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Articles

SO LONG AS YOU LIVE UNDER MY ROOF, YOU'LL LIVE BY . . . WHOSE RULES?: ENDING THE EXTRATERRITORIAL APPLICATION OF PATENT LAW

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***56 I. Introduction**

On March 6, 2009, the United States Court of Appeals for the Federal Circuit granted a petition for *en banc* rehearing on whether the extraterritoriality of 35 U.S.C. § 271(f) “appl[ies] to method claims, as well as product claims.”¹ The Federal Circuit’s decision to hear this issue *en banc* underscores the importance of protecting intellectual property in a global economy and the role of extraterritoriality. Recent technological advances have allowed for engineering resources to be scattered across the globe.² In fact, Cisco Systems has set aside \$1.1 billion dollars towards research and development and training in India.³ Many of today’s generation of Americans can remember Wal-Mart’s “Buy America” ad campaign.⁴ Nowadays, it is hard to find products in the United States that are not made in China, even at Wal-Mart.⁵

Behind the increased globalization of manufacturing and engineering, the protection of intellectual property looms as a factor dictating which States can be trusted to protect investments in research and development of new technologies. This Note addresses, from an international law perspective, how intellectual property ***57** protection has changed and should continue to change in today’s globalized economy. Changes should ensure that incentives remain in place for inventors as the world shifts from independent national markets to the flourishing of international trade on the global marketplace.

Today’s global economy challenges the way in which patent enforcement can be obtained. For example, State A may grant a patent, or other intellectual property right, to an inventor on an invention that State B has determined not worthy of protection.⁶ As a result, actions that would be deemed infringing if carried out in State A could legally be carried out in State B, free from infringement. With this knowledge, manufacturers in State B can manufacture this invention within their State and profit from the result of the inventor’s research. Furthermore, even deliberate attempts to delay product availability in some markets can lead to a surge of counterfeit knockoffs.⁷ The problem is not the lack of uniform standards; in fact, it is often desirable to permit individual States the freedom to try novel economic experiments.⁸ Rather, the current approach to extraterritorial application of patent law where each State decides how far to reach, on an ad hoc basis, poses a serious threat to the system of independent national patent systems.

The Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement was signed in April 1994⁹ and currently has 153 members to the agreement.¹⁰ “[TRIPS] has been dubbed the most ambitious international intellectual property ***58** convention ever attempted.”¹¹ Using the TRIPS agreement to put an end to the extraterritorial application of patent law would encourage international cooperation, the development of State patent systems, and add predictability to global markets and international intellectual property law. Part II of this Note discusses the basic principles of international law, patent law, and the TRIPS agreement before discussing the intersection of these bodies of law and various State approaches to extraterritorial application of patent law. Part III provides suggestions for a new approach, a proposed solution, and potential challenges to the proposed solution. Part IV concludes with an overview of the problem, a proposed solution, challenges, and a suggestion for moving forward.

II. Discussion

At the risk of oversimplification, a simple childhood analogy familiar to most will help illuminate the problem at the heart of this Note. Assume the author lived in a household where he had to remove his shoes before entering the house. When the

author visits a friend's house whose parents do not have such strict rules, his friend's parents specifically tell him to wear his shoes in the house. They purposefully made the decision to install wood floors so they could wear shoes in their own house. Should the author's friend be punished for wearing his shoes in the author's house? More interestingly, should the author fear punishment from his own parents when he wears his shoes in his friend's house? The answers seem clear in this context, yet in the context of international patent enforcement, the answers are far from clear and depend on which State is asked.

A. Principles of International Law:¹² Sovereignty and Extraterritoriality

International law is a term used to describe the legal system governing relationships between States.¹³ It is composed of a set of rules and principles including basic legal concepts such as status, property, obligation, and tort, as well as substantive law, procedure, process, and remedies.¹⁴ Sources of international law can *59 be found in treaties, "general principles of law recognized by civilized nations," and customary international law.¹⁵

The United Nations was established following World War II.¹⁶ The primary driving force of the United Nations is to encourage and maintain justice and respect for principles of international law.¹⁷ There are currently 192 Member States to the United Nations who have committed themselves to the purpose of achieving international co-operation in solving international problems of economic character.¹⁸ In pursuit of this goal, the United Nations and its members are to be guided by principles of sovereignty, universality, and equality because the organization is based on the "sovereign equality of all its Members."¹⁹

Extraterritoriality is closely related to these fundamental principles of international law. Whereas State sovereignty is the idea that within the borders of each State, that State alone is the sovereign, governing body of its people, extraterritoriality refers to the application of a State's laws beyond its borders.²⁰ The outer limits placed on extraterritorial jurisdiction are loosely defined by customary law and treaty law.²¹ Whether a State's laws extend beyond its borders and how far they do extend is a question ultimately left up to each State.²² For example, in the United States, this question is initially left to the legislature to determine the reach of the statute upon enactment where jurisdiction is based upon principles such as the territorial principle, congressional intent, effects doctrine, nationality principle, and passive *60 personality principle.²³ Another complicating factor is that international law permits concurrent jurisdiction if the interests of multiple States are at stake; therefore, in those situations, exclusive jurisdiction at international law is rarely vested in a single State.²⁴

With advances in modern technology, it is now easier than ever before to communicate and travel across the globe. Activities that were traditionally considered local are no longer bound by national borders and can more easily have effects within the territories of other sovereign States.²⁵ The laws of separate States will therefore come into conflict more often and further complicate choice of law issues.²⁶ One such area of law that has predominantly been addressed on a national level is intellectual property law.²⁷

B. Patent Law: National Incentives to Innovate

"Intellectual property means legal rights in ideas."²⁸ It is a property right similar to real property or personal property and likewise, all are also private rights.²⁹ Intellectual property rights derive from the sovereignty of the individual State granting such rights.³⁰ Correspondingly, grants of intellectual property rights are tied to the scope of protection given in the grant of the right from the issuing *61 State.³¹ Intellectual property rights typically fall into one of five categories: patents, trademarks, copyrights, trade secrets, and industrial designs.³² This Note focuses exclusively on patent rights, which are directed to new, nonobvious, and useful inventions.³³

The ultimate goal of a patent system is "to bring new designs and technologies into the public domain through disclosure."³⁴ In exchange for fully disclosing to the public the details of the invention, the inventor is granted exclusive enjoyment of the invention for a period of time.³⁵ This limited monopoly right conferred with the granting of a patent is a property right, and like every property right, ideally the boundaries should be clearly marked so as to warn others before they are about to trespass.³⁶ Unlike real property, where you can point to a fence around a piece of land and say "this is mine," patents must be described with words and "the nature of language makes it impossible to capture the essence of a thing in a patent application."³⁷ Therefore, the determination of the encompassed subject matter within a patent typically requires a thorough understanding of the language used to describe the invention, in addition to some small degree of judicially administered "wiggle room" to account for the nature of language.³⁸

Because a patent owner is granted a limited period of exclusive monopoly rights to make and use the invention, if another person begins to make or use the patented invention without the permission of the patent owner, the patent owner has a cause of action at law for infringement.³⁹ Infringement is the term of art used to describe a trespass on intellectual property.⁴⁰ Similar to remedies available for real property trespass, the available remedies for patent infringement typically include *62 money damages and equitable injunctions.⁴¹ The availability of a legal remedy for patent infringement ensures that the incentives given to inventors encouraging public disclosure of their invention stay in place and are upheld.⁴²

In today's modern world, where goods are produced in one State to be distributed to various States around the world, ensuring global patent protection becomes very important. Patent rights derive from the independent sovereignty of an issuing State and ultimately protect products embodying the patented inventions, but only within the borders of that issuing State. In order to simplify the process of dealing with nearly two hundred⁴³ different national patent offices to obtain global patent protection, some international cooperation will need to take place.

C. TRIPS: Minimum Standards of International Patent Law

1. Relationship Between International Trade and Patents

Although the need for intellectual property law has been recognized at least as early as 1474⁴⁴ and the need for international intellectual property protection has been recognized and attempted at least as early as 1883,⁴⁵ the modern era of international intellectual property protection grew out of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations in the 1980s.⁴⁶ It may seem curious that intellectual property protection was incorporated into the GATT agenda - a multilateral trade agreement through the World Trade Organization (WTO) - rather than being addressed by the World Intellectual Property Office (WIPO), and indeed it was met with skepticism.⁴⁷ Developing countries were wary of incorporating intellectual property protection into GATT out of fear that their interests would not be protected in the "rich man's club" of GATT.⁴⁸ Furthermore, *63 there was a strong argument that intellectual property should remain under the control of WIPO because it had experience in such matters and GATT did not.⁴⁹

Despite the criticism of incorporating intellectual property protection into GATT, the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement was born out of the conclusion of the Uruguay Round of GATT in 1993 and signed on April 15, 1994.⁵⁰ When proposed, it was described as the innovative solution to remedy the lack of international protection of intellectual property.⁵¹ Furthermore, it has been dubbed "the most ambitious international intellectual property convention ever attempted."⁵²

The reasons for shifting intellectual property protection to GATT, however, grew out of the fact that intellectual property and international trade are so closely related.⁵³ The creation of new technology typically requires the investment of substantial capital and if States lack adequate intellectual property protection mechanisms, this will actually work to destroy the incentives that intellectual property protection attempts to create.⁵⁴ For example, if competitors are able to make an infringing product in a State with weak intellectual property protections without having to invest in research and development, they will be able to offer a product on the international market at a lower price to consumers than the patent holder.⁵⁵ The consumers faced with a choice of products on the international market will tend to choose the cheaper, counterfeit products thus reducing the patent holder's profits.⁵⁶ This reduction in profits to the patent holder will reduce his ability to recoup his financial investment in acquiring the new technology and this will tend to discourage continued innovation and creativity.⁵⁷ The States with strong patent protection will therefore lose revenue to the States having weak patent protection, which, free from research and development costs or royalty costs, are able to produce goods at a *64 cheaper cost.⁵⁸ Although cheaper products are in everybody's best interest in the short term, in the long term, they will tend to destroy the incentives that encourage the development of new technology.⁵⁹ While the counterfeiters are in direct competition with the inventor, their livelihood actually depends on the inventor's continued desire to innovate and invest in research.⁶⁰

2. History and Precursors to TRIPS: All Bark and No Bite

To best understand the nature and scope of the TRIPS agreement, a brief history of the previous attempts will help set the landscape. The first attempt at an international treaty on patent law harmonization was the formation of the Paris Convention in 1884,⁶¹ which has been described as the "foundational patent harmonization treaty," and is administered by WIPO.⁶²

Prior to the Paris Convention, many States applied a principle of patent dependence against foreign inventors.⁶³ This is best illustrated in an example where an inventor sought patent protection in States A, B, and C, and then decided not to market his invention in State C. The inventor may decide to save some money and cease paying maintenance fees in State C, thus allowing his patent rights in State C to lapse. Under the principle of patent dependence, States A and B would no longer recognize the inventor's right to a patent. Rather, they would claim he abandoned the invention in their State as soon as he allowed his patent rights in State C to lapse.⁶⁴ In a world where patent rights are dependent on one another, the lapse of those rights in one State would lead to the global forfeiture of patent rights.⁶⁵ Hence, one of the principles furthered in the Paris Convention was that of the independence of national patents.⁶⁶

***65** The principle of independence of national patents reflects the theory that property rights derive from the sovereign State, and each sovereign State should be able to decide what it carves out for protection and how it protects this patent grant.⁶⁷ Vast differences in legal and political systems resulted in some States exempting certain technologies from patent protection.⁶⁸ Furthermore, formerly communist States such as China had a hard time grasping the concept of personal ownership in property, let alone personal ownership of such intangible things as intellectual property.⁶⁹ Even today, significant differences in patent and legal systems of each State persist to the point where the international patent system is not ready for a rejection of the independence of patents.⁷⁰

