansion to U.S. law by punishing under U.S. law ‘copying’ that occurs abroad.”<sup>50</sup> Instead, he argued that “[t]his court should accord proper respect to the clear language of the statute and to foreign patent regimes by limiting the applica-

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<sup>45</sup> The court defined a “speech codec” as “a software program that codes a speech signal into a more compact form, and decodes it back into a signal that sounds like the original.” *AT&T*, 414 F.3d at 1368 n.1.

<sup>46</sup> 414 F.3d at 1368.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.* at 1368–69.

<sup>49</sup> *Id.* at 1370.

<sup>50</sup> *Id.* at 1373 (Rader, J., dissenting). Judge Rader contended that because the components actually assembled into the infringing products were not literally “shipped from the United States,” but were instead copied first, the court’s ruling departs from the holding of *Pellegrini*. *Id.* at 1372, 1374–75.

tion of § 271(f) to components literally ‘shipped from the United States.’”<sup>51</sup>

On April 30, 2007, the U.S. Supreme Court reversed the Federal Circuit 7-1, concluding that Microsoft was not liable for the alleged infringing acts occurring outside the United States.<sup>52</sup> The Court focused on two questions related to Section 271(f): (1) whether software can be considered a “component” under Section 271(f); and (2) whether the foreign-made software copy was “supplied” by Microsoft “from the United States.”<sup>53</sup>

In answering the first question, the Court drew a distinction between two conceptions of software: “One can speak of software in the abstract: the instructions themselves detached from any medium. (An analogy: The notes of Beethoven’s Ninth Symphony.) One can alternatively envision a tangible ‘copy’ of software, the instructions encoded on a medium such as a CD-ROM. (Sheet music for Beethoven’s Ninth Symphony.)”<sup>54</sup> After making this distinction, the Court held that only software in a tangible medium could qualify as a “component” amenable to “combination” under Section 271(f).<sup>55</sup> Consequently, the master copy of the computer code (not the computer code itself) qualifies as a “component.”

The Court then turned to the second question—whether “‘components’ of the foreign-made computers involved in this case [were] ‘supplied’ by Microsoft ‘from the United States.’”<sup>56</sup> In light of the Court’s answer to the first question, the Court treated the master copy of the computer code as the only item supplied by Microsoft from the United States. The Court, agreeing with Judge Rader’s dissent, found that nothing in the text of Section 271(f) addresses copying. The Court concluded that “[t]he absence of anything addressing copying in the statutory text weighs against a judicial determination that replication abroad of a master dispatched from the United States ‘supplies’ the foreign-made copies from the United States within the intendment of § 271(f).”<sup>57</sup>

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<sup>51</sup> Id. at 1376.

<sup>52</sup> 127 S. Ct. 1746 (2007).

<sup>53</sup> Id. at 1753–54.

<sup>54</sup> Id. at 1754.

<sup>55</sup> Id. at 1755–56.

<sup>56</sup> Id. at 1754, 1756.

<sup>57</sup> Id. at 1757.

Justice Stevens dissented, finding that “if a disk with software inscribed on it is a ‘component,’ . . . it [is] difficult to understand why the most important ingredient of [a] component is not also a component.”<sup>58</sup> He rejected the Court’s view that a component can only be something attached to a physical medium and explained that “the master disk is the functional equivalent of a warehouse of components—components that Microsoft fully expects to be incorporated into foreign-manufactured computers.”<sup>59</sup>

The Federal Circuit’s *AT&T* decision stands as another example of the extraterritorial expansion of U.S. patent law—an expansion curtailed by the Supreme Court. While the Supreme Court suggests that *AT&T* must find its remedy for foreign infringement under foreign patent law,<sup>60</sup> Part III will suggest that a U.S. court could provide a remedy as well through the adjudication of parallel foreign patents.

### 3. Bayer AG v. Housey Pharmaceuticals

In *Bayer*, Bayer sought a declaratory judgment holding invalid, unenforceable, and not infringed by Bayer the Housey patents directed to the identification of compounds having pharmaceutical potential to treat a particular disease.<sup>61</sup> Housey responded with a counterclaim against Bayer for patent infringement, including a claim under Section 271(g) alleging that Bayer imported information gathered from practicing Housey’s patented testing process and that Bayer imported a pharmaceutical composition identified by the patented testing process.<sup>62</sup> The Federal Circuit concluded that Section 271(g) protects only manufactured products<sup>63</sup> and that

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<sup>58</sup> Id. at 1763 (Stevens, J., dissenting).

<sup>59</sup> Id.

<sup>60</sup> Id. at 1759 (majority opinion) (“If *AT&T* desires to prevent copying in foreign countries, its remedy today lies in obtaining and enforcing foreign patents.”); see also *AT&T*, 414 F.3d at 1373 (Rader, J., dissenting) (“While copying in Dusseldorf or Tokyo may indeed constitute infringement, that infringement must find its remedy under German or Japanese law.”).

<sup>61</sup> 340 F.3d at 1369.

<sup>62</sup> Id.

<sup>63</sup> Id. at 1374–76. In order to determine whether information gained from practicing a patented process constituted a “product” subject to protection under § 271(g), the Federal Circuit examined the legislative history. The Federal Circuit noted that “[e]ach and every reference to the provision that became Section 271(g) describes it

infringement under Section 271(g) requires that “the process must be used directly in the manufacture of the product, and not merely as a predicate process to identify the product to be manufactured.”<sup>64</sup> Consequently, the sale, use, or importation of a drug manufactured through the use of information received from practicing the patented process overseas did not violate Section 271(g).

*Bayer* demonstrates that the Federal Circuit has been unwilling at times to extend the reach of U.S. process patents extraterritorially. This decision stands in marked contrast to the Federal Circuit’s willingness to extend “component” software patents extraterritorially under Section 271(f). Patentees, however, can still secure protection against overseas use of patented processes by obtaining an extensive global patent portfolio and attacking the copyist directly in the country of manufacture under a national patent. If, however, U.S. courts were willing to adjudicate parallel foreign patents, patentees would be able to enforce this patent portfolio more efficiently. Moreover, U.S. courts’ enforcement of parallel foreign patents would provide an incentive for patentees to obtain global patent portfolios.

#### 4. *NTP, Inc. v. Research in Motion*

NTP’s patent claimed a wireless email system with three components: (1) an origination processor (a sending user); (2) an interface switch (a user); and (3) a destination processor (a receiving user).<sup>65</sup> Most sending and receiving users were in the United States, but the interface switch was in Canada.<sup>66</sup> NTP alleged infringement of its asserted system and method claims under both Section 271(a) and Section 271(f) and infringement of its asserted method claims under Section 271(g).<sup>67</sup>

With regard to direct infringement under Section 271(a), the Federal Circuit distinguished between system claims and method claims. The court held that “[t]he use of a claimed system under Section 271(a) is the place at which the system as a whole is put

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as directed to manufacturing” and concluded that § 271(g) protects only manufactured products. *Id.* at 1374, 1376.

<sup>64</sup> *Id.* at 1378.

<sup>65</sup> *NTP, Inc. v. Research in Motion*, 418 F.3d 1282, 1294 (Fed. Cir. 2005).

<sup>66</sup> *Id.* at 1313.

<sup>67</sup> *Id.* at 1313, 1321, 1323.

into service, *i.e.*, the place where control of the system is exercised and beneficial use of the system obtained.”<sup>68</sup> Based upon this “control and beneficial use” test, the court upheld the jury’s finding of infringement of NTP’s asserted system claims because Research in Motion’s (“RIM’s”) U.S. customers “controlled the transmission of the originated information and also benefited from such an exchange of information.”<sup>69</sup> The court concluded that a method cannot be used “‘within’ the United States as required under Section 271(a) unless each of the steps is performed within this country.”<sup>70</sup> Accordingly, the court held that RIM could not be directly or contributory liable for infringement of the asserted method claims.<sup>71</sup>

The court also analyzed infringement of the system claims under Section 271(f), finding that because RIM’s supply of its products to its U.S. customers was not the “statutory ‘supply’ of any ‘component’ steps for combination into NTP’s patented methods,” RIM could not infringe NTP’s asserted method claims under Section 271(f).<sup>72</sup> The court, relying on its holding in *Bayer* that Section 271(g) only applies to physical articles, rejected NTP’s argument that the process created data or information as a product and found Section 271(g) inapplicable to the asserted method claims.<sup>73</sup> While the Federal Circuit limited the extraterritorial expansion of method claims under Sections 271(a) and (g) and system claims under Section 271(f), the development of the “control and beneficial use” test for system claims exists as another example of the willingness of courts to extend U.S. domestic patent law abroad.

Notably, a United Kingdom court came to a similar conclusion in 2002 in *Menashe Business Mercantile v. William Hill Organisation Ltd.*<sup>74</sup> William Hill supplied customers in the United Kingdom with a CD containing a program, which customers installed on their own computers in order to allow them to use William Hill’s

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<sup>68</sup> Id. at 1317.

<sup>69</sup> Id.

<sup>70</sup> Id. at 1318.

<sup>71</sup> Id.

<sup>72</sup> Id. at 1322–23. The court noted that it did not need to consider infringement of the system claims under § 271(f) because it had already determined that the system claims had been infringed under § 271(a). Id. at 1321.

<sup>73</sup> Id. at 1323–24.

<sup>74</sup> [2002] EWCA (Civ) 1702, 2003 1 W.L.R. 1462 (Eng.).

online gaming system.<sup>75</sup> The servers for the gaming system were located in Antigua. Menashe sued William Hill in the United Kingdom for contributory infringement of the gaming system, alleging that the CD was a means for putting the invention into effect and that the invention was put into effect in the United Kingdom. Judge Aldous, writing for the Court of Appeal, stated that

it would be wrong to apply the old ideas of location to inventions of the type under consideration in this case. . . .

. . . [I]t is pertinent to ask who uses the claimed gaming system. The answer must be the punter. [“Punter” means “gambler” or “bettor” in British English.] Where does he use it? There can be no doubt that he uses his terminal in the United Kingdom and it is not a misuse of language to say that he uses the host computer in the United Kingdom. It is the input to and output of the host computer that is important to the punter and in a real sense the punter uses the host computer in the United Kingdom even though it is situated in Antigua and operates in Antigua.<sup>76</sup>

In addition to contributory infringement, the Court of Appeal allowed a claim for direct infringement, even though the patentee located an element of the claimed system abroad.<sup>77</sup> Unlike the Federal Circuit in *NTP*, the U.K. court did not distinguish between system and method claims. This U.K. Court of Appeal case indicates that U.S. courts are not alone in their willingness to enforce domestic patent law extraterritorially. Such extraterritorial enforcement by courts raises multiple policy concerns, which the next Section addresses.

### *B. Policy Considerations*

While at first glance the extraterritorial application of U.S. patent laws may seem to reflect a general domestic economic interest—discouraging foreign manufacturing of goods<sup>78</sup>—extending U.S. patent laws abroad raises policy concerns in three major areas: economic policy, foreign relations, and separation of powers.

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<sup>75</sup> Id. at [6], 2003 1 W.L.R. at 1464.

<sup>76</sup> Id. at [32]–[33], 2003 1 W.L.R. at 1471.

<sup>77</sup> Id. at [34], 2003 1 W.L.R. at 1471.

<sup>78</sup> Patent Law Amendments Act of 1984, Pub. L. No. 98-622, 1984 U.S.C.C.A.N. (89 Stat. 3383) 5827–28.



First, with regard to economic policy, Section 271(f) in general and the recent extraterritorial patent law decisions specifically discussed in Section I.A set up a complicated incentive structure for companies. Commentators have suggested that Section 271(f) is bad economic policy because it punishes companies who produce components domestically and export them, while rewarding those who move all production offshore.<sup>79</sup> As a result, one commentator proposes that instead of creating an exception to the general rule, Section 271(f) should be repealed in order to simplify the law.<sup>80</sup> This Note, by contrast, suggests that courts may be able to achieve the same result as extraterritorial patent enforcement through the adjudication of related foreign patents. In doing so, courts should be wary in their interpretations of Section 271(f) and reluctant to find the required connection between the foreign conduct and the U.S. conduct.

The recent Federal Circuit cases can be seen as creating exceptions to the general rule—or, in some cases, the court has extended the general rule, and these extensions have additional implications for economic policy. For example, the *NTP* court's finding of infringement under Section 271(a) affects the outsourcing of manufacturing and services because call centers, servers, or other components located abroad now may be found to be infringing a U.S. patent if a court finds that the control and beneficial use of the system are in the United States. As a result, companies may seek to move their entire operations abroad. Similarly, the Federal Circuit's *Eolas* and *AT&T* decisions provide incentives for companies to move research and development overseas to avoid liability. By taking a conservative approach to extraterritorial patent enforcement, courts can help minimize these economic implications. The Supreme Court, recognizing the need for this conservative approach, interpreted Section 271(f) narrowly as applied to foreign

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<sup>79</sup> See, e.g., Chisum, *supra* note 1, at 607; Donald S. Chisum, Reforming Patent Law Reform, 4 *J. Marshall Rev. Intell. Prop. L.* 336, 347 (2005); Beckner, *supra* note 17, at 832–33; Tietsworth, *supra* note 30, at 454–55.

