

FIGHT OR FLIGHT: TRAVERSING THE EXTRATERRITORIAL BATTLEFIELD OF MODERN UNITED STATES PATENT LAW

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The multinational world of patent litigation is fraught with challenges. As a result of the increasing emphasis on economic globalization and expanded access to foreign markets, protecting intellectual property abroad is quickly becoming a major concern. Today, simply obtaining a United States patent for a product may not provide adequate economic protection. Thus, many patent holders, especially corporate patent holders, are recognizing the need to obtain simultaneous patents in several foreign countries for a single invention. However, when such foreign collateral patents have not been acquired, often due to the heavy costs and uncertainty associated with obtaining and litigating foreign patents abroad, patent holders are left searching for a method of enforcing their United States patents against an alleged infringer in foreign markets. Unfortunately for these United States patent holders, the inherent territoriality of patent law makes enforcement difficult outside the United States.

For example, let us say that an American company has obtained a patent in the United States for a new video game console, which gives it the right to exclude others from making, using, offering for sale, or selling that console throughout the United States, or importing that console into the United States.¹ Another U.S. company, however, steals the blueprints to develop and construct the same patented gaming console and moves its operations across the border into Canada in an attempt to avoid liability. All of the actual construction and use of the patented invention takes place in Canada. Does it seem fair that this behavior, which would clearly be infringing if it occurred within the United States, would go unpunished

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¹ See 35 U.S.C.A. § 271 (West 2001 & Supp. 1A 2010).

simply because the U.S. patent holder failed to obtain a corollary patent in Canada?² Not only is the alleged infringer causing harm to the U.S. patent

² See, e.g., *Weatherford Int'l, Inc. v. Peak Completion Techs., Inc.*, No. 4:08-cv-01450, 2011 WL 819324 (S.D. Tex. March 2, 2011). There is pending litigation in the Southern District of Texas where a company accused of infringing U.S. patents abroad is attempting to use the limited jurisdiction of U.S. patents as a defense. See *Weatherford's* Brief in Support of Its Motion for Summary Judgment of Non-Infringement of U.S. Patent 7,267,172 for Actions Carried Out by Weatherford in Canada and Alternative F.R.C.P. Rule 12(f) Motion to Strike Portions of Peak Completion Technologies Inc.'s Original Answer and Counterclaim Because of Their Irrelevance to Its Asserted Cause of Action at 7–15 *Weatherford Int'l, Inc. v. Peak Completion Techs., Inc.*, No. 4:08-cv-01450, 2009 WL 3269145.

While this case is potentially enlightening as to how the Southern District of Texas will address the extraterritoriality of U.S. patents, there is no indication that a final decision will be rendered in this case any time soon. See *Weatherford Int'l, Inc.*, 2011 WL 819324 (The court only recently rendered an opinion on claim construction issues briefed in 2009.). However, a discussion of the facts may provide some insight into this real world situation. Weatherford International, Inc. is currently involved in litigation with Peak Completion Technologies, Inc. Plaintiff's Request for Declaratory Judgment, *Weatherford Int'l, Inc. v. Peak Completion Techs., Inc.*, No. 4:08-cv-01450 (S.D. Tex. May 8, 2008). That case is being tried in the Southern District of Texas before Judge Lynn N. Hughes. It was originally filed on May 8, 2008, but there was little activity in the case between November 3, 2009 and March 2, 2011. Weatherford originally filed a request for a declaratory judgment stating that either Peak's U.S. patents were invalid, or that Weatherford was not infringing Peak's U.S. patents. *Id.* at 1, 3–4. Peak answered this complaint and filed a counterclaim alleging that Weatherford was infringing its U.S. patents. Original Answer and Counterclaim at 1, *Weatherford Int'l, Inc., v. Peak Completion Techs., Inc.*, No. 4:08-cv-01450 (S.D. Tex. July 24, 2008), 2008 WL 4399747. According to the facts, as alleged by Peak in its Response to Weatherford's Motion for Summary Judgment of Non-Infringement for Weatherford's Actions in Canada, Peak learned through its sales representatives that Weatherford had copied Peak's patented technology for an open hole fracing system (a system for creating fractures in rocks and used in stimulating oil and gas wells), had sold at least one cemented open-hole fracing system to Range Resources Corporation (in Oklahoma), and is actively marketing and selling the infringing fracing system to customers in Canada. Peak's Response to Weatherford's Motion for Summary Judgment of Non-Infringement for Weatherford's Actions in Canada and Alternative Motion to Strike, and Peak's Motion for Continuance Under F.R.C.P. 56(f) at 1–3, No. 4:08-cv-01450 (S.D. Tex. filed Oct. 23, 2008), 2008 WL 5382730. Further, the Canadian offices operating under the name Weatherford Completion Services are directed and controlled by Texas management and personnel. *Id.* at 2. Most, if not all, of Weatherford's activities related to the design, engineering, manufacture, sale, marketing, and technical support for the accused cemented open-hole fracing systems offered to customers in Canada occurred in and/or were directed from its Houston, Texas offices. *Id.* Peak believes that Weatherford sent technical support personnel from its Houston offices to supervise the installation and operation of the infringing fracing system for at least one Canadian customer. *Id.* Weatherford's support personnel were not transferred permanently to any of the Canadian offices, but were loaned to one or more of the Canadian offices on a temporary basis. *Id.* Further, Weatherford's Houston offices directed and controlled the installation of Weatherford's cemented