One consequence of the principle of independence of patents is that each national patent must be enforced individually.⁷¹ Rather than a series of national patents, tied together to represent one invention, the Paris Convention allowed for the situation where an inventor could have his invention covered by 172 national patents, each in a different State, where each national patent stands by itself and is valid independently from the other 171.⁷² Furthermore, remedies for patent infringement must be sought in each State and are defined as the rights afforded a national citizen in the State where enforcement is sought.⁷³

Another common criticism of the Paris Convention was that it did not extend patent protection to foreign inventors equal to that afforded to nationals.⁷⁴ Therefore, careful crafting of national patent laws could be used to lower the protection of a foreign inventor in one State that would otherwise exist to a national inventor.⁷⁵ Hence numerous efforts have attempted to harmonize national legislation on intellectual property through the use of WIPO.⁷⁶ Yet arguments from both developed ***66** nations and developing nations have thwarted many efforts at harmonization.⁷⁷

Developed nations ultimately became dissatisfied with the enforcement mechanisms available to them and the weak patent protections through WIPO and the Paris Convention, thus giving birth to the TRIPS agreement.⁷⁸ It should therefore come as no surprise that fundamental goals of the TRIPS Agreement include promoting free trade by increasing the strength of intellectual property rights⁷⁹ in addition to facilitating the open-market development strategies of developing nations.⁸⁰ TRIPS emphasizes that each Member State is to enact laws necessary to allow private citizens to pursue their own actions against infringers,⁸¹ and it establishes a set of minimum requirements that must be implemented by each Member State.⁸²

D. TRIPS: Enforcement at Last

The TRIPS agreement establishes minimum, baseline intellectual property protection⁸³ and is non-self-executing in that the enactment of implementing legislation must be carried out on a national level by each Member State.⁸⁴ This permits some degree of flexibility among State approaches to implementation of the TRIPS agreement.⁸⁵ Special provisions are in place giving developing nations and least-developed nations extra time to enact their implementing legislation.⁸⁶

In addition to providing extra time for developing and least-developed nations to enact implementing legislation, TRIPS also has provisions instructing developed nations to provide incentives to and cooperate with developing and least-developed nations.⁸⁷ Article 66 directs developed nations to provide incentives to enterprises and institutions in their own territories to promote technology transfer to least- ***67** developed-nation members and thus enable least-developed nations to establish a technological base.⁸⁸ Article 67 further encourages developed nations to provide technical and financial cooperation with developing and least-developed nations in the preparation of laws and regulations on the enforcement of intellectual property rights.⁸⁹

This suggested encouragement goes hand in hand with the most important change provided in the TRIPS agreement over previous patent conventions, namely the establishment of clear procedures for the national enforcement of intellectual property rights.⁹⁰ Whereas the Paris Convention merely required that each Member State treat foreign nationals the same as

nationals with respect to available remedies at law, the nature of the proceedings for patent enforcement was left entirely up to the member states.⁹¹ On the other hand, the TRIPS agreement clearly specifies many detailed requirements for national patent enforcement proceedings including procedures,⁹² evidence,⁹³ and remedies.⁹⁴ As stated above, TRIPS mandates that these requirements must be incorporated into national laws of the member states.⁹⁵

E. National Approaches to Global Patent Enforcement and Three Types of Extraterritoriality

Despite the detailed minimum requirements set forth in the TRIPS agreement, States apply their laws and protect intellectual property in many different ways.⁹⁶ The tools of international law, namely treaties and multilateral conventions, can be and have been utilized in bringing States together to achieve some degree of harmonization among national laws.⁹⁷ One area not addressed in the TRIPS agreement deals with extraterritoriality of patent law.

Traditionally, the extent to which a State's laws extend beyond its borders is one of legislative decision and should be left up to the governments of each State.⁹⁸ ***68** If the independence of national patents is accepted while patents are also enforceable beyond the borders of the issuing State, the result will be conflict between two independent patents from different States.⁹⁹ When it comes to patent law, the global economy would benefit from the predictability of an approach where certain uniform guidelines were applied to determine the reach of each State's patent laws to restore balance to independent national patents.

States have taken various approaches in dealing with principles of extraterritoriality regarding national patents on the international marketplace. As stated above, each sovereign State can determine which inventions are worthy of a patent and which substantive protections come along with that patent. Extraterritoriality, as applied to patents, addresses whether that patent has effect beyond the borders of that sovereign State, and if so, to what extent.

For the purposes of this discussion, extraterritoriality is broken down to three categories of behavior where the laws of one State encroach upon the laws of another State. Those three categories are: 1) unilateral acts of coercion by States with strong IP protection against States with weak IP protection; 2) States applying domestic patents to regulate foreign acts; and 3) States applying foreign patents to regulate domestic acts. In investigating these various approaches, the consequences of States taking different approaches in these areas should be kept in mind.

1. States Having Weak IP Rights Coerced by States Having Strong IP Rights

If each State had identical patent systems, there would be less need for extraterritorial application of patent laws.¹⁰⁰ There would be little need to apply one State's laws beyond its borders because the laws of all other States would be exactly the same.¹⁰¹ On the other hand, if State A has a strong patent system, whereas State B has a weak patent system, it becomes clear that a company with intellectual property to protect would desire the patent law protections of State A over State B.¹⁰² This disparity in strength between national patent systems fuels the desire for extraterritoriality.¹⁰³

***69** Scholars often categorize States as being either a “developed nation” or a “developing nation.”¹⁰⁴ A developing nation is one that is not as economically or politically advanced as the main industrial powers, whereas the term “developed nation” often refers to those main industrial powers.¹⁰⁵ For this analysis, the distinction is relevant because perspectives on intellectual property protection tend to differ between the two categories.

i) Viewpoint: Developed Nations

Developed nations generally desire strong intellectual property protection. Because they rely less on manufacturing, and more on technologically focused industries, they seek strong intellectual property protection to retain their competitive advantage.¹⁰⁶ Strong intellectual property protection assures businesses and owners of IP that their investment in technology will be free from piracy and theft.¹⁰⁷ Furthermore, developed nations also desire global protection of inventions to prevent “free-riding” off their investment in IP and to encourage continued future technological advances building upon their present investment.¹⁰⁸

ii) Viewpoint: Developing Nations

Developing nations, however, seem to have a love-hate relationship with intellectual property protection. On the one hand, strong intellectual property protection makes developing nations more attractive to foreign investors from developed nations,

thus fostering economic growth.¹⁰⁹ Furthermore, strong intellectual property protection will encourage the growth of high value, high wage industries built on intellectual property.¹¹⁰

*70 On the other hand, developing nations may also view intellectual property protection as a way for developed nations to maintain dominance over new technology and to keep developing nations dependent on their technological superiority.¹¹¹ This is certainly true in the short- to mid-term, when developing nations must bear the cost of implementing tough intellectual property protection and enforcement mechanisms while very little intellectual property is actually owned within their borders.¹¹²

Developing nations that are willing to suffer these consequences, however, can experience the long term benefits of foreign investment and fund domestic research institutions benefitting from stronger IP protections in other such developing nations.¹¹³ Indeed, those developing nations who want to close the knowledge gaps between themselves and developed nations will actually seek to provide stronger intellectual property protection to remain competitive and encourage foreign investment.¹¹⁴

iii) Investigation of BRIC Economies - Weak Domestic Patent Enforcement

The analysis of IP protection in Brazil, Russia, India, and China-- collectively known as the BRIC States--is insightful because, despite weak IP protection, developed nations cannot afford to ignore the market opportunities in these areas.¹¹⁵ In all four States, intellectual property infringement is widespread and problematic.¹¹⁶ Many of these States have rushed to meet TRIPS deadlines with the threat of sanctions otherwise.¹¹⁷ This has created an incentive to pass legislation to meet timelines, but failure to adequately implement or protect those rights granted.¹¹⁸ *71 For example, in India, IP enforcement is problematic because the courts are so backed up that the average time to get a case heard is around twelve years.¹¹⁹ As an example of how fast technology can change in twelve years, keep in mind that the first digital MP3 player was released in 1998 and the first iPod came out in 2001.¹²⁰

iv) Unilateral Sanctions to Coerce Stronger Protection

As stated above, developing nations initially expressed skepticism about whether intellectual property rights should be treated as a trade issue and thus included in any GATT agreement.¹²¹ In convincing developing nations that intellectual property rights improvement should be addressed in an agreement through the GATT and not the WIPO, where developing nations constituted the majority, the United States threatened the use of trade sanctions to obtain the necessary votes to place IP on the GATT agenda.¹²² The United States has also used unilateral acts of coercion to pressure Brazil, Russia, India, and China into improving their intellectual property regimes in ways separate from their obligations under the TRIPS agreement.¹²³

One such procedure the United States can use to coerce foreign States into adopting stricter intellectual property protection is through the use of Special 301 provisions pursuant to Section 182 of the Trade Act of 1974, as amended by the Omnibus Trade Competitiveness Act of 1988 and the Uruguay Round Agreements Act of 1994.¹²⁴ Under Special 301 provisions, each year the United States Trade Representative (USTR) must identify:

*72 (1) those foreign countries that --

(A) deny adequate and effective protection of intellectual property rights, or

(B) deny fair and equitable market access to the United States persons that rely upon intellectual property protection, and

(2) those foreign countries identified under paragraph (1) that are determined by the Trade Representative to be priority foreign countries.¹²⁵

Brazil was one of the first States to face direct sanctions under the Special 301 provisions in 1988.¹²⁶ Before Brazil announced it would seek improved patent legislation for pharmaceuticals, these sanctions affected \$200 million in trade that year alone.¹²⁷ More recently, in 2007, the USTR placed twelve countries on the “priority watch list,” reserved for the worst group of offenders, including China, Russia, and India.¹²⁸ Although U.S. threats of trade sanctions against the BRIC have consistently proved effective in creating significant changes to domestic and international laws themselves, problems with ensuring actual enforcement of those new laws remain.¹²⁹

2. Applying Domestic Law to Acts Outside the State

Although coercion is one approach for States desiring stronger international patent protection, another approach is to apply their own domestic laws extraterritorially.¹³⁰ Rather than convincing each State to make changes to their intellectual property laws, this approach allows stronger States to “take matters into their own hands.” This approach applies domestic law to capture infringing activity substantially beyond a State’s borders, if not entirely beyond.¹³¹

*73 i) Investigation of United States: Congressional attempts at extraterritorial enforcement

In the United States, there is a traditional presumption against the extraterritorial reach of acts of Congress unless Congress has explicitly stated otherwise.¹³² In fact, the United States Supreme Court has previously held that “acts of Congress do not, and were not intended to, operate beyond the limits of the United States . . .”¹³³ The U.S. judicial branch, therefore, generally will not read a statute to capture acts abroad unless Congress expresses a clear intent to do so. This practice was most clearly demonstrated in *Deepsouth Packing Co. v. Laitram Corp.*¹³⁴

a) Deepsouth: Supreme Court rejects extraterritorial application of U.S. patent laws.

Deepsouth involved an infringement suit where Laitram held a combination patent on a process for deveining shrimp.¹³⁵ A combination patent is a patent where none of the individual steps of the process are worthy of a patent, but only the combination as a whole is new and worthy of patent protection.¹³⁶ Deepsouth manufactured parts that, when assembled, would infringe Laitram’s patented shrimp deveining process in the United States.¹³⁷ The real issue of the case was whether Deepsouth could be held liable for infringement in the United States where it simply made the parts of deveining machines, to sell the parts to foreign buyers, where those foreign buyers would assemble the parts and use the machines abroad.¹³⁸ Basically, Deepsouth made all the parts for the machine, but those parts were not put together until they were outside the United States.¹³⁹

The Supreme Court stated, “[t]he statute makes it clear that it is not an infringement to make or use a patented product outside of the United States.”¹⁴⁰ The Court viewed the question as “did Deepsouth ‘make’ (and then sell) something cognizable under the patent law as the patented invention, or did it ‘make’ (and *74 then sell) something that fell short of infringement?”¹⁴¹ The Court then considered the extraterritoriality of U.S. patent law by stating:

To the degree that the inventor needs protection in markets other than those of this country, the wording of 35 U. S. C. §§ 154 and 271 reveals a congressional intent to have him seek it abroad through patents secured in countries where his goods are being used. Respondent holds foreign patents; it does not adequately explain why it does not avail itself of them.¹⁴²

Finding that a “combination patent protects only against the operable assembly of the whole and not the manufacture of its parts,” the Court held that Deepsouth did not “make” an infringing product in the United States.¹⁴³

b) Congressional response to Deepsouth: We won’t stop you!