<sup>80</sup> Chisum, *supra* note 79, at 347 (“Section 271(f) is bad policy because it punishes those who produce components domestically and exports them and rewards those who move all production off shore. Section 271(f) should be repealed, thereby simplifying the law.”).

copies of software and, accordingly, cut back on the Federal Circuit's extraterritorial extension of the statute.

Another critic of Section 271(f) also calls for narrower protection rather than repeal. Steven Tietsworth suggests that even though the stated congressional purpose in enacting Section 271(f) was to discourage foreign manufacturing, this underlying policy basis may be questionable today in light of international trade agreements such as the North American Free Trade Agreement ("NAFTA") and the General Agreement on Tariffs and Trade ("GATT") that encourage foreign manufacturing.<sup>81</sup> According to Tietsworth, this policy shift indicates a less severe need for broad protection under Section 271(f).<sup>82</sup> This suggestion for narrower protection aligns with this Note's proposal for courts first to look to multinational litigation before extending U.S. patent law extraterritorially.

Second, the extraterritorial application of U.S. patent law intrudes on the sovereignty of foreign states. The fact that the Canadian government filed an amicus brief supporting the petition for rehearing *NTP* en banc highlights this sovereignty concern. The Canadian government asserted that the Federal Circuit's decision "raises the risk that Section 271(a) may be accorded inappropriate extraterritorial application, contrary to basic principles of comity affecting Canada and the United States."<sup>83</sup> Similarly, the Federal Circuit's willingness to extend U.S. patent law to activities occurring in Europe intrudes on the sovereignty of the European countries involved. As cases similar to *NTP*, *Eolas*, and *AT&T* arise and as U.S. courts continue their willingness to extend U.S. patent law, other countries may become increasingly vocal regarding sovereignty and comity concerns. In *AT&T*, the Supreme Court reiterated the general principle that "courts should 'assume that legislators take account of the legitimate sovereign interests of other nations when they write American laws'" and therefore applied a

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<sup>81</sup> Tietsworth, *supra* note 30, at 454.

<sup>82</sup> *Id.*

<sup>83</sup> Brief Amicus Curiae of the Government of Canada in Support of the Request for Rehearing En Banc at 3, *NTP, Inc. v. Research in Motion*, 418 F.3d 1282 (Fed. Cir. 2005) (No. 03-1615).

narrow construction of Section 271(f) to the facts of the case.<sup>84</sup> In the wake of *AT&T*, courts should rethink their willingness to extend U.S. patent law. Because of the Paris Convention, the Patent Cooperation Treaty (“PCT”), and other agreements, access to patent protection throughout the world is now more readily available to inventors such that they can file for patent protection internationally, rather than arguing for the extension of their U.S. patents.<sup>85</sup> Multinational patent litigation therefore can provide a means for parties to litigate related foreign patents efficiently.

Third, the Federal Circuit’s interpretation of 271(f) in *Eolas* and *AT&T* and its willingness to extend the reach of U.S. patents led to a marked increase in the extraterritorial application of U.S. patent law.<sup>86</sup> The Supreme Court, however, has said that such extraterritorial application should occur only with “a clear and certain signal from Congress.”<sup>87</sup> In *AT&T*, the Supreme Court explained that it was “not persuaded that dynamic judicial interpretation of § 271(f) [was] in order. The ‘loophole,’ [for software makers created by § 271(f)] in [its] judgment, is properly left for Congress to consider, and to close if it finds such action warranted.”<sup>88</sup> Additionally, it is ambiguous whether Congress, in enacting Section 271(f), intended merely to overturn *Deepsouth* or whether Congress intended 271(f) to have broader extraterritorial effects.<sup>89</sup> If Congress only intended for 271(f) to overturn *Deepsouth* and to protect patentees from infringers desiring to circumvent U.S. patents by shipping physical components abroad, then a court’s decision to interpret

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<sup>84</sup> 127 S. Ct. at 1758 (citing *F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004)).

<sup>85</sup> *Tietsworth*, supra note 30, at 454.

<sup>86</sup> See Petition for a Writ of Certiorari at 10, *Microsoft Corp. v. Eolas Techs.*, 126 S. Ct. 568 (2005) (No. 05-288), 2005 WL 2132316. The Supreme Court denied Microsoft’s Petition for a Writ of Certiorari. 126 S. Ct. 568.

<sup>87</sup> *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972).

<sup>88</sup> 127 S. Ct. at 1760; see also *id.* (“[O]ur precedent leads us to leave in Congress’ court the patent-protective determination that *AT&T* seeks.”).

<sup>89</sup> See Beckner, supra note 17, at 831–32; see also *AT&T*, 127 S. Ct. at 1760 n.18 (“Section 271(f)’s text does, in one respect, reach past the facts of *Deepsouth*. While *Deepsouth* exported kits containing *all* the parts of its deveining machines, § 271(f)(1) applies to the supply abroad of ‘all or a substantial portion of’ a patented invention’s components. And § 271(f)(2) applies to the export of even a single component if it is ‘especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use.’”).

Section 271(f) broadly would raise a separation of powers concern in that the courts, rather than Congress, are acting to extend U.S. patent law extraterritorially. Moreover, if future decisions broadly apply Section 271(f) beyond software to other technologies, such broad judicial interpretations of Section 271(f) may exacerbate this separation of powers concern. Of course, the Supreme Court, in reversing the Federal Circuit's *AT&T* holding, appears to have cabined the extraterritorial application in U.S. patent law as applied to foreign copying of software.<sup>90</sup>

Because the extraterritorial application of U.S. patent law raises so many concerns, courts first should consider adjudicating foreign patents before looking to the extraterritorial application of a U.S. patent. Given the significance of these concerns, this proposal is less radical than it might seem. Instead, as the remainder of this Note illustrates, multinational patent litigation exists as a viable alternative that promotes judicial efficiency and economy as well as global patent harmonization.

## II. DOMESTIC TREATMENT OF FOREIGN PATENTS

Almost ten years ago, Professor John R. Thomas remarked that “[d]espite the growing ease with which patents may be acquired in many countries, the international enforcement of patents remains fractionalized and onerous. Although patents held in different nations increasingly resemble one another, their legal independence and territorial limitations compel patent holders to bring suit on each one individually.”<sup>91</sup>

Ten years later, while both PCT applications and national patent applications have increased,<sup>92</sup> patentees still must bring suit on each national patent individually in domestic courts. Opponents of multinational patent litigation maintain that U.S. precedent indicates

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<sup>90</sup> Notably, the Supreme Court declined to address “whether software in the abstract, or any other intangible, can ever be a component under § 271(f).” *AT&T*, 127 S. Ct. at 1756 n.13. The Court explained, “If an intangible method or process, for instance, qualifies as a ‘patented invention’ under § 271(f) (a question as to which we express no opinion), the combinable components of that invention might be intangible as well. The invention before us, however, *AT&T*’s speech-processing computer, is a tangible thing.” *Id.*

<sup>91</sup> Thomas, *supra* note 17, at 278.

<sup>92</sup> See WIPO, WIPO Statistics: PCT Statistical Indicators Report 3–4 (Nov. 2006), [http://www.wipo.int/ipstats/en/statistics/patents/pdf/pct\\_monthly\\_report.pdf](http://www.wipo.int/ipstats/en/statistics/patents/pdf/pct_monthly_report.pdf).

that courts do not have jurisdiction to adjudicate foreign patents. Section II.A illustrates that the case law is not so one-sided; instead, U.S. courts may indeed have jurisdiction to adjudicate foreign patents, as courts in Germany, Japan, and the Netherlands have done. Moreover, an analysis of policy concerns in Section II.B shows that the benefits of allowing multinational patent litigation in certain situations outweigh the costs.

### *A. Case Law*

A thorough examination of federal courts' treatment of foreign patents helps to assess whether precedent truly supports the contention that federal courts do not have jurisdiction to adjudicate foreign patent claims. Scholars generally characterize U.S. courts as reluctant to adjudicate claims based on foreign intellectual property laws.<sup>93</sup> Moreover, dicta in the Federal Circuit's *Mars Inc. v. K.K. Nippon Conlux*<sup>94</sup> opinion have had a chilling effect on multinational patent litigation in the United States.<sup>95</sup> In reality, however, U.S. case law reveals an unpredictable pattern regarding the willingness of U.S. courts to assert jurisdiction in cases involving foreign patent infringement.<sup>96</sup>

#### *1. U.S. Courts Have Asserted Jurisdiction*

As early as 1933, the Court of Claims, the predecessor to the Federal Circuit, adjudicated the validity and infringement of parallel French, Italian, British, and Belgian patents in *Grissinger v. United States*.<sup>97</sup> After considering the prior knowledge and art, as well as the French patent law regarding novelty, the Court of Claims held the French patent invalid due to a lack of novelty.<sup>98</sup> The court also held that the Italian, Belgian, and British patents had not been infringed because the device was not sold or used in those countries.<sup>99</sup> While *Grissinger* is a unique case in that the court asserted jurisdiction based upon a special congressional enact-

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<sup>93</sup> See Bradley, *supra* note 3, at 577; Chisum, *supra* note 1, at 610–14.

<sup>94</sup> 24 F.3d 1368, 1376 (Fed. Cir. 1994).

<sup>95</sup> See Wegner, *supra* note 14, at 27.

<sup>96</sup> Mills, *supra* note 17, at 100; see Thomas, *supra* note 17, at 318.

<sup>97</sup> 77 Ct. Cl. 106 (Ct. Cl. 1933).

<sup>98</sup> *Id.* at 157–58.

<sup>99</sup> *Id.* at 158.

ment<sup>100</sup> and in that the related U.S. patent was not at issue in the case,<sup>101</sup> *Grissinger* still serves to illustrate the competence of U.S. courts to adjudicate foreign patent claims.

U.S. courts also have asserted jurisdiction over foreign patent infringement claims on more traditional grounds. In *Distillers Co. v. Standard Oil Co.*, the district court found foreign patent law claims sufficiently related to the U.S. patent law claims so as to confer jurisdiction under 28 U.S.C. § 1338(b).<sup>102</sup> The court explained that the chemical processes in dispute were patented in several countries and that the probative facts of the claims overlapped.<sup>103</sup> The court minimized the potential difficulties of applying foreign tort law:

[T]his does not pose as serious a problem as that which would confront the parties if the claims of Prospect were left for separate trials in separate tribunals. The law is in the books, and may be found conveniently if not easily. The facts are the elusive elements of lawsuits. If the parties must collect and interpret facts for one action, we might properly make every effort to adjudicate all claims arising out of those facts in one forum at one time.<sup>104</sup>

In *Ortman v. Stanray Corp.*, Ortman sued for infringement of U.S., Canadian, Mexican, and Brazilian patent rights.<sup>105</sup> Ortman pleaded for subject matter jurisdiction over the foreign patents based on diversity<sup>106</sup> and ancillary<sup>107</sup> (now termed “supplemental”) jurisdiction. The defendant appealed to the Seventh Circuit after the district court denied the defendant’s motion for summary judgment for lack of jurisdiction.<sup>108</sup> The Seventh Circuit discounted the availability of diversity jurisdiction, observing that “[u]nder ordinary circumstances, it would seem clear that plaintiff could not come into a United States District Court and sue for infringement of patents issued by Canada, Brazil and Mexico where such claim is

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<sup>100</sup> Id. at 137–38.

<sup>101</sup> Id. at 139.

<sup>102</sup> 150 U.S.P.Q. (BNA) 42, 45–46 (N.D. Ohio 1964).

<sup>103</sup> Id. at 43–44.

<sup>104</sup> Id. at 48.

<sup>105</sup> 371 F.2d 154, 155 (7th Cir. 1967).

<sup>106</sup> Id. at 156.

<sup>107</sup> Id. at 157.

<sup>108</sup> Id. at 156.

based upon alleged acts of the defendant in each of the foreign countries named.”<sup>109</sup> The Seventh Circuit, however, affirmed the district court’s denial of summary judgment for lack of jurisdiction.<sup>110</sup> The court noted that pendent jurisdiction may exist because “[a]ll of the actions of defendant of which complaint is made are the result of defendant doing similar acts both in and out of the United States.”<sup>111</sup>

Notably, Judge Fairchild, in his concurrence, remarked that he would have found diversity jurisdiction as well.<sup>112</sup> He explained that because patent infringement was a “so-called transitory cause of action which may be adjudicated by the courts of a sovereign other than the one which granted the patent,” diversity jurisdiction should exist.<sup>113</sup>

On remand, the lower court found that it possessed jurisdiction on the basis of either diversity or ancillary jurisdiction.<sup>114</sup> The court found that because the same device was manufactured and sold in many nations, the necessary shared factual circumstances of the case allowed the court to exercise ancillary jurisdiction.<sup>115</sup> The court reasoned that “considerations of convenience to the parties herein which would be served by litigating these issues in one forum outweigh the difficulties that are anticipated from the task of applying the relevant foreign laws involved.”<sup>116</sup> *Ortman* exists as an example of a case in which the court found jurisdiction over foreign patents based upon both diversity and ancillary (now supplemental) jurisdiction.