holder by possibly infringing on the exclusive property right granted by the U.S. government, but it might be causing significant economic harm by entering, either directly or indirectly, a market that the U.S. patent holder has gone through legitimate channels to protect.

Also, as a corollary to this problem, if the patent holder does own simultaneous patents in several foreign countries, the costs and uncertainty associated with litigating each of these patents abroad can be significant. The question then arises whether United States courts can, and will, consolidate these multinational claims into a single U.S. forum. Can a United States court treat these foreign patent claims as claims over which it has supplemental jurisdiction incident to its authority to act under the United States patent laws? Then, even if a judgment is obtained, what are the chances that such a judgment will be recognized in a foreign country?

The U.S. patent statute was established to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”³ It incentivizes innovation by granting an exclusive property right in an invention.⁴ Based on this interpretation, it would seem appropriate for U.S. courts to always adjudicate any potential infringement of a U.S. patent in order to protect the basic property and economic rights of U.S. patent holders. However, opponents of extending such jurisdiction argue that United States courts, by regulating conduct that occurs entirely in a foreign country, would be infringing on the sovereign authority of that foreign country.⁵ This policy debate forms the battlefield on which the struggle over the extraterritoriality of modern U.S. patent law is waged.

open-hole fracing system and services through its on-site representative and technical support personnel. *Id.* at 2–3.

Weatherford filed a Motion for Summary Judgment of non-infringement of U.S. patents for all of its actions carried out in Canada. *See* Weatherford’s Brief in Support of its Motion for Summary Judgment of No Direct Infringement of U.S. Patent 7,267,172 at 2, No. 4:08-cv-01450 (S.D. Tex. Sept. 10, 2008), 2008 WL 5382727. In support of this motion, Weatherford asserts that it does not infringe any of Peak’s U.S. patents through its actions in Canada because, to infringe a U.S. patent, the alleged infringing activities must occur “within the United States.” *Id.* at 6.

³ U.S. CONST. art. I, § 8, cl. 8.

⁴ *See* *King Instruments Corp. v. Perego*, 65 F.3d 941, 950 (Fed. Cir. 1995) (“[T]he Patent Act creates an incentive for innovation. The economic rewards during the period of exclusivity are the carrot.”).

⁵ *See* *Voda v. Cordis Corp.*, 476 F.3d 887, 902 (Fed. Cir. 2007) (emphasizing the need to prevent the infringement of a sovereign’s power by overextending another sovereign’s jurisdiction).