In response to the Court’s decision in Deepsouth, Congress extended the reach of U.S. patent law beyond the borders of the United States by enacting 35 USC § 271(f) in 1984.¹⁴⁴ This statute uses clear language to provide that certain extraterritorial conduct can result in liability if the conduct would be illegal if performed within the United States.¹⁴⁵ More specifically, § 271(f) is seen as an exception to the general rule that under United States patent law no infringement occurs when a patented product is both made and sold in another State.¹⁴⁶ Indeed, under § 271(f)(1), patent infringement occurs when one “supplies . . . from the United States,” for “combination” abroad, a patented invention’s “components.”¹⁴⁷ If the facts of Deepsouth were before the court again, § 271(f) would require the opposite result.¹⁴⁸ Therefore, if a person in the United States makes the parts for a machine, which individually are not protected by a patent, and these parts are shipped overseas *75 and never enter the United States again, that person can be held liable for infringement in the United States.¹⁴⁹

c) Microsoft v. AT&T: We heard you, but surely you did not mean to capture this?

The Supreme Court was recently faced with a chance to apply 35 USC § 271(f) to a similar set of facts in *Microsoft v. AT&T*.¹⁵⁰ AT&T held a patent on an apparatus for digitally encoding and compressing recorded speech.¹⁵¹ Microsoft conceded infringement of AT&T’s patents for every computer running Windows within the United States because Windows

incorporates software that can infringe AT&T's patent.¹⁵² The real issue was whether "Microsoft's liability extend[s] to computers made in another country when loaded with Windows software copied abroad from a master disk or electronic transmission dispatched by Microsoft from the United States?"¹⁵³ Observing that "foreign patent protections are sometimes weaker than their U.S. counterparts," AT&T sought to hold Microsoft liable in the United States for infringing acts in Japan and Germany.¹⁵⁴ Recognizing that §271(f) is an exception to the general rule that U.S. patent law does not apply extraterritorially, the Court nonetheless held that Microsoft's actions abroad did not constitute infringement under §271(f).¹⁵⁵

The Court, however, did not base its decision on the sole ground of the territoriality of U.S. patent law. Rather, the Court reached such a conclusion by first deciding that infringement occurs only when Windows is installed on a computer, as opposed to a copy of Windows sitting in a box on a shelf.¹⁵⁶ The Court further held that a copy of Windows, not Windows in the abstract, qualifies as a "component" under § 271(f).¹⁵⁷ Next, the Court drew a distinction between copying and supplying.¹⁵⁸ Quoting the lower court's dissenting opinion that "one cannot supply *76 one hundred components of a patented invention without first making one hundred copies of the component," the Court concluded that Microsoft, in sending one copy of Windows abroad to be copied and installed abroad is not supplying a part in or from the United States and thus its acts did not constitute infringement under § 271(f).¹⁵⁹ According to the Court, making one copy of Windows in the United States to be installed overseas on lots of computers for digitally encoding and compressing recorded speech was not the same as making multiple parts to a shrimp deveining machine in the United States to build shrimp deveining machines overseas.¹⁶⁰

In case there was any doubt as to the technical distinctions drawn by the Court, the Court continued that "any doubt that Microsoft's conduct falls outside § 271(f)'s compass would be resolved by the presumption against extraterritoriality . . ."¹⁶¹ Furthermore, "[t]he presumption that United States law governs domestically but does not rule the world applies with particular force in patent law."¹⁶² Even though Congress enacted §271(f) to address an area of extraterritorial application, the Court held the presumption against extraterritoriality is not defeated and the statute is instructive only towards the extent of the statutory exception.¹⁶³ So the Court did give a nod to the presumption against extraterritoriality, but failed to rely on this as the primary rationale in reaching its conclusion. Like Justice Cardozo's famous opinions where "no single argument quite carries the day, even while the ensemble seems sufficient," the Court recognized that an opinion based solely on the presumption against extraterritoriality would not have carried the day.¹⁶⁴ This suggests that the Court is aware that extraterritorial application of patent law should be avoided, but when faced with a statute where reasonable minds *77 could differ as to Congress's intent, the Court must grasp at straws to support its decision not to do so.¹⁶⁵

ii) Investigation of the European Approach: Extraterritorial reach so long as alleged infringer had intent to infringe domestically.

Although each European State has its own patent laws, many of the European jurisdictions have similar rules inspired by section 26 of the 1989 Community Patent Convention.¹⁶⁶ One such provision which is similar among most European States is a prohibition against "contributory infringement," such as that found in Germany's Patent Act.¹⁶⁷ German courts recognize that the territorial limitation of German laws and German patents requires that a person must commit infringing acts in Germany to be liable for infringement of a German patent.¹⁶⁸ Recent decisions have allowed German patent owners to pursue an infringer who makes an infringing product abroad who then intends to ship the infringing goods in a targeted and intentional manner into Germany.¹⁶⁹

For example, in the Radio Clock decision, the defendant was a Hong Kong corporation that offered and sold infringing alarm clocks in Germany through a different Hong Kong registered trading company.¹⁷⁰ The Munich Appeal Court held the defendants liable for infringement of the German patent.¹⁷¹ The German Federal Supreme Court affirmed the decision despite the fact that importation to Germany was accomplished by a third export company in Hong Kong (not before the Court), because the defendants knew both that the clocks would be imported to Germany and that there was a German patent that may cover the alarm clocks.¹⁷²

*78 In Radio Clock II, the German Federal Supreme Court was given another opportunity to comment on the extraterritoriality of German patent law.¹⁷³ The court stated in passing that German law would also capture an entity making components domestically and then sending the components abroad to be combined into an infringing product, if and only if the subjective intent requirement of intending an infringing use in Germany was also met.¹⁷⁴ This essentially creates a two part test for indirect infringement: 1) some act of delivery must occur within Germany; and 2) the deliverer must intend for the infringing device to be used in Germany.¹⁷⁵

Even though these recent decisions from Germany have been described as ground breaking and have pioneered a way to

increase the extraterritorial scope of German patent law,¹⁷⁶ it is important to recognize the difference in extraterritorial scope between U.S. law and European law. Assume that in both situations we have a domestic manufacturer who makes components which individually are not protected by a patent, but when combined, they infringe a domestic patent. Furthermore, in both countries the domestic manufacturer does not assemble the components but ships them abroad to be assembled for use and sale abroad. In the United States, the domestic manufacturer would be liable for infringement under 35 U.S.C. § 271(f) even if the finished product is never sold or never reaches the United States. In Europe, or at least under German law, the domestic manufacturer would not be liable for infringement unless some act of delivery occurs within Germany and the deliverer had the subjective intent for the infringing product to be used within Germany.

3. Applying Foreign Law to Acts Within the State: The Japanese Approach

In addition to the form of extraterritoriality where domestic law is applied to foreign acts, another form is where foreign law is applied to domestic acts. Japanese courts, unlike the courts of the United States, adhere to a strict principle of territoriality when it comes to its own patent laws by following the principle that “a patent right with an individual country only comes into effect within the territory of *79 the said country.”¹⁷⁷ However, Japanese courts hold a slightly different view when it comes to applying foreign law to acts within the state.

For example, it is a widely recognized argument in Japan that questions as to the “validity or nullity of [a] patent goes under an exclusive jurisdiction of the country where the patent was registered.”¹⁷⁸ In the Coral Sand Case, the Tokyo District Court was given an opportunity to decide what should happen when the patent validity issue was raised in a foreign patent infringement case.¹⁷⁹ In that case, both parties were Japanese companies.¹⁸⁰ The plaintiff sold and exported products of coral powder to the United States and the defendant held a U.S. composition patent which included coral sands.¹⁸¹ The plaintiff filed suit in Japanese courts for a declaratory judgment action that its products were not infringing the defendant’s U.S. patent.¹⁸²

The Tokyo District Court agreed that exclusive jurisdiction over patent validity or nullity litigation belongs to the courts of the State issuing that patent.¹⁸³ The court nonetheless held that a validity assertion does not provide a reason to deny the international jurisdiction of the Japanese courts because a decision in Japanese courts would only bind the parties in the present case and would not make the patent invalid.¹⁸⁴ The court effectively treated the case as an issue of substantive law to be resolved by choice of law principles, rather than that of international jurisdiction.¹⁸⁵ The court, applying U.S. law, found that the plaintiff’s product did not literally infringe the defendant’s patent, nor did it infringe under the doctrine of equivalents.¹⁸⁶

***80** Having expressed the opinion that Japanese courts are capable of applying foreign law to disputes between domestic parties over domestic acts, the Japanese Supreme Court took it a step further in the Card Reader Case.¹⁸⁷ The plaintiff in this case held a U.S. patent, without a corresponding Japanese patent, on an invention titled “FM signal demodulator.”¹⁸⁸ The defendant manufactured a “card reader” in Japan and exported it to the United States where its subsidiary sold it in the United States.¹⁸⁹ The plaintiff filed suit in Japan alleging that the card reader infringes the U.S. patent when the subsidiary sells it in the United States and that the defendant’s act of exporting the card reader constitutes induced infringement under 35 U.S.C. § 271(b).¹⁹⁰ The main issues before the court were “which laws applied to the infringement of a U.S. patent” and whether the court could issue an injunction halting the plaintiff’s Japanese production.¹⁹¹

According to the Japanese Supreme Court, because patent law is territorial in nature and a U.S. patent right was at issue, U.S. law should provide the substantive law for resolving the dispute.¹⁹² The court then analyzed induced infringement under 35 U.S.C. § 271(b) and determined that it was contrary to the “public order” of Japan.¹⁹³ The court reached such a conclusion because if the court affirmed an injunction to prohibit acts in Japan because of the U.S. patent, it would be the same as allowing the validity of the U.S. patent right to extend beyond its territory into Japan.¹⁹⁴ Finding the U.S. law offensive to the Japanese notion of territoriality, and thus contrary to the “public order,” the court held that the U.S. law would not apply and went forward with the application of Japanese law.¹⁹⁵ Therefore, the Japanese ***81** approach can be categorized as applying foreign law in domestic courts to the extent it does not conflict with domestic principles.¹⁹⁶

In summary, States take various approaches in attempting to apply one State’s laws beyond the borders of that State. Developed nations often attempt to coerce developing nations into passing stricter intellectual property laws under the threat of sanctions otherwise.¹⁹⁷ The United States legislature drafts broad statutes in an attempt to regulate infringing acts abroad, often with unpredictable results in the courts.¹⁹⁸ The European approach is to regulate infringing acts abroad only if the alleged infringer intended to infringe domestically.¹⁹⁹ Finally, the Japanese approach is to apply foreign law to both foreign

and domestic acts between domestic parties.²⁰⁰ A new approach is needed.

III. Analysis

Extraterritoriality fails because it creates friction between States, discourages the development of national patent systems, and is unpredictable. The current ad hoc approach cannot be salvaged in a manner short of a new regime. This Part explores suggestions for a new system with a view towards removing the current pitfalls inherent in the ad hoc approach to extraterritoriality.