In *Mannington Mills, Inc. v. Congoleum Corp.*, the defendant held a U.S. patent for the manufacture of chemically embossed vinyl floors and corresponding foreign patents in twenty-six countries.<sup>117</sup> The plaintiff sought to enjoin the defendant from enforcing its foreign patents, alleging that the defendant had fraudulently ob-

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<sup>109</sup> *Id.*

<sup>110</sup> *Id.* at 158.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* at 159. (Fairchild, J. concurring)

<sup>113</sup> *Id.*

<sup>114</sup> *Ortman v. Stanray Corp.*, 163 U.S.P.Q. (BNA) 331, 333 (N.D. Ill. 1969), rev’d on other grounds, 437 F.2d 231 (7th Cir. 1971).

<sup>115</sup> *Id.* at 334.

<sup>116</sup> *Id.*

<sup>117</sup> 595 F.2d 1287, 1290 (3d Cir. 1979).

tained the patents and that defendant's actions restrained U.S. export trade and demonstrated an intent to monopolize, a violation of U.S. antitrust law. The Third Circuit held that the act of state doctrine did not bar the plaintiff's claim to enjoin enforcement of the foreign patents and reversed the district court's dismissal of the complaint.<sup>118</sup> In short, the act of state doctrine is "a policy of judicial abstention from inquiry into the validity of an act by a foreign government."<sup>119</sup> The Third Circuit stated that "the granting of the patents per se, in substance ministerial activity, is not the kind of governmental action contemplated by the act of state doctrine."<sup>120</sup>

The court also held that the district court erred in not weighing factors in favor of exercising extraterritorial jurisdiction of U.S. antitrust law against the interest of comity.<sup>121</sup> The court looked to the Ninth Circuit's balancing process in *Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass'n* for this list of factors.<sup>122</sup> While *Mannington Mills* addresses enjoining foreign patent claims under antitrust law rather than adjudicating foreign patent claims under patent law, the court's statement regarding the foreign patents and the act of state doctrine nonetheless is informative. *Mannington Mills* stands for the proposition that U.S. courts should not refuse to enforce foreign patents simply due to the act of state doctrine.

Similarly, in *Forbo-Giubasco S.A. v. Congoleum Corp.*, the defendant contended that the act of state doctrine precluded consideration of the plaintiff's claim for damages and a refund of royalties.<sup>123</sup> In this case, the plaintiff challenged the defendant's right to collect royalties under a licensing agreement based upon the allegation that the defendant failed to comply with the foreign patent laws in obtaining the patents upon which the licensing agreement was based.<sup>124</sup> The court agreed with the *Mannington Mills* court and held that the act of state doctrine did not apply because the court was not determining the legality of a foreign government's act, but

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<sup>118</sup> Id. at 1294, 1299.

<sup>119</sup> Id. at 1292.

<sup>120</sup> Id. at 1294.

<sup>121</sup> Id. at 1298.

<sup>122</sup> Id. at 1297-98 (citing *Timberlane Lumber Co. v. Bank of America Nat'l Trust & Savings Ass'n*, 548 F.2d 597, 614 (9th Cir. 1976)).

<sup>123</sup> 516 F. Supp. 1210, 1217 (S.D.N.Y. 1981).

<sup>124</sup> Id. at 1211-12.



rather determining the legality of the defendant's activities in obtaining foreign patents. Importantly, the court avoided comity concerns by stating that the holding "would affect only the rights between Congoleum and Giubiasco, not Congoleum's foreign patent rights generally."<sup>125</sup> As this Note explains in Part III, U.S. courts can assert jurisdiction and adjudicate foreign patents in certain situations without invoking the act of state doctrine or raising comity concerns.

## 2. U.S. Courts Have Not Asserted Jurisdiction

In contrast to the above cases, other U.S. courts have declined to assert jurisdiction over foreign patent claims. In *Packard Instrument Co. v. Beckman Instruments*, the plaintiff alleged infringement of its U.S. patent and corresponding patents in nine foreign countries.<sup>126</sup> The defendant said it would assert invalidity as a defense to all patents.<sup>127</sup> The district court, however, declined to assert jurisdiction over the foreign patent claims for four reasons: (1) the claims raised "serious questions of comity;" (2) the validity of patents under "foreign patent law" might depend upon economic and social policies that the court was not well-qualified to understand and apply; (3) determining the law of nine countries raised practical difficulties; and (4) there was "no need . . . to determine the issues of validity and infringement of the foreign patents in order to give plaintiff the relief to which it [was] entitled."<sup>128</sup> With regard to the fourth reason, since the defendant manufactured all the infringing devices in the United States, the plaintiff could obtain full recovery solely by enforcing its U.S. patent.

Professor Chisum points out that *Packard Instrument*

did not involve the critical fact pattern in which both the need for and the dangers of having U.S. courts adjudicate foreign patent claims are greatest, to wit, one in which a U.S. national owning U.S. and corresponding foreign patents asserts its patents against

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<sup>125</sup> *Id.* at 1218.

<sup>126</sup> 346 F. Supp. 408, 409 (N.D. Ill. 1972).

<sup>127</sup> *Id.*

<sup>128</sup> *Id.* at 410–11.

a foreign competitor that makes the accused product abroad but distributes it both in the United States and elsewhere.<sup>129</sup>

Indeed, this critical fact pattern did arise in *Mars, Inc. v. K.K. Nippon Conlux*.<sup>130</sup> The plaintiff, Mars, had both U.S. and Japanese patents relating to electronic coin discriminators used in vending machines. The plaintiff sued in district court for infringement of both patents and offered two grounds for jurisdiction over the foreign patent claim: original jurisdiction based on unfair competition and supplemental jurisdiction.<sup>131</sup> The district court held that a patent infringement claim did not constitute unfair competition and rejected the original jurisdiction argument.<sup>132</sup>

The Federal Circuit, on appeal, concluded that the district court correctly found that it did not have original jurisdiction over the foreign patent infringement claim. The court explained that a foreign patent infringement claim did not correspond to an unfair competition claim under 28 U.S.C. § 1338(b), which gives district courts jurisdiction to hear certain unfair competition claims.

The supplemental jurisdiction argument, however, proved more complicated. The district court assumed that it possessed supplemental jurisdiction over the claim, but declined to exercise this jurisdiction due to the complexities of foreign law, difficulties in obtaining translations, and principles of comity.<sup>133</sup> On appeal, the Federal Circuit rejected the district court's assumption that supplemental jurisdiction existed.<sup>134</sup> The Federal Circuit concluded that "the foreign patent infringement claim at issue here is not so related to the U.S. patent infringement claim that the claims form part of the same case or controversy and would thus ordinarily be expected to be tried in one proceeding."<sup>135</sup> The Federal Circuit went on to explain that the claims are unrelated because "[t]he respective patents are different, the accused devices are different, the alleged acts are different, and the governing laws are different."<sup>136</sup> More specifically, the court noted that

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<sup>129</sup> Chisum, *supra* note 1, at 612.

<sup>130</sup> 24 F.3d 1368 (Fed. Cir. 1994).

<sup>131</sup> *Mars Inc. v. Nippon Conlux K.K.*, 825 F. Supp. 73, 75 (D. Del. 1993).

<sup>132</sup> *Id.*

<sup>133</sup> *Id.* at 75–76.

<sup>134</sup> *Mars*, 24 F.3d at 1375.

<sup>135</sup> *Id.*

<sup>136</sup> *Id.*

the Japanese patent claimed an apparatus, whereas the U.S. patent claimed a method, and that the Japanese patent was asserted against a broader range of devices than the U.S. patent.<sup>137</sup>

Commentators have criticized the *Mars* opinion for its lack of analysis as to whether the accused devices varied in their particular methods of alleged infringement, for the absence of analysis regarding the significance of any variations, and for its tenuous position that the U.S. and Japanese infringement claims were unrelated.<sup>138</sup> Professor Thomas has denounced the court's analysis of the alleged acts since, although the acts were technically different, the alleged infringing Japanese activity in Japan was merely a subset of the alleged infringement in the United States.<sup>139</sup> A careful reading of *Mars* shows that this criticism is warranted. Given that the Federal Circuit's position as to the U.S. and Japanese infringement claims appears questionable, later courts may attempt to distinguish the court's position in *Mars*. The Federal Circuit's failure to analyze thoroughly whether the method of the accused infringement varied among the devices may mean that *Mars* could be easily distinguished by later courts.

Finally, in dicta, the Federal Circuit remarked that any attempt to establish diversity jurisdiction would be futile because forum non conveniens should allow the trial court to decline to assert diversity jurisdiction.<sup>140</sup> The Federal Circuit reiterated that the district court had already found that the claim would require the court to resolve complex issues of foreign procedural and substantive law and to agree on proper translations. Furthermore, the district court had already found that the claim would raise comity concerns. Because the diversity jurisdiction issue was not squarely before the Federal Circuit and the parties were not fully able to brief the court, this portion of the opinion is dicta and has limited precedential effect. Indeed, scholars have said that *Mars* "seems to leave open, however, the possibility that there may be cases where a claim of foreign patent infringement may be so related under Article III as to be heard and decided in the United States."<sup>141</sup> This Note sug-

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<sup>137</sup> Chisum, *supra* note 1, at 613 (citing *Mars*, 24 F.3d at 1374–75).

<sup>138</sup> See *id.* (criticizing the Federal Circuit's position); Thomas, *supra* note 17, at 324 (criticizing the Federal Circuit's analysis).

<sup>139</sup> Thomas, *supra* note 17, at 324.

<sup>140</sup> *Mars*, 24 F.3d at 1376.

<sup>141</sup> Gerald J. Mossinghoff & Vivian S. Kuo, *World Patent System Circa 20XX, A.D.*, 38 *IDEA* 529, 540 (1998).

gests guidelines to help enable U.S. courts to recognize such cases in which U.S. courts can properly adjudicate claims of foreign patent infringement. The Federal Circuit recently had the opportunity to articulate such guidelines for lower courts in *Voda v. Cordis Corp.*<sup>142</sup> Although the Federal Circuit held that the district court abused its discretion in exercising jurisdiction over foreign infringement claims, the court did set forth factors for district courts to consider in determining whether supplemental jurisdiction over foreign claims is proper in future cases.<sup>143</sup>

### 3. *Voda v. Cordis Corp.*

Recently, *Voda* required the Federal Circuit to confront the question of whether a trial court has the discretion to permit a supplemental patent infringement claim based upon foreign patents that stem from a common PCT application.<sup>144</sup> In *Voda*, the plaintiff filed a motion to amend the complaint to assert that the defendant was also infringing Canadian and European patents.<sup>145</sup> The district court's August 2, 2004, order granted the plaintiff's motion to amend.<sup>146</sup> In its order, the district court noted that "[t]he allegations in the amended complaint demonstrate that this case is more akin to *Ortman* than to *Mars*" and found that "it would have supplemental jurisdiction over the foreign patent[] claim[s]."<sup>147</sup> The Federal Circuit recently granted and decided the interlocutory appeal of the district court order.<sup>148</sup>

Although the facts in *Voda* differed significantly from *Mars*, the Federal Circuit found that the district court abused its discretion under 28 U.S.C. § 1367(c)<sup>149</sup> in granting the plaintiff's motion to

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<sup>142</sup> 476 F.3d 887, 887 (Fed. Cir. 2007).

<sup>143</sup> *Id.* at 904–05.

<sup>144</sup> *Id.* 889–90.

<sup>145</sup> *Id.* at 890–91.

<sup>146</sup> *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2004 U.S. Dist. LEXIS 28102, at \*3 (W.D. Okla. Aug. 2, 2004).

<sup>147</sup> *Id.*

<sup>148</sup> *Voda*, 476 F.3d at 889–90.

<sup>149</sup> 28 U.S.C. § 1367(c) (2000). Section 1367(c) allows a district court to decline to exercise supplemental jurisdiction over a claim if

- (1) the claim raises a novel or complex issue of State law,
- (2) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction,

amend.<sup>150</sup> Specifically, *Mars* involved completely different American and Japanese patents, whereas *Voda* involved a single, common patent application filed under the PCT. Moreover, *Voda* was a case between two U.S. nationals, while a U.S. company sued a Japanese company in *Mars*. Because the Federal Circuit in *Voda* concluded that the district court abused its discretion under Section 1367(c) in exercising supplemental jurisdiction over the foreign patent claims, the court declined to address whether the foreign infringement claims met the “same case or controversy” requirement of Section 1367(a).<sup>151</sup> The Federal Circuit found that “considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances constitute compelling reasons to decline jurisdiction under [Section] 1367(c).”<sup>152</sup>

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- (3) the district court has dismissed all claims over which it has original jurisdiction, or
  - (4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.

Id.

Section 1367(a) permits district courts to exercise supplemental jurisdiction over “all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution,” subject to the exceptions provided in §§ 1367(b) and (c). 28 U.S.C. § 1367(a) (2000). Section 1367(b), which relates to diversity jurisdiction, is irrelevant to *Voda*.