A. Why Extraterritoriality Fails

1. Creates Increased Tensions Between States

States, having made several deliberate policy choices in establishing their own patent protection systems, will be offended if their decisions are not respected by foreign States. One problem with the current ad hoc approach to territoriality is that it creates friction between States that, after having made deliberate policy choices in the best interest of their citizens, offer differing degrees of patent protections. Recently, for example, the United States has been attempting to persuade China to increase its intellectual property protections through bilateral negotiations.²⁰¹ Concurrently, the United States has also filed sweeping complaints with *82 the WTO alleging that “China is responsible for a wholesale failure to protect valuable intellectual property rights, costing American businesses billions every year in lost revenue.”²⁰²

In response, Beijing has objected to the United States’ attempts at using the WTO to force China to crack down on pirated goods.²⁰³ In fact, the Chinese Ministry of Commerce spokesperson stated: “We oppose any WTO member imposing any obligations other than TRIPS on developing members via the dispute settlement mechanism.”²⁰⁴ Shortly after the cases with the WTO were filed, China warned that the case filings might have repercussions.²⁰⁵ Chinese Vice Premier Wu Yi stated that the United States has “totally ignored” Chinese attempts to clean up its intellectual property protection systems and that the latest U.S. actions would have negative effects on bilateral negotiations.²⁰⁶ Sure enough, these warnings rang true when China pulled back from some areas of cooperation with the United States on protecting intellectual property rights by rebuffing a request for a new meeting of the U.S.-China Joint Commission on Commerce and Trade, cancelling a trade fair, and suggesting that all bilateral talks on the issue should be made through the global trade body.²⁰⁷

Although this is just one specific example of how unilateral acts of coercion strain bilateral relationships between those States, Professor Bird--who is an Assistant Professor of Business Law at the University of Connecticut--has analyzed the effects of coercion in international economics relations, particularly in the BRIC States, and has reached some similar conclusions.²⁰⁸ U.S. threats of trade sanctions have indeed resulted in significant changes to domestic and international laws.²⁰⁹ Coercion as a dominant long term strategy, however, provokes retaliation by the targeted state, evidences the fragility of trade relations with the United States making *83 it more difficult to forge future trade relationships, and mobilizes resistance and hostility against the sanctioning state.²¹⁰

Furthermore, extraterritoriality of one State’s laws cuts against the international principle of state sovereignty. It has been stated with respect to other trade issues that “continued promulgation and application by Member States of laws and regulations whose extraterritorial effects affects the sovereignty of other States is not in the interest of international cooperation as it undermines the sovereign equality of nations.”²¹¹ In a world where States come in different sizes, backgrounds, and levels of development, the principle of State sovereign equality demands that each State respect each other State and treat one another as equals.²¹² States should refuse to indulge in the extraterritorial application of patent laws because it encroaches upon another State’s sovereignty and disrupts foreign relations.²¹³

2. Extraterritoriality Discourages the Development of National Patent Systems

States with weaker intellectual property protection have little incentive to strengthen their own domestic enforcement mechanisms when they know other States are more than happy to expand the territorial reach of their own laws into the weaker State. The irony in this situation is that developed nations, initially frustrated with the existence of the free-rider problem,²¹⁴ sought to expand extraterritoriality which has just exacerbated the problem. This situation occurs for a couple reasons. First, history has shown that States will resist stronger intellectual property protection unless it is in their best

interests otherwise.²¹⁵ For example, what would motivate China to increase its intellectual property protections if U.S. patent holders could prosecute Chinese infringers within U.S. courts? In other words, if a remedy is available in U.S. courts, when U.S. patent holders are upset about Chinese infringement, they can pursue those infringers in the United States rather than lobby for changes in Chinese practice. As long as States continue to hold infringers *84 of domestic patents liable for infringement abroad, there will be less incentive for increased protection in those foreign States.²¹⁶

Second, there is the problem of funding. Building a strong domestic patent system in a developing nation requires substantial funding and hard work.²¹⁷ For patent systems similar to the United States, the administrative patent office is primarily a user-funded system.²¹⁸ This could create the paradoxical situation in developing nations where, due to weak IP enforcement, inventors choose not to file patents in that State. That State then receives fewer patent applications in a given year, depriving that State of funding that could be used to strengthen IP protection and enforcement mechanisms.²¹⁹ So long as States with weak, underdeveloped domestic patent systems continue to exist and profit from counterfeit goods, the system will break down resulting in the current situation.²²⁰ By “picking up the slack” of States with weak IP enforcement using the extraterritorial application of patent laws, States with stronger IP enforcement are not creating any incentives for those weaker States to actually develop stronger IP enforcement within their borders.

3. Application of Extraterritoriality is Unpredictable

The current approach to extraterritoriality also suffers from unpredictability.²²¹ For example, in the United States after Deepsouth, Congress explicitly made the decision to apply domestic patent laws to acts conducted abroad in certain situations.²²² When the Supreme Court took up Microsoft v. AT&T, rather than taking the nod from Congress to apply U.S. patent law extraterritorially, the Court read the statute so narrowly as to distinguish between “copying” software and “supplying” software.²²³ If Microsoft would have sent one copy of Windows overseas for each computer it was to be installed on, rather than sending one copy of Windows overseas *85 to be copied and then installed on many computers, the outcome of the case would have been different.²²⁴ Although there is now a legal distinction between the two actions, there is hardly a technical distinction.²²⁵ The only predictable aspect of the opinion was that the Court strongly desired to stay out of the business of extraterritorial application of U.S. patent law and was grasping at straws to find a way to do so without directly stating so.²²⁶ Although the correct result was reached because U.S. law was not applied to reach foreign conduct; the reasoning behind the opinion left much to be desired.

Approaches similar to the Japanese approach are equally as unpredictable. As stated above, the Japanese approach is that foreign law can be applied in domestic courts for foreign or domestic conduct, but only to the extent that it is consistent with the “public order.”²²⁷ If each State took this approach, then within each State there would be many possible permutations of applicable law.²²⁸ This approach is also far from predictable and could encourage forum shopping for the court with the most favorable “public order” to void unfavorable provisions of the foreign patent law. The most unpredictable aspect, however, remains in the current ad hoc approach *86 where some States view patent law as territorial, other States do not, while still other States generally do unless certain requirements are fulfilled.²²⁹

Returning to the initial childhood analogy, the uncertainty in the current approach is readily apparent.²³⁰ If the author’s house is the United States, the author might get punished at home for wearing his shoes in his friend’s house. If the author’s house is Germany, the author would get punished for putting his shoes on at his friend’s house with the intent of wearing those shoes in Germany. If the author’s friend’s house is Japan, then the author would get punished by his friend’s parents for wearing his shoes in Japan (due to the U.S. rule) to the extent it does not conflict with the “public order” of Japan. Meanwhile, the author’s U.S. parents would constantly threaten his friend’s Japanese parents that the author would not be able to come over unless his friend’s parents adopted rules prohibiting wearing shoes indoors.

B. Proposed Solutions

1. Further Increase the Extraterritorial Reach of National Law

Several scholars have suggested that the solution to this problem, especially in light of modern technology, is to expand the jurisdiction of U.S. patent law.²³¹ For example, Melissa Wasserman has suggested that advances in networking and communications technologies should be solved by expanding the extraterritoriality of U.S. patent law by “adopting a substantial effects test, constrained by comity concerns.”²³² However, this “substantial effects test constrained by comity concerns” is no more predictable than the current approach. Although Wasserman suggests some excellent ideas for handling

increased divided infringement²³³ due to advances in technology, she ultimately suggests a unilateral expansion of the extraterritorial reach of U.S. patent law.²³⁴ Wasserman's approach leaves foreign States *87 out of the picture and fails to utilize existing frameworks for international cooperation because it does not suggest an international solution. Therefore, this solution would ultimately fail in the same manner as the current approach, as addressed above, because it would continue to spark tensions between States, and does nothing to encourage the development of State patent systems, and although "comity factors" may add some predictability, the result would still hinge on a particular judge's determination of those "comity factors."²³⁵

Similarly, others have called for expanding extraterritorial jurisdiction of U.S. patent law in certain situations.²³⁶ For example, Kendra Robins has suggested an approach to deal with the problem of divided infringement by the extraterritorial application of U.S. patent law only in cases where a foreign patent could not have been drafted to cover the activity, but the subject matter of the activity was patentable in the foreign State.²³⁷ This proposal is more appealing than Wasserman's because it provides a more detailed and certain approach to the problem; however, it calls for determining whether an activity is or is not patentable in the foreign State. This comes dangerously close to the current Japanese approach, where domestic courts are to interpret and apply foreign law.²³⁸ In addition, it does not solve the "free rider" problem because States could enact strict statutes without having the infrastructure to provide enforcement while relying on stronger States to provide the enforcement extraterritorially. Robins's solution will still provide inventors with an incentive to seek U.S. patent protection without regard for where protection for the invention is ultimately sought because, so long as they have a U.S. patent, they will be able to regulate "infringing" conduct occurring outside of the United States.

Furthermore, Professor Bradley rejected approaches similar to Robins's and Wasserman's ten years prior, with words that still ring true today:

Changes in communications, travel, and trade, to name a few things, have made the world a smaller place. Cross-boundary problems, ranging from environmental degradation to terrorism, have compelled nations to find new ways to work together. Those who attack territorial approaches to the application of U.S. law typically argue that territorialism is no longer compatible with this global interdependence. The irony, however, is that this very globalism may actually increase the need for territorialism. . . . This certainly appears to be true in the area *88 of intellectual property law, where the international law framework continues to be heavily infused with territorial principles.²³⁹

Although several have suggested expanding the extraterritoriality of patent law to deal with the current problem, unless each State in the world adopts the same approach and to the same extent, then the current situation of ad hoc extraterritoriality will remain.²⁴⁰ Along with this comes all of the problems associated with ad hoc extraterritoriality touched upon in this Note: lack of international cooperation, few incentives to develop strong State patent systems, and unpredictability.²⁴¹ In order to solve the problem created by today's global economy, an international solution is needed.

2. Eliminate the Extraterritorial Reach of National Law

Professor Bradley's primary conclusion is the idea that "as long as the nation-state continues to be the principal actor in international relations, global cooperation and development may actually depend on territorialism."²⁴² After an extensive analysis of the presumption against extraterritoriality, extraterritoriality in other branches of law, and possible alternatives, Professor Bradley concludes that the "[e]xtraterritorial application of U.S. intellectual property law is inconsistent with the international framework."²⁴³ He further concludes that the only possible remedy is to halt the judicial abandonment of territoriality.²⁴⁴ Professor Bradley poses several alternatives as examples of how the United States can reach foreign infringements that harm U.S. rights holders ranging from political branch action to judicial branch action including the consideration of claims in U.S. courts based on foreign intellectual property law.²⁴⁵

C. Solution as Superior to Current Ad Hoc Approach

The proposed solution is consistent with Professor Bradley's conclusion that "a territorial approach to intellectual property rights still has a place in our age of *89 globalism," but it goes a step further in suggesting a common international solution to be implemented in an international cooperative agreement, such as the TRIPS agreement.²⁴⁶ This solution would further utilize the existing framework for cooperation on international intellectual property rights in accordance with the TRIPS agreement. Just as TRIPS currently allows States some freedom in choosing how they pass legislation to conform with its

requirements, the proposed solution should do the same while further clarifying the procedures for the national enforcement of intellectual property rights.²⁴⁷ This solution should make clear that the patent grant by one sovereign State should fall under the exclusive jurisdiction of that sovereign State, the authority of a State to grant a patent ends at that State's borders, and an infringement suit is only proper within a State if the infringement occurred within that State.²⁴⁸

This solution is consistent with the territorial nature of patent law. First, the State giving an exclusive property right is in the best position to determine the scope of the right it grants.²⁴⁹ Second, a patent grants protection of the invention within the borders of the nation.²⁵⁰ Support for this second proposition can be found in the TRIPS agreement itself as an extension of the independence of patents.²⁵¹ The proposed solution would effectively eliminate the extraterritorial reach of domestic patent laws. More importantly, this solution will encourage friendly international relations, provide incentives for the development of national patent systems, and provide predictability.

1. Encourage Friendly International Relations

The proposed solution will encourage friendly international relations in several ways. First, an international agreement will inherently involve international cooperation in coming together to agree on a common approach. Rather than States extending their extraterritorial jurisdiction in an ad hoc manner, the proposed solution calls for an agreement among States on the underlying substantive law to reduce the scope of extraterritorial jurisdiction.²⁵² In coming together to work out a *90 common scheme whereby each national patent is enforced individually, the proposed solution is also consistent with the principle of independence of State patent systems.²⁵³

More importantly, however, the proposed solution involves the empowering of developing countries.²⁵⁴ For States that are currently known for weak protection, the fact that stronger States are yielding to their domestic decisions will empower them to take intellectual property rights seriously because they will see other States respecting their decisions and not stepping on their toes by expanding foreign jurisdiction into their State. The proposed solution will encourage developing nations to work with developed nations to implement the standards already outlined in the TRIPS agreement. Therefore, taking a territorial approach to patent law will encourage international cooperation.²⁵⁵

Second, and related to international cooperation, this approach will respect notions of State sovereignty. Because intellectual property rights derive from the sovereignty of the individual State granting such right, that the proposed solution reiterates the importance of seeking patent protection in each State is an implicit statement of the sovereign status of each of those States.²⁵⁶ By placing the ball in the court of each State, this respects that State's decision on whether to trade patent protection for the disclosure of a particular invention. Then, at a later date, if a challenge is made to that grant or an infringement suit is brought, that State is in the best position to determine the extent of the protection which operates within its borders.

Returning to the analogy from earlier, if we assume extraterritoriality is acceptable, the author's parents could then punish the friend for wearing shoes in the friend's own house. Relations between the author's family and his friend's family would be much smoother if the author's parents were not able to go over and tell the friend's parents how to raise their child and what rules they should live by in their own home. Similarly, bilateral relations between States would be friendlier if each State knew that the other State acknowledged its competency to make decisions and also respected the consequences of those decisions.

*91 2. Development of National Patent Systems

Eliminating the extraterritorial application of patent law will also have the effect of encouraging the development of national patent systems. The global enforcement of intellectual property rights is important for encouraging investors to enter high-risk research ventures.²⁵⁷ Indeed, if the extension of domestic laws to foreign conduct is stopped, then industries will have to help form an international policy, similar to the process that kicked off the TRIPS agreement.²⁵⁸ Alternatively, because extraterritorial application of patent laws will prevent one State from hearing patent litigation regarding foreign conduct or foreign patents, this will encourage corporations and inventors to lobby for change in those foreign governments directly.²⁵⁹ As the U.S. Supreme Court has previously stated, “[t]o the degree that the inventor needs protection in markets other than those of this country . . . [he should] seek it abroad through patents secured in countries where his goods are being used.”²⁶⁰

Furthermore, by limiting the reach of patents to the borders of one State, this will encourage inventors to file more patents in a greater number of countries. By filing more patents in foreign States, the fees paid to obtain a patent in the user-driven

patent systems will increase funds to that State.²⁶¹ This extra income could then be used to fund future strengthening of intellectual property rights and, perhaps optimistically, would tend to create a race to the top situation because States that offer more robust protections would attract a larger number of patent applications from inventors worldwide.²⁶² The increased number of filed patents will also increase the amount of public disclosure in furtherance of the goal to bring new designs and technologies into the public domain.²⁶³

*92 Tim Trainer with the Global Intellectual Property Strategy Center has stated that one of the best ways to encourage patent enforcement in China is to develop strong ties to Chinese enterprises, and make enforcement part of their best interests.²⁶⁴ Putting an end to the extraterritorial application of patent laws will prevent the end run around, helping to develop stronger patent systems in States that are currently deficient. This approach places the incentives in the correct place by encouraging inventors seeking protection in a foreign State to work with that State to obtain a patent or increase enforcement.²⁶⁵ Rather than exacerbating the problem, by increasing jurisdiction of national patent laws, why not work to eliminate the problem altogether by dealing directly with those States with weak protection? Therefore, the proposed solution will encourage the development of national patent systems, which goes to solve the root cause of the problem.

Assume that the rules of the author's house are only enforceable within the walls of his house. If he then wears his muddy shoes in his friend's house, it is up to them to decide if they want to ban shoes in the house, ban muddy shoes, install wood floors, assign cleaning duty to the "dirty shoe wearer," or simply live with the mess. The bottom line is that the friend's parents can decide what rule works best for them. Likewise, if the extraterritorial application of patent law is prohibited, it will force each State to make choices for themselves; choices in which that State will have a vested and ongoing interest.

3. Predictability

It has been stated that "the most important consideration is to provide the judges with the clearest set of tools so that the decisions are consistent, and strongly support intellectual property rights."²⁶⁶ The proposed solution will create clear guidelines not only for judges but inventors and corporations as well. By drawing a bright line around a State's borders and declaring a patent only effective to conduct within that State, it will be clear whether jurisdiction exists. As stated earlier, with respect to the description of the patented invention, the boundaries here should be clearly marked so as to warn potential infringers before they are about to infringe.²⁶⁷

*93 Many of the complicated legal issues relating to combination patents could be resolved in a simple, predictable fashion. If the individual components, none of which individually are worthy of patent protection, are not combined for use within the borders of the State granting the patent on the combination, then there is no patent infringement in that State.²⁶⁸ Similarly, if a patent holder from State A attempts to file a suit in State B for infringement, the court in State B should refuse to hear the case since the inventor refused to seek patent protection in State B.²⁶⁹ Further, increased predictability would further benefit international cooperation and the development of national patent systems.²⁷⁰

Life would be simpler and more predictable for the author if he knew that whenever he was a guest in another's house, he should simply ask them about their rules because those were all that mattered. No longer would the author have to worry about which friends' parents would rat him out to his own parents, which ones were cool, or which ones were absent minded and might slip up the next time they saw his parents. Analogously under the proposed solution, if an inventor knows up front which countries he wants to market his idea, it would be clear that he should seek patent protection in each State in which he desires patent rights. Moreover, manufacturers would also benefit from the predictability because so long as the State in which they are making or importing did not extend patent protection, they would be free to operate.

D. Challenges to the Proposed Solution

To be fair, the proposed solution would face a few challenges to implementation. First, the most obvious challenge would be in getting everyone to agree that limiting the extraterritoriality is in everyone's best interest.²⁷¹ While it may be easy to get developing nations on board, it might be difficult to convince developed nations to remove their hand from the cookie jar of expanded jurisdiction over acts within the territory of another sovereign. Perhaps if developed nations realized that the current expansion of extraterritoriality merely exacerbates the problem, they *94 would be willing to negotiate an international solution to the current international problem.²⁷²

Second, some States may claim that a special exception should not be carved out of the law of extraterritoriality for patent

law.²⁷³ This argument, however, is merely a matter of semantics. As stated before, patent rights are related to traditional property rights.²⁷⁴ If patent rights are universally defined as the right to exclude within the borders of the issuing State, then patent rights are analogous to real property rights. Just as one has the right to keep others off of his property when they are trespassing on his property, one also would have the right to exclude others from infringing upon his patent when they are infringing within the scope of his patent--a patent enforceable up to the border of the issuing sovereign State.²⁷⁵ When analogized to traditional real property rights, the proposed solution is less of an exception for patent rights, but rather brings it in line with traditional notions of property rights.

Third, assuming an international consensus is reached to implement the proposed solution, if extraterritorial jurisdiction is cut off all of a sudden, this would create a temporary vacuum where some infringing activity would occur in developing nations until they are able to develop domestic policies on enforcement and get their domestic system up and running.²⁷⁶ Whenever artificial barriers are removed, however, it will take a while for the system to expand to fill the void. In this case, the barrier is the inability for developing States to develop their own robust patent systems due to interference and encroaching jurisdiction from developed States and a lack of funding.²⁷⁷ Once inventors are forced to seek protection where protection is desired, this will fund the development of patent systems in developing nations, thus creating stronger patent protection and fostering economic growth.²⁷⁸

***95 IV. Conclusion**

In conclusion, after analyzing the various approaches taken by States faced with protecting their grants of intellectual property rights on inventions competing on the global market, the most important lesson learned is that the current system does not work. Although the principle of independence of national patents is preferable over a system of dependent national patents, the resulting ad hoc approach of States individually deciding how far their laws reach to protect their grants of intellectual property rights has created a system that is unpredictable and actually discourages cooperation between States.²⁷⁹ The current problem is just as bad, if not worse, than the prior regime of dependent national patents.

A suggestion for improvement would be to utilize the existing framework for cooperation on international intellectual property rights, namely the TRIPS agreement, to put an end to the extraterritorial application of patent law. This solution should make clear that the patent grant by one sovereign State should fall under the exclusive jurisdiction of that sovereign State, the authority of a State to grant a patent ends at that State's borders, and an infringement suit is only proper within a State if the infringement occurred within that State. A solution such as this would encourage international cooperation, the development of national patent systems, and add predictability to global markets and international intellectual property law. This solution would face a few challenges in implementation, such as convincing developed nations to scale back their current extraterritorial application of patent law, convincing States that this is consistent with a property law regime, and facing inevitable situations in the beginning where some infringement will escape liability. Most of these challenges can be overcome and, more importantly, in the long term the proposed solution will ultimately ensure that incentives remain in place for inventors as the world shifts from independent national markets to the flourishing of international trade on the global marketplace. In the interim, State patent courts such as the United States Court of Appeals for the Federal Circuit, should construe their national laws so as to avoid the extraterritorial application of their State's patent laws.

Footnotes

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¹ Cardiac Pacemakers, Inc. v. St. Jude Med., Inc., No. 2007-1296, 2007-1347, 2009 U.S. App. LEXIS 4379, at *2 (Fed. Cir. Mar. 6, 2009).

² See, e.g., TelePresence, http://www.cisco.com/en/US/netsol/ns669/networking_solutions_solution_segment_home.html (last visited June 26, 2009).

³ Saritha Rai, Cisco Expects to Triple Work Force, N.Y. Times, Dec. 7, 2006, at C6, available at <http://query.nytimes.com/gst/fullpage.html?res=9902E1D61631F934A35751C1A9609C8B63>.