In *United Mine Workers of America v. Gibbs*, the Supreme Court explained that § 1367(a)’s “same case or controversy” requirement means that

[t]he state and federal claims must derive from a common nucleus of operative fact. But if, considered without regard to their federal or [foreign] character, a plaintiff’s claims are such that he would ordinarily be expected to try them all in one judicial proceeding, then, assuming substantiality of the federal issues, there is *power* in federal courts to hear the whole.

383 U.S. 715, 725 (1966).

<sup>150</sup> *Voda*, 476 F.3d at 904.

<sup>151</sup> Id. at 897. Because the Federal Circuit found that the district court failed to make any findings regarding the *Mars* factors as to whether a “common nucleus of operative fact” existed between the foreign and U.S. infringement claims, the Federal Circuit “deem[ed] it to be the more prudent course not to decide this ‘common nucleus of operative fact’ question in the first instance.” Id. at 896. The Federal Circuit additionally refrained from deciding whether the phrases “ordinarily be expected to try them in one judicial proceeding” and “common nucleus of operative fact” “represent two separate and necessary tests or that the phrase ‘ordinarily be expected to try them in one judicial proceeding’ merely informs the ‘common nucleus of operative fact’ analysis.” Id. at 897.

<sup>152</sup> Id. at 898. The Federal Circuit looked to the Supreme Court’s articulation of four of these factors in *City of Chicago v. International College of Surgeons*, 522 U.S. 165,

In particular, the Federal Circuit cited three international treaties (the Paris Convention, the PCT, and the TRIPS Agreement<sup>153</sup>) as “exceptional circumstances” because these treaties do not “contemplate[] or allow[] one jurisdiction to adjudicate patents of another.”<sup>154</sup> As for comity, the Federal Circuit explained that “considerations of comity do not support the district court’s exercise of supplemental jurisdiction” in this case because (1) no international duty exists requiring the U.S. judicial system to adjudicate foreign patent infringement claims; (2) Voda has not shown it would be more convenient for U.S. courts to exercise supplemental jurisdiction or that foreign courts will inadequately protect his foreign patent rights, and (3) adjudicating foreign claims could prejudice the rights of foreign governments.<sup>155</sup> With respect to judicial economy, the court acknowledged that multinational patent litigation could be more efficient, but found that the district court’s lack of analysis as to this factor supported the abuse of discretion finding.<sup>156</sup> The Federal Circuit additionally speculated that a lack of “institutional competence in the foreign patent regimes” and the “likelihood of jury confusion in applying different patent regimes” could lead to an increased expenditure of judicial resources.<sup>157</sup> The Federal Circuit similarly found that the district court’s failure to undertake any

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173 (1997) (“[A] federal court should consider and weigh in each case, and at every stage of the litigation, the values of judicial economy, convenience, fairness, and comity.” (internal citation omitted)).

<sup>153</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights art. 27, Apr. 15, 1994, 33 I.L.M. 81 [hereinafter TRIPS Agreement].

<sup>154</sup> *Voda*, 476 F.3d at 889. This reliance on international treaties is unfounded for at least three reasons. First, the treaties themselves do not expressly prohibit one jurisdiction from adjudicating an infringement claim based on another jurisdiction’s patent. Rather, the Federal Circuit inferred that these international treaties do not “contemplate” or “allow” such adjudication based on statements in these treaties regarding the independence of each country’s patent system. In her dissent in *Voda*, Judge Newman similarly argued that no treaty “prohibits a national court from resolving a dispute between entities under the personal jurisdiction of the court.” *Id.* at 916 (Newman, J., dissenting). Second, these treaties have helped to harmonize global patent law. As Section II.B suggests, the adjudication of foreign patents will help to increase uniformity in patent law by avoiding inconsistent judgments regarding identical patents across countries. Third, as discussed next in Subsection II.A.4, foreign courts in Japan, the Netherlands, and Germany already have asserted jurisdiction over foreign patent claims.

<sup>155</sup> *Id.* at 900–02 (majority opinion).

<sup>156</sup> *Id.* at 903.

<sup>157</sup> *Id.*

analysis regarding factors of convenience supported the abuse of discretion finding.<sup>158</sup> The court suggested that “[w]here the doctrine [of forum non conveniens] does not duplicate other factors already considered . . . forum non conveniens is a useful doctrine to reference.”<sup>159</sup> Finally, the court suggested that U.S. courts’ adjudication of foreign patent claims may be unfair due to the act of state doctrine given that “none of the parties and the amicus curiae have persuaded [the court] that the grant of a patent by a sovereign is not an act of state” and that *Voda* did not demonstrate that the validity of the foreign patents was not at issue.<sup>160</sup>

Judge Newman responded to the majority opinion in *Voda* with a robust dissent, criticizing the majority’s reasoning on a variety of grounds.<sup>161</sup> One of Judge Newman’s primary arguments was that “[i]t is inappropriate for the Federal Circuit to create this unique exception to the authority of American courts to resolve controversies that require the application of foreign law.”<sup>162</sup> Judge Newman explained that because U.S. courts routinely apply foreign law in the areas of commercial law, property, inheritance, citizenship, copyright, trademark, liability, and negligence, “[t]oday’s extreme

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<sup>158</sup> *Id.*

<sup>159</sup> *Id.* at 904. Forum non conveniens permits a court to refrain from exercising jurisdiction in a case in which “the forum chosen by the plaintiff is manifestly unjust to the defendant and a more convenient forum exists for the resolution of the dispute.” Spencer Weber Waller, *A Unified Theory of Transnational Procedure*, 26 *Cornell Int’l L.J.* 101, 112 (1993). The Supreme Court has articulated public and private factors that a district court must explicitly consider in the balancing test for forum non conveniens. These factors include

- 1) the relative ease of access to sources of proof;
- 2) the availability of compulsory process for the attendance of unwilling witnesses;
- 3) the costs of obtaining attendance of willing witnesses;
- 4) the need to inspect the premises or physical subject of the dispute;
- 5) all other practical problems that make trial of a case easy, expeditious, and inexpensive;
- 6) the administrative difficulties flowing from court congestion;
- 7) the local interest in having localized controversies resolved at home;
- 8) the familiarity of the tribunal with the law to be enforced;
- 9) the avoidance of unnecessary conflicts of law and foreign law problems; and
- 10) the unfairness of burdening citizens in an unrelated forum with jury duty.

*Id.* (citing *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 241 n.6 (1981), and *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508–09 (1947)).

<sup>160</sup> *Voda*, 476 F.3d at 904.

<sup>161</sup> *Id.* at 905–17 (Newman, J., dissenting).

<sup>162</sup> *Id.* at 906.

barrier to exercise of the district court's discretion when foreign patents are involved stands alone among the vast variety of causes in which such determinations have been made."<sup>163</sup> Additionally, Judge Newman pointed out that other nations' courts have adjudicated foreign patent infringement claims.<sup>164</sup>

Judge Newman also argued that the criteria of Section 1367 support the district court's decision to exercise supplemental jurisdiction over the foreign patent claims.<sup>165</sup> For example, Judge Newman highlighted the fact that the patents have identical drawings and specifications and that the French and German patents are translations of the European patent, filed in English. Judge Newman additionally questioned the majority's conclusion that "multiple litigation of the same issues in five countries and three languages is likely to be more economical of judicial time and litigation expense . . . than resolving all of the issues before one judge in one case and one language."<sup>166</sup> Furthermore, Judge Newman suggested that the act of state doctrine, relied upon by the majority, is inapposite because "patent validity and infringement are legal and commercial issues, not acts of state."<sup>167</sup>

While the Federal Circuit ultimately decided that the district court abused its discretion in asserting supplemental jurisdiction in *Voda*, whether a district court "should" assert jurisdiction and whether a district court "may" assert jurisdiction are very different questions. Prior to the decision, one commentator had stressed that the Federal Circuit should not use *Voda* to create a per se rule against transnational enforcement.<sup>168</sup> Such a rule would have prevented case-by-case determinations regarding factors such as comity, judicial economy, convenience, and fairness—factors that can help lower courts determine whether to exercise supplemental jurisdiction over foreign patents depending on the circumstances of

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<sup>163</sup> Id.

<sup>164</sup> Id. at 917 (citing *K.K. Coral Corp. v. Marine Bio K.K.*, Heisei 02 (wa) 1943 (D. Tokyo, Oct. 16, 2003)). Subsection II.A.4 provides an overview of the *K.K. Coral* case as well as other cases in which foreign courts have asserted jurisdiction over foreign patents.

<sup>165</sup> Id. at 909.

<sup>166</sup> Id. at 913.

<sup>167</sup> Id. at 915.

<sup>168</sup> See Wegner, *supra* note 14, at 30–34.



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each case. Importantly, the Federal Circuit did not create a per se rule in *Voda*. Instead, the court stated that

[a]s with the § 1367(a) factors of *Mars*, this [list of reasons to decline supplemental jurisdiction under § 1367(c)] is a non-exhaustive list, not a test, for district courts to consider under § 1367(c). In addition, we emphasize that because the exercise of supplemental jurisdiction under § 1367(c) is an area of discretion, the district courts should examine these reasons along with others that are relevant in every case, especially if circumstances change, such as if the United States were to enter into a new international patent treaty or if events during litigation alter a district court's conclusions regarding comity, judicial economy, convenience, or fairness.<sup>169</sup>

Additionally, the court remarked that “[t]he district court correctly observed that *Mars* did not establish a per se rule preventing U.S. courts from asserting supplemental jurisdiction to adjudicate foreign patents.”<sup>170</sup>

Significantly, the Federal Circuit's narrow holding in *Voda* leaves open the possibility that supplemental jurisdiction over foreign patent infringement claims will be available to district courts under different circumstances.<sup>171</sup> The court did not rule as to whether a district court has the authority under Section 1367(a) to exercise supplemental jurisdiction over foreign patent infringement claims. Rather, the court simply found that under these specific circumstances, the district court abused its discretion under Section 1367(c). Moreover, the Federal Circuit repeatedly criticized the district court for its failure to undertake any analysis under Section 1367(c). Consequently, a lower court in the future should ensure that it sufficiently explains the reasons for either exercising or declining supplemental jurisdiction under both Sections 1367(a) and (c). Section III.C incorporates the factors articulated by the Federal Circuit in both *Mars* and *Voda* into guidelines for lower courts

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<sup>169</sup> *Voda*, 476 F.3d at 905.

<sup>170</sup> *Id.* at 895.

<sup>171</sup> Also, diversity jurisdiction remains another possible source for jurisdiction over foreign patent infringement claims. Because diversity jurisdiction was not pleaded in *Voda*, the district court and the Federal Circuit did not address it.

to follow in determining whether or not supplemental jurisdiction of foreign patents should be granted.

#### 4. Foreign Courts Have Asserted Jurisdiction

While there have only been a limited number of U.S. cases involving multinational patent litigation, foreign courts often have entertained this sort of litigation.<sup>172</sup> For example, in a recent case, a Japanese court applying U.S. patent law, specifically the rule of prosecution history estoppel, determined that a U.S. patent was not infringed.<sup>173</sup> Specifically, the plaintiff Japanese company, Coral Corporation, sued the defendant Japanese company, Marine Bio, seeking a declaratory judgment of invalidity and noninfringement of the defendant's U.S. patent and an injunction against the defendant.<sup>174</sup> The defendant raised three arguments in response: (1) the Tokyo District Court did not have jurisdiction based on the U.S. patent; (2) even if the Tokyo District Court asserted jurisdiction, plaintiff lacked a proper legal interest to bring the lawsuit in a Japanese court because the enforceability of the injunction in the U.S. is doubtful; and (3) there was no literal or doctrine of equivalents infringement on its U.S. patent. The Japanese court held that it did have jurisdiction in the lawsuit and that the plaintiff did have standing to bring the lawsuit. With regard to the question of infringement, the court found no literal infringement based upon an element-by-element analysis and no infringement under the doctrine of equivalents based on the recent U.S. Supreme Court decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*<sup>175</sup>

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<sup>172</sup> This Subsection provides a general overview of cases in which foreign courts have asserted jurisdiction over foreign patents. Because the focus of this Note is on U.S. case law and also because, in many instances, detailed information regarding foreign decisions is difficult to find, this Subsection of the Note does not provide the same specificity regarding the foreign decisions as the Note provides regarding U.S. cases.

<sup>173</sup> K.K. Coral Corp. v. Marine Bio K.K., Heisei 02 (wa) 1943 (D. Tokyo, Oct. 16, 2003), discussed in Jinzo Fujino & Shoichi Okuyama, Latest Developments in Japanese IP Cases, 29 AIPPI J. 68, 72-75 (2004); see also Nahoko Ono, Cross-Border Patent Enforcement: Coral Powder Case, Where Japan Court Applies the U.S. Law, <http://www.atrip.org/upload/files/activities/montreal2005/Ono.doc> (last visited Feb. 9, 2007).

<sup>174</sup> Fujino & Okuyama, supra note 173, at 72.

<sup>175</sup> 535 U.S. 722 (2002).

The Japanese court did not address the issue regarding the validity of the U.S. patent-in-suit.<sup>176</sup>

Dutch courts are well known for their willingness to issue multinational injunctions.<sup>177</sup> For instance, in *Applied Research Systems v. Organon*, the Hague Court of Appeals found that the Dutch defendant infringed a patent in the Netherlands, as well as in Germany, France, Austria, and Sweden, among other countries.<sup>178</sup> The court issued a cross-border injunction in any country in which the plaintiff had patent protection for the invention.<sup>179</sup> Dutch courts have relied on Article 24 of the Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters<sup>180</sup> (“Brussels Convention”), which allows for the cross-border adjudication of foreign infringement claims, and on the European Patent Convention.<sup>181</sup> The Dutch courts’ rationale for the grant of the extraterritorial injunctions within Europe was that since Dutch

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<sup>176</sup> Fujino & Okuyama, *supra* note 173, at 75.

<sup>177</sup> See Thomas, *supra* note 17, at 299–305. A full exploration of European cross-border injunctions is beyond the scope of this Note. Many commentators have addressed cross-border injunctions in depth. See, e.g., Gretchen Ann Bender, *Clash of the Titans: The Territoriality of Patent Law vs. The European Union*, 40 *IDEA* 49 (2000); David Perkins & Garry Mills, *Patent Infringement and Forum Shopping in the European Union*, 20 *Fordham Int’l L.J.* 549 (1996); Pierre Véron, *Thirty Years of Experience with the Brussels Convention in Patent Infringement Litigation*, 84 *J. Pat. & Trademark Off. Soc’y* 431 (2002); Vincenzo Jandoli, *The Cross Border Injunction Experience in Europe: A Possible Failure?*, <http://www.franzosi.com/english/article/legals07.htm> (last visited Feb. 9, 2007); Ladas & Parry LLP, *EU—Cross Border Injunctions in Patent Matters*, *Newsletters and Bulletins* (1999), [http://www.ladas.com/BULLETINS/1999/0399Bulletin/EU\\_CrossBorderInjunctions.html](http://www.ladas.com/BULLETINS/1999/0399Bulletin/EU_CrossBorderInjunctions.html); Marta Pertegás Sender, *Cross-Border Injunctions in Patent Litigation: Ingenious Tactics or Misuse of Private International Rules?*, <http://www.law.kuleuven.ac.be/jura/37n4/pertegass.htm> (last visited Feb 9, 2007); Bart J. Van Den Broek, *United Kingdom: Cross-border Injunctions: An Update* (2004), <http://www.mondaq.co.uk/article.asp?articleid=27371&hotopic=1>; Bruno Vandermeulen, *Cross-Border Patent Litigation in Belgium: The Next Generation*, *Managing Intellectual Property* (2005), <http://www.managingip.com/?Page=17&PUBID=199&ISS=14232&SID=495101&SM=&SearchStr=belgium>.

<sup>178</sup> See Bender, *supra* note 177, at 69 (citing *Applied Research Systems/Organon, Gerechtshof [Hof] [Ct. of App.]*, Hague, Feb. 1994, 1994 *IER* 57, 63 (Neth.)).

<sup>179</sup> *Id.*

<sup>180</sup> 1972 *J.O. (L 299)* 32, *reprinted in* 29 *ILL.M.* 1417 (1990).

<sup>181</sup> See Thomas, *supra* note 17, at 301–02. The European Patent Convention provides for a single patent granting system under the European Patent Organization. Once the European patent is granted, it becomes a bundle of national patents in the selected countries. See generally Graeme B. Dinwoodie et al., *International and Comparative Patent Law* 63–64, 703–07 (2002).

domestic patent laws are integrated into the European system through these treaties, a single legal determination under Dutch law therefore applies to all European states.<sup>182</sup>

Subsequently, in *Philips v. Hemogram*, another Dutch court, the Hague District Court, issued extraterritorial injunctions outside Europe in countries such as Argentina, Australia, and Brazil.<sup>183</sup> Because the Hague District Court issued extraterritorial injunctions outside of Europe, the court could not rely on the European Patent and Brussels Conventions as the bases for the injunctions.<sup>184</sup> Since the defendant did not appeal the district court's decision, the Dutch courts never had to explain the reasoning behind the grant of extraterritorial injunctions outside Europe.<sup>185</sup>

Another jurisdictional provision of the Brussels Convention, Article 16(4), provides that exclusive jurisdiction on validity issues resides with the issuing state.<sup>186</sup> Article 16(4), however, has had little practical effect on the Dutch courts' cross-border injunctions because if compelling evidence of invalidity exists, Dutch courts may simply stay the proceeding until a European Patent Office opposition has resolved the issue.<sup>187</sup> In *GAT v. LuK*, a German court held that Article 16(4) did not bar it from adjudicating even issues of validity of foreign patents.<sup>188</sup> After LuK claimed that GAT's product infringed its French patent, GAT brought an action for a declaration of noninfringement in the German courts based on the invalidity of LuK's French patents.<sup>189</sup> The Düsseldorf trial court asserted subject matter jurisdiction, held the patents to be valid, and dis-

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<sup>182</sup> Thomas, *supra* note 17, at 301.

<sup>183</sup> *Id.* at 303–04 (citing *Philips/Hemogram*, Arrondissementsrechtbank [Rb.] [Dist. Ct.], Hague, Dec. 30, 1991, 1992 IER 76, 76 (Neth.)).

<sup>184</sup> *Id.* at 303 (citing *Philips*, 1992 IER at 76).

<sup>185</sup> *Id.* at 303–04.

<sup>186</sup> 1972 J.O. (L 299) 32, 35, *reprinted in* 29 I.L.M. 1417, 1422 (1990).

<sup>187</sup> See Thomas, *supra* note 17, at 303.

<sup>188</sup> Oberlandesgericht [OLG] [Ct. of App.] July 13, 2006, Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs KG* (F.R.G.), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62003J0004:EN:HTML>; see also ECJ to Clip the Wings of Courts in Europe over Cross-Border Subject Matter Jurisdiction in Patent Cases, [http://www.jenkins-ip.com/pi\\_news/winter2004/item\\_11.htm](http://www.jenkins-ip.com/pi_news/winter2004/item_11.htm) (last visited Feb. 9, 2007).

<sup>189</sup> *GAT*, ¶ 9–10.

missed GAT's action.<sup>190</sup> GAT then appealed to the appellate court, the Düsseldorf Oberlandesgericht, which stayed the proceedings and referred the question of subject matter jurisdiction under Article 16(4) to the European Court of Justice ("ECJ").<sup>191</sup> The ECJ ruled that exclusive jurisdiction under Article 16(4) should apply to all issues relating to the validity of a patent.<sup>192</sup> As explained above, however, the ECJ's ruling does not prevent courts from issuing cross-border injunctions given that courts can stay proceedings until the European Patent Office opposition has resolved the invalidity issues.<sup>193</sup>

As these foreign courts' adjudications of foreign patent claims illustrate, any concern that U.S. courts' adjudication of foreign patent claims would be misaligned with international patent law are unfounded given that U.S. courts would not be the first courts internationally to adjudicate foreign patent claims. Moreover, these foreign decisions also help to show the feasibility of resolving foreign patent infringement claims—courts in Japan, Germany, and the Netherlands all have navigated successfully the complex foreign procedural and substantive laws necessary to adjudicate these claims. It is unrealistic to think that U.S. courts are incapable of doing the same. U.S. courts, therefore, should consider adjudicating foreign patents in certain situations. Moreover, multinational patent litigation, as the next Section will demonstrate, has favorable policy implications.

### *B. Policy Considerations*

U.S. case law reveals an unpredictable pattern regarding U.S. courts' willingness to adjudicate foreign patents. In addition to recognizing this pattern, an analysis of multinational patent litigation

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<sup>190</sup> Id. ¶ 11.

<sup>191</sup> Id. ¶ 12.

<sup>192</sup> Id. ¶ 31. In contrast to Dutch and German courts, United Kingdom courts have concluded that it would be inappropriate for them to grant injunctions having effect outside of the United Kingdom. See, e.g., *Coin Controls Ltd. v. Suzo Int'l (U.K.) Ltd.*, (1997) [1999] Ch. 33; *Chiron Corp. v. Organon Teknika Ltd.*, (1994) [1995] FSR 325, 338 (Ch. (Patents Ct.)). In *Fort Dodge Animal Health Ltd. v. Akzo Nobel N.V.*, (1997) [1998] FSR 222, 246 (A.C.), the U.K. Court of Appeal referred the question of jurisdiction under Articles 6(1), 16(4), 19, and 24 of the Brussels Convention to the ECJ. The parties, however, settled the case before the ECJ confronted the issue.

<sup>193</sup> See Thomas, *supra* note 17, at 303.

also should consider the positive and negative implications of multinational patent litigation. Because the benefits of multinational patent litigation outweigh the costs, U.S. courts generally should look to multinational patent litigation as their preferred means of resolving disputes concerning foreign patents related to U.S. patents being litigated.<sup>194</sup>

Several benefits result from the adjudication of foreign patents by U.S. courts. First, perhaps the most obvious benefit is judicial efficiency. Adjudicating foreign patents concurrent with the U.S. patents-in-suit will lower litigation costs for parties and also lower administrative costs for the court systems. A recent study by the American Intellectual Property Lawyers Association reveals that the median cost of a patent litigation lawsuit ranges from \$500,000 to almost \$4 million, depending on the amount of money at risk in the lawsuit.<sup>195</sup> Indeed, each party incurs between \$290,000 and \$2.5 million in legal fees just to complete the discovery process.<sup>196</sup> Because patent litigation is so expensive in the United States (and in other countries as well),<sup>197</sup> parties can reduce their litigation expenses by consolidating related domestic and foreign patent claims

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<sup>194</sup> See *infra* Part III for specific guidelines to help U.S. courts decide when to adjudicate foreign patents through multinational patent litigation.

<sup>195</sup> Am. Intellectual Prop. Law Ass'n ("AIPLA"), 2003 Report of the Economic Survey 22 (2003). This survey categorized patent infringement lawsuits into three categories based on the dollar amount at risk: (1) less than \$1 million at risk, (2) \$1–\$25 million at risk, and (3) more than \$25 million at risk. *Id.* The total median cost per side in these three categories was \$500,000, \$2,000,000, and \$3,995,000 respectively. *Id.*

<sup>196</sup> *Id.*

<sup>197</sup> While patent litigation in the United States may be more expensive than in other countries, patent litigation still remains a significant expense in other countries. See Int'l Chamber of Commerce Comm'n on Intellectual and Indus. Prop., *The Reduction of Patent Costs* (1997), <http://www.iccwbo.org/id373/index.html>. For example, in Japan, a patent lawsuit usually will cost no less than one million yen for the provisional disposition and no less than five million yen for the main lawsuit. Enforcement of IP Rights in Japan, <http://www.ondatechno.com/English/faq/faq3-enforce.html> (last visited Jan. 31, 2007). In the United Kingdom, the cost of a patent litigation ranges from 220,000 pounds in Patents County Court to 1.4 million pounds in High Court. John Lambert, *Should You Apply for a Patent for Your Invention* (2005), <http://www.hip.org.uk/shouldipatent.htm>. In Germany, a civil code country, a fixed schedule based upon the "value-of-the-case" determines the litigation cost of a given lawsuit. Uexkull & Stolberg, *Managing Intellectual Prop., Germany: Cost of Patent Litigation in Germany*, (2001) (On file with the Virginia Law Review Association). This schedule ranges from 300,000 deutschmarks for minor cases to one million deutschmarks for more significant cases. *Id.*

into one lawsuit. Furthermore, multinational patent litigation will reduce the burden on court systems worldwide since, in the aggregate, the consolidation of domestic and foreign patent claims should result in fewer lawsuits globally. The majority in *Voda* even acknowledged that “there may be merit in [the] argument” “that consolidated multinational patent adjudication could be more efficient.”<sup>198</sup> The dissent in *Voda* also urged that a court should not “ignore the consumption of private as well as judicial resources in duplicative litigation.”<sup>199</sup>

Second, multinational patent litigation will promote uniformity in patent law by helping to avoid inconsistent judgments across countries. Admittedly, some of these seemingly inconsistent judgments may be the result of differing patent laws, but in certain cases where the claims, prior art, and patent laws are identical or very similar, multinational patent litigation can help to ensure consistent judgments regarding the related foreign patents. The *Epilady* cases, in which domestic European courts interpreted in different ways the scope of protection for similar patented inventions, seem to have led to an absurd result.<sup>200</sup> Multinational patent litigation could possibly prevent such incongruities and help achieve worldwide consistency.

As a domestic example, the creation of the Federal Circuit has helped create nationwide consistency in U.S. patent law. Judge Newman, a Federal Circuit judge, has explained that the goal of gaining “nationwide consistency by eliminating the divergence in the laws and judicial approaches of the regional circuit courts” was the primary impetus behind the creation of the Federal Circuit in

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<sup>198</sup> 476 F.3d at 903.

<sup>199</sup> *Id.* at 911 (Newman, J., dissenting).