- ⁴ Kenneth Dreyfack, Draping Old Glory Around Just About Everything, *Business Week*, Oct. 27, 1986, at 66.
- ⁵ Dirk Lammers, What to Do When Everything is ‘Made in China?’, *MSNBC.com*, June 29, 2007, <http://www.msnbc.msn.com/id/19508453/>.
- ⁶ See generally *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989) (noting that there is an implicit understanding in the Patent Clause that federal patents are the exception to the rule of free exploitation of ideas); Robert C. Bird, *Defending Intellectual Property Rights in the BRIC Economies*, 43 Am. Bus. L.J. 317, 321 (2006) (discussing the failure of early international conventions in providing intellectual property protections); Ryan M. Corbett, Note, *Harmonization of U.S. and Foreign Patent Law and H.R. 2795: The Patent Reform Act of 2005*, 18 Fla. J. Int’l L. 717, 718 (2006) (discussing the challenges faced by an applicant in acquiring patent protection due to the sheer number of filings required and the existence of separate patent laws in each country).
- ⁷ See John Liu & Chinmei Sung, Knockoffs of iPhones Fill Gap Left by Apple, *Int’l Herald Trib.*, Sept. 12, 2007, at 16.
- ⁸ “It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.” *New State Ice Co. v. Liebmann*, 285 U.S. 262, 301 (1932) (Brandeis, J. dissenting); see also John Duffy, *Harmony and Diversity in Global Patent Law*, 17 Berkeley Tech. L.J. 685, 726 (2002) (“[P]atent law of the twenty-first century would be enriched if national and international policymakers learn to balance the values of harmony with those of cacophony.”).
- ⁹ World Trade Org., A Summary of the Final Act of the Uruguay Round, http://www.wto.org/english/docs_e/legal_e/ursum_e.htm#Introduction (last visited July 27, 2009).
- ¹⁰ World Trade Organization, Understanding the WTO: The Organization, http://www.wto.org/English/thewto_e/whatis_e/tif_e/org6_e.htm (last visited July 21, 2009).
- ¹¹ See Rosielyn Alva Pulmano, *In Search of Compliance with TRIPs Against Counterfeiting in the Philippines: When is Enough Enough?*, 12 *Transnat’l Law*. 241, 248 (1999).
- ¹² Some have suggested the distinction between public international law and private international law is more uncertain and perhaps no longer relevant today. See Legal Info. Inst., Cornell Univ. Law School, *International Law: An Overview*, http://topics.law.cornell.edu/wex/International_law (last visited July 25, 2009); C.G. Weeramantry, *Universalising International Law* 169 (2004).
- ¹³ Black’s Law Dictionary 376 (3d pocket ed. 2006)
- ¹⁴ Legal Info. Inst., *supra* note 12.
- ¹⁵ See Weeramantry, *supra* note 12, at 217; Statute of the International Court of Justice art. 38 P 1, June 26, 1945, 59 Stat. 1055, 1060, available at http://www.icj-cij.org/documents/index.php?p1=4&p2=2&p3=0#CHAPTER_II (last visited July 25, 2009).
- ¹⁶ Jonathan M. Wight, *An Evaluation of the Commercial Activities Exception to the Act of State Doctrine*, 19 *Dayton L. Rev.* 1265, 1281 (1994); U.N. Charter Introductory Note, available at <http://www.un.org/en/documents/charter/intro.shtml> (last visited July 25, 2009).
- ¹⁷ See U.N. Charter pmbl., available at <http://www.un.org/en/documents/charter/preamble.shtml> (last visited July 25, 2009).

- ¹⁸ Member States of the United Nations, <http://www.un.org/members/list.shtml> listing 192 Member States as of March 31, 2008; U.N. Charter art. 1, available at <http://www.un.org/en/documents/charter/chapter1.shtml> (last visited July 25, 2009).
- ¹⁹ U.N. Charter art 2, para.1, available at <http://www.un.org/en/documents/charter/chapter1.shtml> (last visited July 25, 2009); Clinton W. Alexander, Ignoring the Lessons of the Past: The Crisis in Darfur and the Case for Humanitarian Intervention, 15 *J. Transnat'l L. & Pol'y* 1, 7 (2005).
- ²⁰ Black's Law Dictionary, *supra* note 13.
- ²¹ Customary law is binding on every State that has not consistently objected to the custom whereas treaty law is binding only on the signatories to the treaty. See Donald L. Dubuque, Comment, The Implication of NAFTA to Intellectual Property Protection in the U.S. and Mexico and the Extraterritoriality of U.S. Intellectual Property Laws, 5 *J. Int'l L. & Prac.* 139, 152 (1996).
- ²² See *id.*
- ²³ See *id.*
- ²⁴ See generally S.S. "Lotus" (Fr. v. Turk.), 1927 *P.C.I.J.*, (ser. A) No. 10, at 30-31 (holding that both France and Turkey have concurrent jurisdiction over a ship collision).
- ²⁵ Some have suggested that "borderless" communications such as the Internet are a threat to sovereignty. See generally Nancy Morris & Silvio Ricardo Waisbord, *Media and Globalization: Why the State Matters* 9 (2001). Although recent technological advances have attempted to place "borders," even if simply in a legal sense, on the Internet. See generally Shane M. Greenstein & Lorrie Faith Cranor, *Communications Policy and Information Technology: Promises, Problems, Prospects* 84-86 (2002).
- ²⁶ See generally Kai Burmeister, *Jurisdiction, Choice of Law, Copyright, and the Internet: Protection Against Framing in an International Setting*, 9 *Fordham Intell. Prop. Media & Ent. L.J.* 625, 658-60 (1999) (discussing problems with the territoriality principle in the digital arena).
- ²⁷ According to the Directory of Intellectual Property Offices maintained by the World Intellectual Property Office, there are nearly 200 nations each with their own independent, intellectual property offices. World Intellectual Property Organization, *Directory of Intellectual Property Offices*, <http://www.wipo.int/directory/en/urls.jsp> (last visited June 30, 2009).
- ²⁸ See Pulmano, *supra* note 11, at 248.
- ²⁹ *Agreement on Trade-Related Aspects of Intellectual Property Rights* pmb., Apr. 15. 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments--Results of the Uruguay Round, 1869 U.N.T.S. 299 (1994) available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf [hereinafter TRIPS].
- ³⁰ See generally Bonito Boats, Inc., 489 U.S. at 146-57; Pulmano, *supra* note 11, at 249; Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 *Va. J. Int'l L.* 603, 605 (1997).
- ³¹ See Alan S. Guterman, *The North-South Debate Regarding the Protection of Intellectual Property Rights*, 28 *Wake Forest L. Rev.* 89, 91 (1993).
- ³² See Richard B. Bilder & Doris Estelle Long, *Basics of International Intellectual Property Law*, 96 *Am. J. Int'l L.* 755, 755 (2002)

(book review); TRIPS, *supra* note 29, §§1, 2, 4, 5, 7.

³³ See *Bonito Boats, Inc.*, 489 U.S. at 149-50 (reviewing requirements for patentability including utility, novelty, and nonobviousness); *Bilder & Long*, *supra* note 32, at 755; TRIPS, *supra* note 32, art. 27.

³⁴ *Bonito Boats, Inc.*, 489 U.S. at 151.

³⁵ *Id.* at 150-51.

³⁶ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 730-31 (2002).

³⁷ *Id.* at 731.

³⁸ *Id.* at 731-33.

³⁹ 35 U.S.C. §§271(a), 281 (2006).

⁴⁰ Giles S. Rich, *The Relation between Patent Practices and the Anti-Monopoly Laws*, 24 J. Pat. Off. Soc'y 159, 172 (1942), reprinted in 14 Fed. Cir. B.J. 21, 30 (2005).

⁴¹ 35 U.S.C. §§283-84 (2006).

⁴² See generally Rich, *supra* note 40, at 176-81 (discussing how patents encourage invention and investment).

⁴³ See *Directory of Intellectual Property Offices*, *supra* note 27.

⁴⁴ Martin J. Adelman et al., *Cases and Materials on Patent Law* 8 (2d ed. 2003).

⁴⁵ Paris Convention for the Protection of Industrial Property, opened for signature Mar. 20, 1883, 21 U.S.T. 1583, available at http://www.wipo.int/export/sites/www/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf [hereinafter Paris Convention].

⁴⁶ *Bilder & Long*, *supra* note 32, at 756

⁴⁷ See *Pulmano*, *supra* note 11, at 262.

⁴⁸ See *Pulmano*, *supra* note 11, at 262.

⁴⁹ See *Pulmano*, *supra* note 11, at 262.

⁵⁰ See *Pulmano*, *supra* note 11, at 262; *World Trade Org.*, *supra* note 9.

⁵¹ Marshall A. Leaffer, Protecting United States Intellectual Property Abroad: Toward a New Multilateralism, 76 Iowa L. Rev. 273, 276 (1991).

⁵² Pulmano, *supra* note 11, at 262.

⁵³ See Adelman et al., *supra* note 44, at 1; Leaffer, *supra* note 51, at 275.

⁵⁴ Leaffer, *supra* note 51, at 275; Pulmano, *supra* note 11, at 261.

⁵⁵ Pulmano, *supra* note 11, at 261.

⁵⁶ Pulmano, *supra* note 11, at 261.

⁵⁷ Pulmano, *supra* note 11, at 261.

⁵⁸ See generally Dana Ziker, Facilitating Access of AIDS Drugs While Maintaining Strong Patent Protection, 2001 Duke L. & Tech. Rev. 42 (2001), <http://www.law.duke.edu/journals/dltr/articles/2001dltr0042.html> (last visited July 25, 2009).

⁵⁹ See generally *id.*

⁶⁰ See generally *id.*

⁶¹ The treaty was signed in 1883 and went into effect in 1884. See Nathan E. Stacy, The Efficacy and Fairness of Current Sanctions in Effecting Stronger Patent Rights in Developing Countries, 12 Tulsa J. Comp. & Int'l L. 263, 269 (2004).

⁶² Adelman et al., *supra* note 44, at 12

⁶³ Adelman et al., *supra* note 44, at 12

⁶⁴ Adelman et al., *supra* note 44, at 13

⁶⁵ Adelman et al., *supra* note 44, at 13

⁶⁶ Paris Convention, *supra* note 45, art. 4bis.

⁶⁷ Kyle Grimshaw, International Upheaval: Patent Independence Protectionists and the Hague Conference, 2001 Duke L. & Tech. Rev. 20, P 3 (2001), <http://www.law.duke.edu/journals/dltr/articles/2001dltr0020.html> (last visited July 25, 2009).

⁶⁸ Bird, *supra* note 6, at 321.

⁶⁹ Stacy, *supra* note 61, at 278

70 Grimshaw, *supra* note 67.

71 Adelman et al., *supra* note 44, at 13.

72 See generally *id.* at 12-13; see also Contracting Parties, Paris Convention, http://www.wipo.int/treaties/en/SearchForm.jsp?search_what=C (check box “Paris Convention” under IP Protection; then click “Search”) (showing a total of 173 contracting parties).

73 Paris Convention, *supra* note 45, arts. 7bis-10bis

74 Stacy, *supra* note 61, at 269-70.

75 Paris Convention, *supra* note 45, art. 5; Stacy, *supra* note 61, at 269.

76 Stacy, *supra* note 61, at 270.

77 See Stacy, *supra* note 61, at 270.

78 Stacy, *supra* note 61, at 270.

79 Stacy, *supra* note 61, at 271,

80 Michael P. Ryan, *Knowledge-Economy Elites, The International Law of Intellectual Property and Trade, and Economic Development*, 10 *Cardozo J. Int'l & Comp. L.* 271, 274 (2002).

81 See Stacy, *supra* note 61, at 272.

82 TRIPS, *supra* note 29, art. 1.

83 TRIPS, *supra* note 29, art. 3 n.3.

84 TRIPS, *supra* note 29, art. 1.

85 TRIPS, *supra* note 29, art. 1.

86 TRIPS, *supra* note 29, arts. 65-66.

87 TRIPS, *supra* note 29, arts. 66-67.

88 TRIPS, *supra* note 29, art. 66.

⁸⁹ TRIPS, *supra* note 29, art. 67.

⁹⁰ TRIPS, *supra* note 29, art. 41-61; Stacy, *supra* note 61, at 276.

⁹¹ Paris Convention, *supra* note 45, art. 2(1).

⁹² TRIPS, *supra* note 29, art. 42.

⁹³ TRIPS, *supra* note 29, art. 43.

⁹⁴ TRIPS, *supra* note 29, art. 44-46.

⁹⁵ TRIPS, *supra* note 29, art. 1.

⁹⁶ See TRIPS, *supra* note 29, art. 1; Dubuque, *supra* note 21, at 152.

⁹⁷ See generally Paris Convention, *supra* note 45; TRIPS, *supra* note 29.

⁹⁸ See Dubuque, *supra* note 21, at 152.

⁹⁹ See *supra* note 66 and accompanying text.

¹⁰⁰ See generally Duffy, *supra* note 8, at 686-93.

¹⁰¹ See Duffy, *supra* note 8, at 686-93.

¹⁰² See Melissa Feeney Wasserman, *Divided Infringement: Expanding the Extraterritorial Scope of Patent Law*, 82 N.Y.U. L. Rev. 281, 282-83 (2007).