<sup>200</sup> Cf. Oberlandesgericht [OLG] [Ct. of App.] Nov. 21, 1991, *Improver Corp. and Sicommerce AG v. Remington Prods. Inc.* (F.R.G.), *excerpted in* 24 *Int'l Rev. Indus. Prop. & Copyright L.* 838 (1993) (finding that Remington's accused device infringed Improver's patent, European Patent No. 0101656); *Improver Corp./Beska BV and Remington Prods. Inc., Gerechtshof [Hof] [Ct. of App.]*, Hague, Feb. 20, 1992, 24 *Int'l Rev. Indus. Prop. Copyright L.* 832 (1993) (Neth.) (finding that Remington's accused device infringed Improver's patent, European Patent No. 0101656); *Improver Corp. v. Remington Consumer Prods. Ltd.*, (1989) [1990] FSR 181 (Ch. (Patents Ct.)) (U.K.) (finding that Remington's accused device did *not* infringe Improver's patent, European Patent No. 0101656). See generally John P. Hatter Jr., *The Doctrine of Equivalents in Patent Litigation: An Analysis of the Epilady Controversy*, 5 *Ind. Int'l & Comp. L. Rev.* 461 (1995).

1982.<sup>201</sup> Judge Rader, another Federal Circuit judge, has observed that the Federal Circuit has given “some predictability and dependability to intellectual property across what used to be vast legal obstacles.”<sup>202</sup> The experience of the Federal Circuit suggests that a unified international patent court may be a desirable ultimate goal in that it could achieve further consistency, predictability, and dependability. Courts’ willingness to adjudicate foreign patents may be the first step toward both the globalization of patent enforcement and the creation of such a court.<sup>203</sup>

A third major benefit of multinational litigation is that adjudicating foreign patents prevents the unilateral use of domestic patent laws with extraterritorial effects.<sup>204</sup> This unilateral extension of domestic patent laws raises the economic policy, foreign relations, and separation of powers concerns discussed in Section I.B. Moreover, while extraterritorial patent enforcement may allow parties to rely solely on their domestic patents, multinational patent litigation encourages parties to seek both domestic and foreign patents.

While multinational patent litigation results in several major benefits for the parties, the court systems, and the public, it also potentially raises several concerns about legal complexity, state sovereignty, and potential forum shopping.

First, if U.S. courts were to adjudicate foreign patents, these lawsuits might involve complex issues of foreign procedural and substantive law. Some commentators, however, have offered persuasive responses to this concern. For example, Thomas stresses that while differences between U.S. and foreign patent laws still exist,

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<sup>201</sup> Hon. Pauline Newman, On Global Patent Cooperation, 8 *Fordham Intell. Prop. Media & Ent. L.J.* 3, 8 (1997).

<sup>202</sup> Hon. Randall Rader, Keynote Address at the University of Washington School of Law’s High Technology Protection Summit: Do You Want Your Foreign Patent Enforced in a U.S. Court? 7 (July 21, 2000) (transcript available at <http://www.law.washington.edu/casrip/Symposium/Number6/Rader.pdf>).

<sup>203</sup> Gerald Mossinghoff and Vivian Kuo envision a single World Patent Court within their suggested World Patent System. See Mossinghoff and Kuo, *supra* note 141, at 553; see also Seth Cannon, Note, Achieving the Benefits of a Centralized Community Patent System at Minimal Cost, 35 *Case W. Res. J. Int’l L.* 415 (2003) (discussing the benefits and costs of a community patent system for the European Union).

<sup>204</sup> See Mariano Municoy, Allocation of Jurisdiction on Patent Disputes in the Models Developed by the Hague Conference in Private International Law: Asymmetric Countries and the Relationship of Private Parties, 4 *Chi.-Kent J. Intell. Prop.* 342, 364–65 (2005).



comparative studies “have suggested a substantial, and increasing, conformity among the world’s patent laws.”<sup>205</sup> Additionally, Judge Newman has stated that “on review of specific cases that have been litigated in countries in addition to the United States, it seems . . . that the differences in result and in analysis are no greater than the differences among the judges of the Federal Circuit.”<sup>206</sup> Moreover, in her dissent in *Voda*, Judge Newman urged that “judges cannot avoid cases because they may be complex. The complexity of patent law does not evict the district court from its discretionary authority.”<sup>207</sup> Similarly, Judge Rader has cautioned against overstating any concerns about a U.S. court having to conduct two trials simultaneously if the court asserted jurisdiction over a related foreign patent, explaining that courts today routinely conduct two or more trials at the same time, such as under state and federal law or under two or more different substantive legal areas.<sup>208</sup> Consequently, while the concern regarding the complexity of foreign procedural and substantive law is an important one, it should not in itself preclude multinational patent litigation.

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<sup>205</sup> Brief for Amici Curiae Law Professors, *supra* note 14, at 18–19 (citing JPO-USPTO Examiner Exchange Program Final Report (Part I), 70 J. Pat. & Trademark Off. Soc’y 449, 484 (1988) (finding that the standards of inventive step and novelty are substantially the same in the Japanese Patent Office as they are in the U.S. Patent Office) and EPO-USPTO Examiner Exchange Program Final Report, 72 J. Pat. & Trademark Off. Soc’y 5, 28 (1990) (evaluating patentability determinations of 112 independent and dependent claims and finding a different patentability determination between the European Patent Office and the U.S. Patent Office for only a single dependent claim)).

Admittedly, certain areas of patent law such as software, business method, and process patents present significant challenges to world patent law uniformity. This Note’s proposed guidelines attempt to take these differences into account, in that if foreign protection for a given invention was unavailable due to a country’s refusal to recognize a specific area of patent law, then the U.S. court should not seek to extend the U.S. patent extraterritorially.

<sup>206</sup> Newman, *supra* note 201, at 6.

<sup>207</sup> 476 F.3d at 912 (Newman, J., dissenting). Judge Newman additionally noted that “[t]he few areas of difference [between U.S. and foreign patent laws] are well understood by practitioners. The international structure of patent laws, patent practitioners, and patent treaties, is bottomed on this commercial premise.” *Id.* Furthermore, Judge Newman pointed out that Federal Rule of Civil Procedure 44.1 permits district courts to receive expert testimony in order to help with determining foreign law. *Id.* Judge Newman also enumerated numerous cases in which U.S. courts have applied foreign law in a variety of areas. *Id.* at 906–08.

<sup>208</sup> See Rader, *supra* note 202, at 6.

Moreover, a court undertaking a multinational patent litigation could avoid the complex issue of validity by staying the infringement claim in order to allow the defendant to challenge the patent's validity in the country where the patent was granted.<sup>209</sup> For example, in cross-border injunction proceedings where there is compelling evidence of invalidity, Dutch courts will stay the proceeding until the European Patent Office has resolved the opposition.<sup>210</sup>

Another related issue is the lack of a central authority to reexamine a decision made by one court but affecting another court.<sup>211</sup> As Section III.A will explain, Professors Rochelle Dreyfuss and Jane Ginsburg, in the ALI Principles, suggest that the foreign court in which the plaintiff seeks enforcement can act as a check on the first court's decision.<sup>212</sup> While the foreign court is not a central authority, at least the foreign court's discretion whether to enforce the first court's decision does provide some reexamination of the decision itself. Alternatively, Mariano Municoy suggests that an international organization could authorize an existing body such as the Council of the World Trade Organization ("WTO") to review decisions issued by national courts.<sup>213</sup> Empowering an existing authority may be a better response to this concern than reliance on national courts, since the independent authority presumably is more unbiased than the national courts and will work to promote patent harmonization and globalization.

Second, because patent laws operate territorially and patent rights are national in scope,<sup>214</sup> a domestic court's adjudication of a foreign patent undoubtedly raises concerns related to sovereignty. Given that a foreign patent is essentially a grant of exclusive rights in the foreign country in which the patent was issued, a domestic court must tread carefully when adjudicating issues relating to the overall validity of a foreign patent. One response to sovereignty concerns related to validity determinations of a foreign patent is

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<sup>209</sup> See Chisum, *supra* note 1, at 613.

<sup>210</sup> See Thomas, *supra* note 17, at 303.

<sup>211</sup> See Municoy, *supra* note 204, at 372–73.

<sup>212</sup> See Rochelle Dreyfuss, *The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?*, 30 *Brook. J. Int'l L.* 819, 837 (2005).

<sup>213</sup> See Municoy, *supra* note 204, at 372–73.

<sup>214</sup> See Dinwoodie et al., *supra* note 181, at 30–31.

that the court could make its decision only applicable to the parties of the lawsuit. For example, the district court in *Forbo-Giubiasco S.A. v. Congoleum Corp.* sought to avoid comity and sovereignty concerns by making its inequitable conduct holding only applicable to the rights between the parties in the lawsuit rather than to Congoleum's foreign patent rights generally.<sup>215</sup> This Note suggests another option—the court could stay the infringement claim in order to allow the defendant to challenge the patent's validity in the country where the patent was granted.<sup>216</sup>

Additionally, while the act of state doctrine often exists as a general sovereignty concern,<sup>217</sup> according to the *Mannington Mills* and *Forbo-Giubiasco* courts, the granting of a patent is purely “ministerial” and not contemplated by the act of state doctrine.<sup>218</sup> Judge Newman, in her dissent in *Voda*, similarly concluded that “patent validity and infringement are legal and commercial issues” rather than acts of state; she argued that the act of state doctrine “provides no support for this court's removal of judicial discretion of United States courts to resolve a commercial dispute between private parties involving private patent rights.”<sup>219</sup> Sovereignty concerns related to comity undoubtedly will exist, but as long as courts address these concerns by examining relevant factors, foreign countries should be able to see that comity was not ignored. This approach of directly addressing comity concerns stands in contrast to *NTP*, in which the Canadian government objected to the fact that the U.S. court never mentioned comity.<sup>220</sup> Section III.B suggests specific factors related to comity for courts to consider, and Section III.C integrates these factors into guidelines for U.S. courts to follow in determining whether multinational patent litigation or extraterritorial patent enforcement is appropriate. Furthermore, the fact that Japanese, German, and Dutch courts already have ad-

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<sup>215</sup> 516 F. Supp. 1210, 1218 (1981).

<sup>216</sup> See *supra* text accompanying notes 209–10.

<sup>217</sup> The majority in *Voda* suggested that “the act of state doctrine may make the exercise of supplemental jurisdiction over foreign patent infringement claims fundamentally unfair,” but refrained from deciding whether the act of state doctrine applies to foreign patents. 476 F.3d at 904.

<sup>218</sup> See *Mannington Mills v. Congoleum Corp.*, 595 F.2d 1287, 1294 (3d Cir. 1979); *Forbo-Giubiasco*, 516 F. Supp. at 1217.

<sup>219</sup> 476 F.3d at 915 (Newman, J., dissenting).

<sup>220</sup> See Brief Amicus Curiae of the Government of Canada, *supra* note 83, at 3.

judicated foreign patents despite comity concerns supports the feasibility of multinational patent litigation.

Finally, a third concern is that multinational patent litigation may increase the opportunistic use of forum shopping by parties.<sup>221</sup> In particular, plaintiffs may try to sue in the United States because of the liberal discovery rules, the legality of contingency fees, and availability of punitive damages.<sup>222</sup> In order to address this concern, U.S. courts could look to the rules regarding damage awards and contingency fees in the country where the patent was granted so as to prevent forum shopping based on these two factors.

In summary, given that the persuasive arguments noted above address many of these policy concerns, the benefits of multinational patent litigation outweigh any drawbacks. Policy concerns thus should not prevent U.S. courts from consolidating related domestic and foreign patent lawsuits into unified multinational patent litigation proceedings. Part III suggests a specific decisionmaking process for U.S. courts to follow as they determine when to adjudicate foreign patents through multinational patent litigation.

### III. GUIDELINES FOR U.S. COURTS

While this Note's suggestion that U.S. courts should look to multinational litigation before seeking to enforce U.S. patents extraterritorially is useful in its own right, providing guidelines for U.S. courts to follow in determining when to adjudicate foreign patents or when to enforce U.S. patents extraterritorially is crucial. Thus far, several commentators have proposed general guidelines for courts,<sup>223</sup> but these guidelines lack the necessary specificity for a district court to utilize them to make an informed decision regarding the choice of multinational litigation or extraterritorial patent enforcement. Moreover, these existing guidelines are solely related to multinational litigation and do not address extraterritorial enforcement at all. Sections III.A and III.B summarize these guide-

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<sup>221</sup> See Municoy, *supra* note 204, at 373.

<sup>222</sup> Thomas, *supra* note 17, at 311–12.

<sup>223</sup> See Brief for Amici Curiae Law Professors, *supra* note 14, at 25–28; Am. Law Inst., *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (Discussion Draft 2006). Professor Dreyfuss describes the most recent draft of the ALI principles in a recent symposium essay. See Dreyfuss, *supra* note 212.

lines, and then Section III.C integrates them into proposed new guidelines.