¹⁰³ See *id.*

¹⁰⁴ See generally Bird, *supra* note 6; Although some scholars use finer distinctions, including “least developed country,” for the sake of this analysis, two levels of gradation will be sufficient. See Stacy, *supra* note 61, at 264.

¹⁰⁵ Black’s Law Dictionary (8th ed. 2004). But see Isabella D. Bunn, *The Right to Development: Implications for International Economic Law*, 15 Am. U. Int’l L. Rev. 1425, 1449 n.92 (2000) (noting a lack of consistent definitions and varying opinions as to which nations are “developing nations”).

¹⁰⁶ See Bird, *supra* note 6, at 321.

¹⁰⁷ See Kenneth Chiu, *Harmonizing Intellectual Property Law Between the United States and Singapore: The United States - Singapore Free Trade Agreement’s Impact on Singapore’s Intellectual Property Law*, 18 Transnat’l Law. 489, 498 (2005).

- ¹⁰⁸ See Chisum, *supra* note 30, at 617-18.
- ¹⁰⁹ See Dubuque, *supra* note 21, at 156.
- ¹¹⁰ See Chiu, *supra* note 107, at 512.
- ¹¹¹ See Pulmano, *supra* note 11, at 255.
- ¹¹² See Stacy, *supra* note 61, at 277-79.
- ¹¹³ See generally Ryan, *supra* note 80, at 297-302.
- ¹¹⁴ See generally Ryan, *supra* note 80, at 303.
- ¹¹⁵ See Bird, *supra* note 6, at 317.
- ¹¹⁶ See *id.* at 317; Erin Marie Daly, IP Blacklist Lacks Teeth: Experts, *IP Law 360*, May 23, 2007 (noting that Russia, India, and China are among the worst group of IP offenders by making the priority watch list, while Brazil was still placed on the lower level watch list).
- ¹¹⁷ See Bird, *supra* note 6, at 324-34 (discussing actions of the United States to coerce Brazil, India, and China to accede to the standards of TRIPS, while the United States used similar coercive tactics to pressure Russia into joining the Berne Convention and enact new intellectual property legislation).
- ¹¹⁸ See *id.* at 334 (noting that although the threat of sanctions resulted in significant changes to domestic intellectual property laws in BRIC countries, piracy in those nations remain commonplace).
- ¹¹⁹ Daly, *supra* note 116 (stating further that “[w]hen you’re dealing with IP, that time frame is crucial because often the property starts to lose its importance—especially with software or motion pictures, which have a short shelf life.”).
- ¹²⁰ See Apple, Apple Presents iPod, Oct. 23, 2001, <http://www.apple.com/pr/library/2001/oct/23ipod.html> (announcing the launch of the first iPod); Eliot Van Buskirk, Introducing the World’s First MP3 Player, *Cnet*, Jan. 21, 2005, http://reviews.cnet.com/4520-6450_7-5622055-1.html (noting that the first MP3 player was released in Asia in the Spring of 1998). If India had a twelve-year backlog in the courts when the first MP3 player was released, a patent infringement suit filed then would not be heard, on average, until 2010!
- ¹²¹ See *supra* note 47 and accompanying text; Bird, *supra* note 6, at 324 (noting that “[w]ith a strong local manufacturing industry of generic drugs and other products, India initially refused to even discuss the possibility of including patent protection in any GATT agreement.”).
- ¹²² See Bird, *supra* note 6, at 324.
- ¹²³ See Bird, *supra* note 6, at 325, 327-30 (giving examples of U.S. pressure on Brazil, Russia, India, and China). Also, it should be mentioned that the Russian Federation is not a member of the WTO, and therefore not subject to TRIPS, but it does have observer

status in the WTO. Understanding the WTO, *supra* note 11.

¹²⁴ Office of the United States Trade Representative, *Background on Special 301*, http://www.ustr.gov/sites/default/files/asset_upload_file694_11120.pdf (last visited July 27, 2009). The Special 301 provisions do not technically constitute a unilateral action by the United States, because the WTO prohibits unilateralist procedures in favor of the WTO dispute settlement procedures. See generally World Trade Org., United States - Sections 301-10 of the Trade Act of 1974: Report of the Panel, at 9 (1999).

¹²⁵ 19 U.S.C. §2242(a) (2006). See Bird, *supra* note 6, at 326-27 (stating Special 301 focuses specifically on unfair IP rights practices and requires the USTR to identify nations that provide weak IP protection or deny the United States IP goods fair or equitable market access).

¹²⁶ Bird, *supra* note 6, at 327-28.

¹²⁷ Bird, *supra* note 6, at 328.

¹²⁸ Other countries on the priority watch list include Thailand, Argentina, Chile, Egypt, Israel, Lebanon, Turkey, Ukraine, and Venezuela. Daly, *supra* note 116.

¹²⁹ Bird, *supra* note 6, at 334-35.

¹³⁰ See Wasserman, *supra* note 102, at 293-94.

¹³¹ See Wasserman, *supra* note 102, at 293-94.

¹³² Robert W. Pierson, Jr., Note, *Extraterritorial Reach of U.S. Patent Law: Has the Federal Circuit Gone Too Far?*, 17 Fordham Intell. Prop. Media & Ent. L.J. 651, 654 (2007).

¹³³ *Brown v. Duchesne*, 60 U.S. 183, 195 (1857).

¹³⁴ *Deepsouth Packing Co v. Laitram Corp.*, 406 U.S. 518 (1972).

¹³⁵ *Id.* at 519-20.

¹³⁶ *Id.* at 520-21 (quoting *Prouty v. Ruggles*, 16 Pet. 336, 341, 10 L.Ed. 985 (1842)).

¹³⁷ *Id.* at 523.

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ *Deepsouth*, 406 U.S. at 527.

¹⁴¹ Id.

¹⁴² Id. at 531.

¹⁴³ Id. at 528-32.

¹⁴⁴ 35 U.S.C. §271(f) (2006); Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 444-45 (2007); 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 (2004) (“Congress specifically intended §271(f) as a response to the Supreme Court’s decision in *DeepSouth*.”).

¹⁴⁵ See 35 U.S.C. §271(f) (2006).

¹⁴⁶ Microsoft, 550 U.S. at 441.

¹⁴⁷ Id. (citing 35 U.S.C. §271(f)(1)(2006)).

¹⁴⁸ See supra note 144 and accompanying text.

¹⁴⁹ See id.; 35 U.S.C. §271(f)(1).

¹⁵⁰ Microsoft, 550 U.S. at 441.

¹⁵¹ Id.

¹⁵² Id. at 441-42.

¹⁵³ Id. at 442.

¹⁵⁴ Id. at 456 n.17; AT&T Corp. v. Microsoft Corp., 414 F.3d 1366, 1373 (Fed. Cir. 2005) (Rader, J., dissenting). Curiously, AT&T had indeed secured patents for its invention in Canada, France, Germany, Great Britain, Japan, and Sweden. Id.

¹⁵⁵ Microsoft, 550 U.S. at 441-42.

¹⁵⁶ Id. at 446.

¹⁵⁷ Id. at 447.

¹⁵⁸ Id. at 451-52.

¹⁵⁹ Id. at 452-54. Although the Court expressly states it does not decide whether a disk shipped from the United States and used to install Windows directly on a foreign computer would not give rise to liability under §271(f), from a technical standpoint it has. See id. at 454 n.14. Because sending a master from which copies are made is permissible under §271(f), and software must be

copied from a disc to be installed, what difference does it make if the copies are discs later installed on a computer or simply copies of the software on the hard drive (or RAM) of a computer to be installed later?

¹⁶⁰ See generally *id*; *C.f. Deepsouth*, 406 U.S. at 518.

¹⁶¹ *Microsoft*, 550 U.S. at 454.

¹⁶² *Id.* at 454-55.

¹⁶³ *Id.* at 455-56.

¹⁶⁴ See *Ruth Wedgwood*, *NATO's Campaign in Yugoslavia*, 93 Am. J. Int'l L. 828, 828-33 (1999).

¹⁶⁵ *Microsoft*, 550 U.S. at 442 (stating that “[p]lausible arguments can be made for and against extending §271(f) to the conduct charged in this case as infringing AT&T's patent.”). Furthermore, one logical conclusion to draw from the Court's approach here is that it may be only a matter of time until Congress can draft a statute which will leave the Court nothing to grasp at to refuse the extraterritorial application of U.S. patent law.

¹⁶⁶ Dr. Martin Köhler, Attorney, Reimann Osterrieth Köhler Haft, AIPLA-IP Practice in Europe Committee: New Trends in Contributory Infringement (Oct. 19, 2007), http://www.aipla.org/Content/ContentGroups/Speaker_Papers/Annual_Meeting_Speaker_Papers/200717/kohler-martin-slides.pdf.

¹⁶⁷ *Id.* at 3-4; *Patentgesetz* [German Patent Act], Dec. 6. 1980, §10(1).

¹⁶⁸ Reinhardt Schuster, *Transnational Effects of Patents*, *Patent World* (London), Dec. 2003, at 18.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.* at 19.

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ Köhler, *supra* note 166, at 12-13; Clemens Rübel, German Federal Supreme Court: Indirect Patent Infringement also Arises when Goods Essential to a Protected Invention Are Supplied to Foreign Countries, if the Goods Contribute to the Manufacture of an Invention Intended for Germany, *The Bardelle Pagenberg IP Report* (2007), available at http://www.bardelle.com/fileadmin/bardelle/sonstiges/IP_Reports/IP_Report_2007_II.pdf (last visited July 26, 2009).

¹⁷⁴ Köhler, *supra* note 166, at 13; Rübel, *supra* note 173.

¹⁷⁵ Köhler, *supra* note 166, at 13.

¹⁷⁶ Reinhardt Schuster & Moritz F. Scharpenseel, Germany: Territorial Rights, Managing Intellectual Property, July 1, 2005.

¹⁷⁷ See Maki Yamada, Judge, Tokyo Dist. Ct., Enforcement of Foreign Patents in Japanese Courts 24 (July 22, 2006), <http://www.ip.courts.go.jp/eng/documents/pdf/conference/060721.pdf>.

¹⁷⁸ *Id.* at 17.

¹⁷⁹ *Id.* at 17-18.

¹⁸⁰ *Id.* at 15

¹⁸¹ *Id.*

¹⁸² *Id.* at 15, 18.

¹⁸³ Yamada, *supra* note 177, at 19.

¹⁸⁴ *Id.*

¹⁸⁵ See *id.*, at 16-20; Toshiyuki Kono, Intellectual Property Rights, Conflict of Laws and International Jurisdiction: Applicability of ALI Principles in Japan?, 30 Brook. J. Int'l L. 865, 870-71 (2005).

¹⁸⁶ See Kendra Robins, Note, Extraterritorial Patent Enforcement and Multinational Patent Litigation: Proposed Guidelines for U.S. Courts, 93 Va. L. Rev. 1259, 1292 (2007); Nahoko Ono, Cross-Border Patent Enforcement: Coral Powder Case, Where Japan Court Applies the U.S. Law, at 2 (July 13, 2005) (unpublished report), available at <http://www.atrip.org/upload/files/activities/montreal2005/Ono.doc> (last visited July 26, 2009).

¹⁸⁷ Fujimoto v. Neuron Corp., 56 Minshu 1551 (Sup. Ct., Sept. 26, 2006) (provisional English translation), available at <http://www.courts.go.jp/english/judgments/text/2002.9.26-2000.-Ju-.No..580.html> (last visited July 26, 2009) [hereinafter Card Reader Case].

¹⁸⁸ *Id.* at pt. I.1.(1); Yamada, *supra* note 177, at 22.

¹⁸⁹ Card Reader Case, 56 Minshu at pt. I.1.(2); Yamada, *supra* note 177, at 22.

¹⁹⁰ Card Reader Case, 56 Minshu at pt. I.2; Yamada, *supra* note 177, at 22.