#### *A. ALI Principles*

Professors Rochelle Dreyfuss and Jane Ginsburg used the 1999 Draft of the Convention on Jurisdiction in Civil and Commercial Matters, negotiated at the Hague Conference on Private International Law,<sup>224</sup> as a starting point for the proposal of a stand-alone convention to deal with intellectual property rights.<sup>225</sup> In 2002, the American Law Institute (“ALI”)<sup>226</sup> incorporated their work into its own project, entitled “Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes” (“ALI Principles”).<sup>227</sup> The project was designed as a set of principles that national courts may follow “to create an efficient method for adjudicating international disputes.”<sup>228</sup>

The ALI Principles, unlike the earlier Draft Hague Convention, apply to all intellectual property rights.<sup>229</sup> While the project addresses jurisdiction, simplification, and choice of law issues, the brief summary below focuses on the simplification issues, since they are most relevant to this Note’s proposed guidelines.<sup>230</sup> A “key

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<sup>224</sup> Special Comm’n of the Hague Conference on Private Int’l Law, Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (1999), <http://www.hcch.net/upload/wop/jdgmpr11.pdf> (last visited Feb. 2, 2007). The goal of the Hague Conference, which met for the first time in 1893 and became a permanent intergovernmental organization in 1955, is “the progressive unification of the rules of private international law.” Statute of The Hague Conference on Private International Law art. 1, Oct. 15, 1964, 15 U.S.T. 2228, 220 U.N.T.S. 121.

<sup>225</sup> See Dreyfuss, *supra* note 212, at 819.

<sup>226</sup> The ALI publishes restatements of the law, model codes, and other proposals for legal reform “to promote the clarification and simplification of the law and its better adaptation to social needs, to secure the better administration of justice, and to encourage and carry on scholarly and scientific work.” The American Law Institute, <http://www.ali.org/> (last visited Feb. 2, 2007).

<sup>227</sup> Dreyfuss, *supra* note 212, at 819. The ALI appointed Dreyfuss and Ginsburg, along with Professor Francois Dessemontet, as co-reporters of the project and also appointed an international group of advisers composed of intellectual property lawyers, practitioners, and judges. *Id.* at 819–20.

<sup>228</sup> *Id.* at 826.

<sup>229</sup> *Id.* at 827.

<sup>230</sup> The Principles also set forth three bases for jurisdiction: general jurisdiction, specific jurisdiction, and jurisdiction for simplification. *Id.* at 827–32. General and specific jurisdiction are standard in American jurisprudence; jurisdiction for simplification is based on the Brussels Regulation. *Id.* at 831. Jurisdiction for simplification has two

value” of the ALI Principles is the “capacity to facilitate resolution of global disputes” through coordination.<sup>231</sup> As a preliminary matter, a court must decide whether the actions are sufficiently closely connected to benefit from coordinated treatment.<sup>232</sup> The ALI Principles explain that courts should look to coordination “whenever two or more lawsuits in different countries arise from connected transactions.”<sup>233</sup>

The ALI Principles then distinguish between two types of coordinated treatment, consolidation and cooperation.<sup>234</sup> Criteria for courts to use in making the decision between cooperation and consolidation include

whether there is a court with sufficient power over all of the litigants and enough authority to award the relief requested to make consolidation an option; whether there is a court with special expertise in the issues in contention; the impact of the decision on the resources of the parties; and the degree of cooperation that can be expected.<sup>235</sup>

The choice of consolidation results in the transfer of all cases to a single court. By contrast, if the court chooses cooperation, separate litigation occurs in each country, but the parties and all of the courts involved develop a cooperative plan to coordinate discovery efforts in the multiple litigations. Parties therefore will not have an incentive to forum shop based on discovery rules, since the courts will cooperate in terms of discovery efforts even if consolidation does not occur. Although the ALI Principles suggest that coopera-

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provisions: (1) expansion of “the authority of the court where one defendant is habitually resident to include power over other defendants who are enmeshed in the same transactions” and (2) allowing a “local defendant to add parties who are liable to the defendant for all or part of the judgment the defendant suffers.” *Id.* at 831–32. Additionally, for choice of law issues, the Principles distinguish between economic and noneconomic rights: the Principles recognize the territorial law for economic rights and recognize the applicable law of the territory “in which the author is habitually resident at the time the harm occurred” for noneconomic rights. *Id.* at 843. Accordingly, for patent infringement, each action is controlled by the law of each country in which an infringement occurs.

<sup>231</sup> *Id.* at 833.

<sup>232</sup> *Id.*

<sup>233</sup> *Id.*

<sup>234</sup> *Id.* at 833–34.

<sup>235</sup> *Id.*

tion likely will be appropriate in patent cases,<sup>236</sup> this Note suggests in Section III.C that after looking to a more comprehensive list of factors to choose between cooperation and consolidation, consolidation may be appropriate in some patent cases as well.

Next, if the court selects consolidation, the court must choose the forum in which the action will be heard.<sup>237</sup> The ALI Principles specify that “the goal is to situate the case in the court most closely connected to the parties and dispute, and most convenient to the witnesses.”<sup>238</sup> The ALI Principles also give preference to a tribunal specialized in the field at issue and to a court in a member-state of the WTO, since such a court is internationally accountable for its actions.<sup>239</sup> Also, if the parties contract for a specific forum, then the court likely will choose that forum for consolidation.<sup>240</sup>

With regard to enforcement, Dreyfuss notes that the enforcement section of the current draft is largely just a placeholder, but she speculates that several features of the current draft will endure.<sup>241</sup> First, the ALI Principles give the court in which the plaintiff seeks enforcement the responsibility to act as a check on the court that rendered the judgment in terms of notice to the defendant, jurisdiction, and the reasonableness of the chosen court. Second, courts should refuse to enforce judgments rendered in conflict with decisions of the court with supervisory authority. Third, the ALI Principles “include features that recognize the special import of intellectual property values, and the impact of intellectual property rights on culture, health, and well-being.”<sup>242</sup> These features give courts some authority to vary remedies based upon local needs (for example, a court can decline to order injunctive relief when safety, health, or local cultural policies are at issue; a court can refuse to enforce noncompensatory awards unknown to its own law).<sup>243</sup>

In summary, the ALI Principles highlight two choices facing courts. First, a court must decide between coordination and no coordination, and second, if the court decides on coordination for a

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<sup>236</sup> Id. at 834.

<sup>237</sup> Id. at 835.

<sup>238</sup> Id.

<sup>239</sup> Id.

<sup>240</sup> Id.

<sup>241</sup> Id. at 837.

<sup>242</sup> Id. at 838.

<sup>243</sup> Id.

given case, the court must decide between consolidation and cooperation. Section III.C suggests that these ALI Principles are a good starting point for a third choice—namely, the choice between multinational litigation and extraterritorial enforcement. Moreover, after looking to a comprehensive list of factors, a court may decide that consolidation is appropriate for a patent case.

*B. Suggested Factors in the Voda Amicus Brief and in the Voda Opinion*

The amicus curiae brief submitted by a group of law professors in *Voda v. Cordis* urged the Federal Circuit “to identify factors that courts should consider in deciding whether or not to assert jurisdiction over claims of foreign patent infringement.”<sup>244</sup> Thomas, the principal author of the brief, suggested that the Federal Circuit look to prudential considerations developed within trademark law and antitrust law, but explained that space limitations prevented a more detailed discussion of these considerations.<sup>245</sup> Thomas then listed eight general factors that courts should consider in determining whether to grant supplemental or diversity jurisdiction in a multinational patent litigation. Five of these factors stem from trademark and antitrust law, and three of these factors arise from the existing case law regarding multinational patent litigation.

Although Thomas remarked that antitrust law and trademark law are “allied disciplines” of patent law, he failed to explain why a court should look to factors developed within these fields. Moreover, both *Ocean Garden v. Marktrade Co.*<sup>246</sup> and *Timberlane Lumber Co. v. Bank of America National Trust and Savings Ass’n*<sup>247</sup> involved the extraterritorial application of U.S. antitrust law and trademark

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<sup>244</sup> See Brief for Amici Curiae Law Professors, *supra* note 14, at 25.

<sup>245</sup> *Id.* (citing *Ocean Garden v. Marktrade Co.*, 953 F.2d 500, 503–04 (9th Cir. 1991) (trademark law) and *Timberlane Lumber Co. v. Bank of Am. Nat’l Trust & Sav. Ass’n*, 549 F.2d 597, 615 (9th Cir. 1976) (antitrust law)). As Subsection II.A.1 of this Note discussed, the Third Circuit, in *Mannington Mills v. Congoleum Corp.*, acknowledged the importance of the *Timberlane* factors in determining whether to grant jurisdiction to a plaintiff seeking to enjoin foreign patent claims under U.S. antitrust law. See 595 F.2d 1287, 1297–98 (3d Cir. 1979).

<sup>246</sup> 953 F.2d 500 (9th Cir. 1991).

<sup>247</sup> 549 F.2d 597 (9th Cir. 1976).



law, respectively, to foreign conduct.<sup>248</sup> Thomas, however, did not acknowledge this distinction between these cases and multinational patent litigation, in which a U.S. court seeks to enforce a foreign country's patent laws. Despite these differences, these factors are analogous to those that should be considered in multinational patent litigation. Even though antitrust law and trademark law differ substantively from patent law, the factors developed within these two fields exist as an interest-balancing approach to comity, which relates to both extraterritorial application of U.S. law and U.S. enforcement of foreign laws and is not specific to a substantive area of law.<sup>249</sup>

In *Timberlane*, these factors addressed “whether the interests of, and links to, the United States—including the magnitude of the effect on American foreign commerce—are sufficiently strong, vis-à-vis those of other nations, to justify an assertion of extraterritorial authority.”<sup>250</sup> The Ninth Circuit, in *Ocean Garden*, then adopted the *Timberlane* factors to analyze the extraterritorial application of U.S. trademark law.<sup>251</sup> A court also can use these factors in multinational litigation to help determine whether it should assert supplemental or diversity jurisdiction over the foreign patent claim. In the *Voda* amicus brief, Thomas suggests five factors that align with the *Timberlane* factors:<sup>252</sup> (1) nationality of the litigants;<sup>253</sup> (2) whether a U.S. patent is being asserted;<sup>254</sup> (3) the relative importance of any asserted U.S. patent infringement as compared with infringements

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<sup>248</sup> *Ocean Garden* similarly involved the application of U.S. trademark law to activities in a foreign country, specifically canning seafood products in Mexico using a trademark and trade dress similar to plaintiff's and exporting the products overseas. 953 F.2d at 502–03. *Timberlane* involved the application of U.S. antitrust law to activities in a foreign country, specifically an alleged conspiracy to prevent the plaintiff from milling lumber in Honduras and exporting it to the United States. 549 F.2d at 603–05.

<sup>249</sup> See, e.g., *Mars Inc. v. K.K. Nippon Conlux*, 24 F.3d 1368, 1376 (Fed. Cir. 1994); *Packard Instrument Co. v. Beckman Instruments*, 346 F. Supp. 408, 410–11 (N.D. Ill. 1972).

<sup>250</sup> 549 F.2d at 613.

<sup>251</sup> 953 F.2d at 503–04.

<sup>252</sup> See Brief for Amici Curiae Law Professors, supra note 14, at 25–28.

<sup>253</sup> This factor corresponds to the *Timberlane* factor of “the nationality or allegiance of the parties and the locations of principal places of business of corporations.” 549 F.2d at 614.

<sup>254</sup> This factor corresponds to the *Timberlane* factor of “the relative significance of effects on the United States as compared with those elsewhere.” *Id.*

asserted abroad;<sup>255</sup> (4) potential conflicts with foreign law or policy;<sup>256</sup> and (5) whether a potential U.S. judgment could be enforced domestically and, if necessary, by foreign courts.<sup>257</sup>

The other three factors that Professor Thomas suggests arise from the case law regarding multinational patent litigation: (1) the similarity of the accused infringements in the U.S. and abroad; (2) the similarity of the accused patents in the U.S. and abroad; and (3) the similarity of the prior art in the U.S. and abroad.<sup>258</sup> Indeed, the courts in *Mars Inc. v. K.K. Nippon Conlux*,<sup>259</sup> *Ortman v. Stanray Corp.*,<sup>260</sup> and *Distillers Co. v. Standard Oil Co.*<sup>261</sup> looked to these factors in their analyses. The main problem with these three factors is one of line-drawing. While courts should look to these three factors in order to decide whether to assert jurisdiction over the foreign patent claims, they still must wrestle with the question of how similar is similar enough. Because courts should not require that the infringements, patents, and prior art be identical in all respects, courts then have to determine what level of similarity is sufficient.

It is important to note that in addition to the eight factors listed in the law professors' *Voda* amicus brief that should be used to help determine whether a court should assert jurisdiction over related foreign patents, the Federal Circuit in *Voda* articulated factors for district courts to follow in deciding whether to exercise supplemental jurisdiction over foreign patent claims. The Federal Circuit reiterated that district courts should articulate findings regarding the *Mars* factors<sup>262</sup> in order to determine whether a "com-

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<sup>255</sup> This factor corresponds to the *Timberlane* factor of "the relative importance to the violations charged of conduct within the United States as compared with conduct abroad." *Id.*

<sup>256</sup> This factor corresponds to the *Timberlane* factor of "the degree of conflict with foreign law or policy." *Id.*

<sup>257</sup> This factor corresponds to the *Timberlane* factor of "the extent to which enforcement by either state can be expected to achieve compliance." *Id.*

<sup>258</sup> Brief for Amici Curiae Law Professors, *supra* note 14, at 26–27.

<sup>259</sup> 24 F.3d 1368, 1375 (Fed. Cir. 1994).

<sup>260</sup> 371 F.2d 154, 158 (7th Cir. 1967).

<sup>261</sup> 150 U.S.P.Q. (BNA) 42, 43–45 (N.D. Ohio 1964).

<sup>262</sup> As explained above, the *Mars* factors include: (1) the similarity of the accused infringements in the United States and abroad; (2) the similarity of the accused patents in the U.S. and abroad; and (3) the similarity of the prior art in the United States and abroad. See *supra* text accompanying notes 251–55. The court in *Voda* also pointed to a fourth factor—whether the governing U.S. and foreign laws are different. *Voda*, 476 F.3d at 895. The *Voda* amicus brief also suggests this factor, which corresponds to the

mon nucleus of operative fact” exists between the U.S. patent and the foreign patents pursuant to Section 1367(a).<sup>263</sup> The Federal Circuit also suggested a non-exhaustive list of five factors for district courts to consider in an analysis of “exception circumstances” under Section 1367(c).<sup>264</sup> These factors include: (1) the United States’s obligations under international treaties; (2) comity and relations between sovereigns; (3) judicial economy; (4) convenience;<sup>265</sup> and (5) fairness.<sup>266</sup> The benefit of increased judicial efficiency as well as ways to minimize comity and fairness concerns were discussed in Section II.B.

Section III.C will integrate the factors discussed above into a set of guidelines for courts to follow in order to determine whether to undertake a multinational patent litigation or extraterritorial patent enforcement. Moreover, this next Section suggests two additional factors relevant to a court’s determination of whether extraterritorial application of a U.S. patent is appropriate: (1) whether the U.S. patent could have been drafted to cover the activity; and (2) whether foreign protection was available for the activity.

### *C. Proposed Guidelines*

Using the existing general guidelines described above as a starting point, this Note suggests more specific guidelines for U.S. courts to follow when faced with the decision of whether to extend

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*Timberlane* factor of “the degree of conflict with foreign law or policy.” See Brief for Amici Curiae Law Professors, supra note 14, at 25–28 (listing as a factor “[p]otential conflicts with foreign law or policy”); see also *Timberlane*, 549 F.2d at 614.

Additionally, the Federal Circuit suggested that if the phrase “ordinarily be expected to try them all in one judicial proceeding” is a separate test from “the common nucleus of operative fact” requirement under § 1367(a), district courts will need to determine whether foreign patent claims can “ordinarily be expected” to be tried in the same judicial proceeding as related U.S. patent claims. See Brief for Amici Curiae Law Professors, supra note 14, at 23–26. Whether the phrase “ordinarily be expected to try them all in one judicial proceeding” is indeed a separate test is an issue beyond the scope of this Note. District courts, however, faced with the question of whether to exercise supplemental jurisdiction over foreign patent claims in the future should be conscious of the possibility that “ordinarily be expected to try them all in one judicial proceeding” exists as an independent requirement under § 1367(a).

<sup>263</sup> See *Voda*, 476 F.3d at 885–96.

<sup>264</sup> *Id.* at 898, 904.

<sup>265</sup> See supra note 159 for a discussion regarding the forum non conveniens doctrine and factors of convenience.

<sup>266</sup> *Waller*, supra note 159, at 112.

U.S. patent law or to adjudicate foreign patent claims. In general, these proposed guidelines favor multinational patent litigation and disfavor extraterritorial patent enforcement. Courts should look to multinational patent litigation as the default rule and only extend U.S. patent law abroad as a last resort. These guidelines are intended as a preliminary proposal to suggest to U.S. courts a possible decisionmaking process to follow when faced with parallel foreign patents to a U.S. patent-in-suit. A full explanation as to how these guidelines should be implemented and the effect these guidelines have on the recognition of foreign judgments is beyond the scope of this Note.<sup>267</sup> Figure 1 graphically depicts these guidelines, described in the text below, as a flowchart.

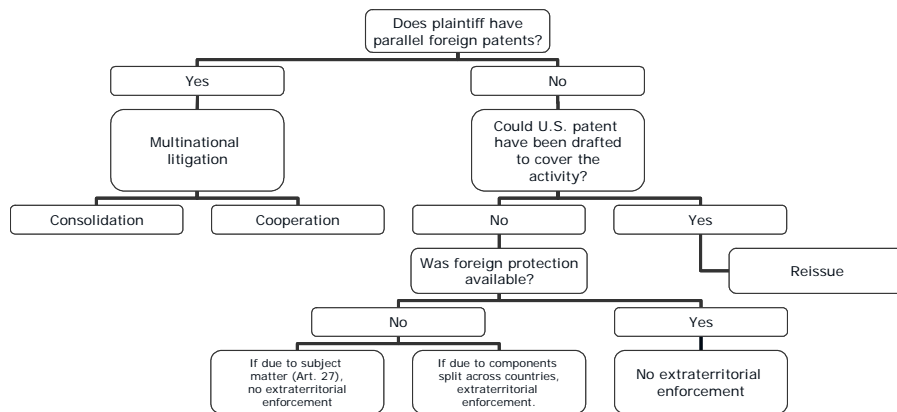


Figure 1: Suggested Guidelines for U.S. Courts

First, as a preliminary inquiry, a court should determine if the plaintiff has parallel foreign patents to the U.S. patent-in-suit. If the plaintiff does have parallel foreign patents to the U.S. patent, the court should look initially to multinational litigation and then either consolidate the claims or cooperate with foreign courts.<sup>268</sup> Courts should use the factors from antitrust, trademark, and multi-

<sup>267</sup> For example, in order to implement these guidelines, U.S. courts will need to develop a means to interface with foreign courts in order either to cooperate regarding related litigations or to choose a forum for consolidation.

<sup>268</sup> This idea of consolidation and cooperation comes from the ALI Principles. See Dreyfuss, *supra* note 212, at 833.

national patent litigation case law raised in the law professors' amicus brief and in the *Voda* opinion itself, as well as the criteria suggested by the ALI Principles, to determine the feasibility of each of these options.<sup>269</sup> Depending on the court's analysis of these factors, the court may be able to exercise jurisdiction over the foreign patents and consolidate the claims.<sup>270</sup> Consolidating the U.S. patent claims with related foreign patent claims will result in increased judicial efficiency as well as the promotion of uniformity in global patent law.<sup>271</sup> Additionally, the adjudication of foreign patents through consolidation will prevent the unilateral extension of domestic patent law, which raises the economic policy, foreign relations, and separation of powers concerns discussed in Section I.B. If consolidation is not appropriate, then, at the very least, the court should cooperate with the foreign courts where litigation over the foreign patents will occur. Cooperation helps to prevent parties

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<sup>269</sup> See Brief for Amici Curiae Law Professors, supra note 14, at 25–28; Dreyfuss, supra note 212, at 833–35.

In addition to the factors that the law professors' *Voda* amicus brief and the ALI Principles suggest, courts potentially could use the number of foreign patents involved in the case as a proxy for the complexity of the lawsuit. Although the number of foreign patents may appear to be a good proxy for complexity, this factor ultimately would not be helpful to courts, because it would be extremely difficult to establish a bright-line rule as to how many foreign patents is too many, especially since the complexity of each country's patent law and the specific issues involved vary from case to case.

Additionally, while courts could look to whether the defendant in an infringement action raises invalidity as a defense, such analysis would be problematic; invalidity potentially could become the "Achilles heel" of a plaintiff in a multinational infringement action. A defendant always could raise invalidity in order to prevent the multinational patent litigation from occurring. Rather than factoring a defendant's claims of invalidity into judicial determinations of whether the court should assert jurisdiction, courts should minimize the concerns related to invalidity claims either by staying the infringement claim in order to allow the defendant to challenge the patent's validity in the country in which the patent was granted or by making its holding applicable only to the rights between the parties in the lawsuit rather than to the foreign patent rights generally. See supra text accompanying notes 209–10 and 215–16.

<sup>270</sup> Note that the guidelines do not intend to alter the patent appeals process within the U.S. Parties still can appeal a consolidated case to the Federal Circuit. The ALI Principles, however, contemplate using enforcement of the judgment as a check on whether the judgment was rendered in conflict with its decisions or local needs and on notice and jurisdictional issues. See Dreyfuss, supra note 212, at 837. Consequently, the court enforcing the judgment of either the district court or the Federal Circuit would act as a backstop for such issues as jurisdiction, notice, and conflict with its own law or local needs.

<sup>271</sup> See supra text accompanying notes 195–203.

from forum-shopping based on discovery rules, since the domestic court and the foreign courts will cooperate regarding discovery efforts.

Next, if the plaintiff does not have parallel foreign patents, then the court needs to determine whether a U.S. patent could have been drafted to cover the activity.<sup>272</sup> If the U.S. patent could have been drafted differently to cover the activity, then the court should require the plaintiff to seek reissue of the patent. One could argue that courts should be willing to grant protection through extraterritorial enforcement since patent protection theoretically could cover the activity. Courts, however, instead should force the plaintiff to seek reissuance of the patent in order to provide incentives *ex ante* for correct drafting of patents. If a U.S. patent could not have been drafted to cover the activity, then the court needs to determine whether foreign protection was available. If foreign protection was available, then the plaintiff should have obtained foreign protection to begin with, and the U.S. patent should not be enforced extraterritorially. Requiring patentees to obtain foreign patents initially provides incentives for patentees to obtain patents abroad rather than allowing patentees to rely on their U.S. patents. Additionally, U.S. courts' refusal to enforce U.S. patents extraterritorially helps to prevent the concerns related to economic policy, foreign relations, and separation of powers that extraterritorial patent enforcement raises.

If foreign protection was not available, the court would need to make further inquiry into why it was not available. If foreign protection was unavailable due to unpatentable subject matter under Article 27 of the TRIPS Agreement,<sup>273</sup> such as patents on the treatment of humans or animals, or because the foreign country does not permit the patenting of software, business methods, or processes, then the court should not seek to extend the U.S. patent extraterritorially through Sections 271(a), (f), or (g). Alternatively, if foreign protection was unavailable due to components split across countries,<sup>274</sup> the court should seek to extend the U.S. patent

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<sup>272</sup> See generally Mark A. Lemley et al., *Divided Infringement Claims* (Stanford Public Law Working Paper No. 100, 2004), <http://ssrn.com/abstract=628241>.

<sup>273</sup> TRIPS Agreement, *supra* note 153, art. 27.

<sup>274</sup> Patents in which components or steps are split across countries are common in computer networking and software inventions. See Lemley, *supra* note 270, at 13–15.

extraterritorially through Sections 271(a), (f), or (g). For example, if a system has components split across countries, a court could examine the use of a claimed system under the “control and beneficial use” test in order to determine infringement under Section 271(a)—that is, determine “the place where control of the system is exercised and beneficial use of the system obtained.”<sup>275</sup> Additionally, a court could find infringement under Section 271(f) based on the exportation of a tangible or intangible component<sup>276</sup> or infringement under Section 271(g) based on the importation of a product manufactured abroad through a process covered by a U.S. patent.<sup>277</sup> Extraterritorial enforcement is appropriate in these circumstances because a foreign patent could not have been drafted so as to cover the activity, but the subject matter of the activity is patentable in the foreign country. In this scenario, giving extraterritorial effect to the U.S. patent is the only option for the patentee to obtain enforcement. Under these circumstances, the benefits of extraterritorial enforcement outweigh the general concerns of giving extraterritorial effect to the U.S. patent. Overall, these proposed guidelines are valuable to U.S. courts in that they can help courts determine when to adjudicate foreign patents through multinational patent litigation and when to extend U.S. patents through extraterritorial patent enforcement.

#### CONCLUSION

In a recent Supreme Court decision regarding the extraterritorial enforcement of U.S. antitrust law, Justice Breyer stated that courts are responsible for making sure that “conflicting laws of different nations work together in harmony—a harmony particularly needed in today’s highly interdependent commercial world.”<sup>278</sup> Although Justice Breyer made this remark in the context of an antitrust case, his comment holds true in the patent context as well, both in terms of multinational litigation and extraterritorial enforcement. This

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<sup>275</sup> NTP, Inc. v. Research in Motion, 418 F.3d 1282, 1317 (Fed. Cir. 2005).

<sup>276</sup> See 35 U.S.C. § 271(f) (2000); see also *Microsoft v. AT&T*, 127 S. Ct. 1746, 1755–56 (2007) (declining to address whether “software in the abstract, or any other intangible” can ever be a “component” under § 271(f)); *Eolas Techs. v. Microsoft Corp.*, 399 F.3d 1325, 1340 (Fed. Cir. 2005).

<sup>277</sup> 35 U.S.C. § 271(g).

<sup>278</sup> *F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164–65 (2004).

Note's proposed guidelines for U.S. courts will help to ensure that courts indeed do take responsibility for this important task. By looking primarily to multinational patent litigation as a means to adjudicate related U.S. and foreign patents and only looking to extraterritorial patent enforcement in certain situations, U.S. courts can take an important step to promote further harmonization and globalization of patent law. Moreover, future research can modify these proposed guidelines in order to extend them to other substantive legal areas or to other countries' judicial systems.