¹⁹¹ Kono, *supra* note 185, at 868.

¹⁹² Card Reader Case, 56 Minshu at pt. II.2.(2) [Summary 2].

¹⁹³ *Id.* at pt. II.2.(3) [Summary 3].

- 194 Id. at pt. II. 2.(3).
- 195 Id. at pt. II.2.(3)-III.1.(2); Kono, *supra* note 185, at 877-78.
- 196 See generally Card Reader Case. For an example of how the U.S. has dealt with similar facts, see *Voda v. Cordis Corp.*, 476 F.3d 887, 900 (Fed. Cir. 2007).
- 197 See *supra* Part II.E.1.
- 198 See *supra* Part II.E.2.a.
- 199 See *supra* Part II.E.2.b.
- 200 See *supra* Part II.E.3.
- 201 See Bailey Somers, U.S. Asks WTO to Intervene in Dispute with China, IP Law 360, Aug. 15, 2007 (quoting USTR spokesperson Sean Spicer as stating: “The United States and China have tried, through formal consultations over the last three months, to resolve differences arising from U.S. concerns about inadequate protection of intellectual property rights in China.”).
- 202 Kathleen E. McLaughlin, China Pulled Back on IPR Cooperation After U.S. Filed WTO Cases, Dudas Says, Pat. Trademark & Copyright L. Daily (BNA) (Oct. 25, 2007); Somers, *supra* note 201.
- 203 See Elaine Chow, WTO to Probe China’s IP Protection Efforts, IP Law 360, Sept. 14, 2007.
- 204 Id. (quoting Wang Xinpei from mid-August 2007).
- 205 McLaughlin, *supra* note 202.
- 206 McLaughlin, *supra* note 202.
- 207 McLaughlin, *supra* note 202.
- 208 Bird, *supra* note 6, at 334.
- 209 Bird, *supra* note 6, at 334 (providing examples of how coercion is typically employed to force a State to adopt more stringent intellectual property laws).
- 210 Bird, *supra* note 6, at 334-39.
- 211 The Secretary-General, Report of the Secretary-General on the Necessity of Ending the Economic, Commercial, and Financial Embargo Imposed by the United States of America Against Cuba, Zambia P 2, U.N. Doc. A/50/401 (Sept. 20, 1995), available at <http://www.un.org/documents/ga/docs/50/plenary/a50-401.htm> (last visited July 26, 2009).

- 212 See discussion *supra* Part II.A.
- 213 See also Jennifer Giordano-Coltart, *Walking the Line: Why the Presumption Against Extraterritorial Application of U.S. Patent Law Should Limit the Reach of 35 U.S.C. §271(f)*, 2007 Duke L. & Tech. Rev. 4, P 28 (2007).
- 214 See *supra* note 108 and accompanying text.
- 215 Stacy, *supra* note 61, at 281.
- 216 See Giordano-Coltart, *supra* note 213, P 25.
- 217 For example, the United States Patent and Trademark Office projected budget for 2009 is over \$2 billion. United States Patent and Trademark Office, *Fiscal Year 2009 President's Budget 2* (2008), <http://www.uspto.gov/web/offices/ac/comp/budg/fy09pbr.pdf> (last visited July 26, 2009) [hereinafter USPTO FY 2009 President's Budget].
- 218 See *id.* at 43.
- 219 See Giordano-Coltart, *supra* note 216, at P 25.
- 220 See *supra* note 58 and accompanying text.
- 221 Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 507-08 (1997).
- 222 See *supra* note 144. To Congress's advantage, however, at that time there was no WIPO, no WTO, and certainly no TRIPS agreement.
- 223 See *supra* note 159.
- 224 See *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454 n.15 (stating “[b]ut as we have underscored, foreign-made copies of Windows, not the masters Microsoft dispatched from the United States, were installed on the computers here involved a copy made entirely abroad does not fit the description ‘supplie[d] ... from the United States.’”).
- 225 If it is conceded that sending a copy of software overseas in the form of a “master disc” is not “supplying” and therefore not infringement, then the line between infringement and non-infringement is whether there was intermediate “copying” to cut off liability for infringement. This is unworkable because any installation of software involves copying from the storage media to the computer (even if the disc must remain in the computer, it still must be copied into memory to run). Even if a future court fails to go this far, it seems unlikely after *Microsoft v. AT&T* that anyone could be held liable for infringing software abroad.
- 226 The court recognizes that the only true difference between “supplying” and “copying” is the ease at which copies of software can be made, but the court then reads §271(f) as expressing Congress's intent that ease of copying is irrelevant. *Microsoft*, 550 U.S. at 452-53. However, it was exactly Congress's intent in enacting §271(f) to make it harder to make an end run around U.S. patents by outsourcing the final step of putting the components together. See *supra* note 147. If the facts of *Microsoft v. AT&T* were before the Congress which enacted §271(f), Congress would say this is exactly the conduct they intended to capture.
- 227 See *supra* note 195.

²²⁸ For example, consider a world with 5 nations: A, B, C, D, and E. If State A took this “Japanese” approach and applied B’s laws domestically to the extent it did not conflict with the public order, we could call this law B(A), because it could differ from B to the extent A views it as different. Similarly, A would have variations of the laws of other nations as well: C(A), D(A), and E(A). Therefore, even in this simple 5-State world, there would be a possibility for 25 combinations of laws.

²²⁹ See generally discussion *supra* Part II.E.

²³⁰ This analogy as applied oversimplifies some of the intricacies, but it can be helpful in viewing the high level problem presented.

²³¹ See, e.g., Wasserman, *supra* note 102; Robins, *supra* note 186.

²³² See Wasserman, *supra* note 102, at 309.

²³³ An example illustrating the problem of divided infringement is where a patent is on a computer server consisting of two components, A and B. If both A and B are in the United States, then this system is clearly infringing the patent. However, a clever copyist may attempt to place A in Canada, and B in Mexico, with the website accessible in the United States. Therefore, A & B are not technically combined in the United States. The Federal Circuit addressed this problem in *NTP, Inc. v. Research In Motion, Ltd.* by drawing a distinction between system and method claims. *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005); Wasserman, *supra* note 102, at 291. The merits of this approach are beyond the topic of this Note.

²³⁴ See Wasserman, *supra* note 102, at 282-83, 309.

²³⁵ See *supra* Part III.A.

²³⁶ Robins, *supra* note 186, at 1314.

²³⁷ Robins, *supra* note 186, at 1312-13.

²³⁸ See *supra* note 186 and accompanying text.

²³⁹ Bradley, *supra* note 221, at 584 (internal citation omitted).

²⁴⁰ For example, if every State adopted Wasserman’s approach, would China’s determination of “comity concerns” be the same as the United States’ determination of “comity concerns”? See Wasserman, *supra* note 102. Similarly, under Robins’ approach, would Germany’s interpretation of what constitutes infringement of a software patent under U.S. law be the same as what a U.S. court would determine? See Robins, *supra* note 231.

²⁴¹ See generally *supra* Part III.A.

²⁴² Bradley, *supra* note 221, at 584.

²⁴³ Bradley, *supra* note 221, at 584.

²⁴⁴ Bradley, *supra* note 221, at 506-10, 584.

- ²⁴⁵ Bradley, *supra* note 221, at 569-70, 584-85.
- ²⁴⁶ Bradley, *supra* note 221, at 585. This Note's proposed solution could be pursued through WIPO, WTO, or even as an addition to the TRIPS agreement.
- ²⁴⁷ See discussion *supra* Part II.D.
- ²⁴⁸ Rather than the current ad hoc approach we see under the "concurrent jurisdiction" approach.
- ²⁴⁹ See discussion *supra* Part II.B.
- ²⁵⁰ See discussion *supra* Part II.B.
- ²⁵¹ See TRIPS, *supra* note 29, art. 2(1) (incorporating portions of the Paris Convention including Paris Convention art. 4bis); see also *supra* note 66.
- ²⁵² See generally discussion *supra* Part II.A.
- ²⁵³ See discussion *supra* Part II.C.2.
- ²⁵⁴ In the context of environmental law, Halvorsen has focused on how international government organizations can empower developing nations by including them in the decision making and implementation processes. See generally Carrie La Seur, *Recent Publications*, 25 Yale. J. Int'l L. 533, 567-70 (2000) (reviewing Anita Margrethe Halvorsen, *Equality Among Unequals in Developing Countries* (2000)).
- ²⁵⁵ Bradley, *supra* note 221, at 584 ("[T]he extraterritorial application of U.S. laws into other countries is ... more likely to undermine, rather than promote international cooperation.").
- ²⁵⁶ See generally discussion *supra* Part II.B.
- ²⁵⁷ Anwar Imam, *Reconciling the FTAA and TRIPs: Can a Free Trade Area of the Americas be a Fair Trade Area of the Americas? Implications of a Hemispheric Intellectual Property Agenda*, 1 Int'l L. Rev. 217, 219 (2003).
- ²⁵⁸ Bird, *supra* note 6, at 325.
- ²⁵⁹ Bird, *supra* note 6, at 325.
- ²⁶⁰ See *supra* note 142 and accompanying text.
- ²⁶¹ See *supra* note 218 and accompanying text.
- ²⁶² See analysis *supra* Part III.A.2; discussion *supra* Part II.E.1.b.

- 263 See supra note 34 and accompanying text. But one could take a formalistic view that once an idea is available on the Internet, it is available to the world. By requiring disclosure in the Republic of Georgia for protection there, at the very least, the idea is more accessible to the Georgian population. Furthermore, an equally formalistic argument can be supplied in return that this in effect means that the Georgian government has decided, on behalf of its citizens, to grant patent protection in exchange for that disclosure.
- 264 Bureau of Nat'l Affairs, To Enforce IP Rights in China Strong Relationships Are Key, Panelists Say, 75 Pat. Trademark & Copyright J. (BNA) 66 (Nov. 16, 2007).
- 265 See Giordano-Coltart, supra note 213, P 28 (suggesting that “a company wanting to protect its foreign market shares from competitors must look to the patent law of those countries and, where protection is unavailable ... such companies must abide by the policy choices of those sovereign nations and not look to U.S. patent law for protection.”).
- 266 Stacy, supra note 61, at 304.
- 267 See supra note 36 and accompanying text.
- 268 Compare 35 U.S.C. §271(f), which imposes liability for the use of “all or a substantial portion of the components of a patented invention.” 35 U.S.C. §271(f) (2006).
- 269 See supra note 142 and accompanying text (suggesting that inventors holding foreign patents should seek redress in the foreign State for alleged acts of infringement occurring within that foreign State).
- 270 Claire R. Kelly, Power, Linkage and Accommodation: The WTO as an International Actor and Its Influence on Other Actors and Regimes, 24 Berkeley J. Int'l L. 79, 85 (2006) (noting how “the WTO empowers developing nations by creating a predictable and stable rule-based system”).
- 271 For further support on why extraterritorial jurisdiction is harmful, see discussion supra Part III.A.
- 272 See analysis supra Part III.A.2.
- 273 By “law of extraterritoriality” the author means the principle that whether a State’s laws extend beyond its borders and how far they do is generally left up to each State to decide by itself. See supra note 22.
- 274 See discussion supra Part II.B.
- 275 See generally discussion supra Part II.A-B.
- 276 Some would argue this is not much better than the current situation where instances of divided infringement are able to go unpunished. See generally Wasserman, supra note 231; Robins, supra note 186.
- 277 See discussion supra Part II.E.1.a-b.
- 278 This growth and influx of foreign capital will assist those developing nations in bearing the cost of implementing a robust domestic patent system to the extent that they make this decision. See discussion supra Part II.E.1.b.

²⁷⁹ Although this approach may work well for other areas, such as antitrust, which rely on the cooperation of public regulatory agencies from the interested States, in the realm of intellectual property rights where private individuals can assert rights for money damages, this approach is problematic.