I. INTRODUCTION

The first obstacle for a patent holder is finding a court that will exercise jurisdiction over the alleged infringer.⁶ Since United States patent law, established under 28 U.S.C. § 1338, is inherently federal law, proper jurisdiction must be found in a U.S. federal court for any claim of infringement of a U.S. patent.⁷ Jurisdiction can be obtained by either establishing federal-question jurisdiction under the patent statute, 28 U.S.C. § 1338,⁸ or through the diversity of the parties. Yet, even if the U.S. patent holder is able to establish jurisdiction in a U.S. court, it will face the challenge of convincing that court that conduct performed outside of the territory of the United States actually infringes a U.S. patent.⁹ Then, finally, even if a favorable judgment is obtained from a U.S. court, the patent holder must attempt to enforce that judgment in a foreign country.

Also, even if simultaneous patents for a single invention are obtained in several foreign countries, major hurdles still exist for the patent holder. Once the foreign patents have been obtained, the patent holder then faces the prospect of having to sue separately in each individual country to enforce his rights.¹⁰ This is an incredibly costly, inefficient, and uncertain process.¹¹ A much more favorable alternative for the patent holder would be to consolidate all claims of infringement arising in different countries into a single U.S. forum. The concern then becomes whether U.S. courts are able and willing to exercise jurisdiction over claims based on foreign patents.

The Federal Circuit has determined that the federal patent jurisdiction statute, 28 U.S.C. § 1338, which grants district courts original jurisdiction

⁶ See *id.* at 889 (stating that the defendant/appellant initiated an interlocutory appeal after the district court found supplemental jurisdiction existed, thus indicating that jurisdiction in patent law is a threshold matter and must be satisfied before trial on the merits).

⁷ See *id.* at 901 (stating that 28 U.S.C. § 1338 grants “federal courts exclusive jurisdiction of claims relating to U.S. patents”).

⁸ See *id.*

⁹ See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 527 (1972) (noting that “it is not an infringement to make or use a patented product outside of the United States”), *superseded in part by statute*, Patent Law Amendments Act of 1984, Pub. L. No. 98–662, 98 Stat. 3383 (1984).

¹⁰ See *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 650 (1915) (“The right conferred by a patent under our law is confined to the United States and its territories . . .”).

¹¹ See Kendra Robins, *Extraterritorial Patent Enforcement and Multinational Patent Litigation: Proposed Guidelines for U.S. Courts*, 93 VA. L. REV. 1259, 1296 (2007).

of any civil action arising under any Act of Congress relating to patents, does not extend to foreign patents.¹² Thus, a patent holder must find another source of jurisdiction to bring its claims for infringement of foreign patents against any alleged infringer. The most logical approach would be to convince the federal court to assert supplemental jurisdiction under 28 U.S.C. § 1367 over the foreign patents. However, this approach has become much more difficult since the Federal Circuit's opinion in *Voda v. Cordis Corp.*¹³ Other possible approaches include establishing diversity jurisdiction in federal court under 28 U.S.C. § 1332,¹⁴ or even bringing the foreign patent claims in state court.¹⁵ State courts might be able to hear such a case since foreign law, which is the basis for any claim of infringement of a foreign patent, "lies outside the limited original jurisdiction of the federal courts."¹⁶

¹²See *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1373–74 (Fed. Cir. 1994) (holding as a matter of law that a claim of infringement of a foreign patent does not constitute a claim of unfair competition so as to confer federal subject-matter jurisdiction within the meaning of § 1338(b)).

¹³*Voda*, 476 F.3d at 904–05 (holding that considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances constituted compelling reasons to decline supplemental jurisdiction over patent holder's foreign patent infringement claims in the same case where the district court had original federal question jurisdiction over patent holder's United States patent infringement claims).

¹⁴See 28 U.S.C. § 1332(a)(2) (2006) (conferring federal district courts subject-matter jurisdiction over cases involving citizens of a U.S. state and citizens or subjects of a foreign state).

¹⁵See Eric Chan, *Asserting Foreign Patent Claims in U.S. Federal Courts: What's Left after Voda v. Cordis?*, 18 ALB. L.J. SCI. & TECH. 1, 46 (2008).

¹⁶See *id.* ("[F]oreign patent claims could conceivably be asserted (by themselves, stripped of any accompanying U.S. patent claims) in state trial courts."); see also *id.* at 46 n.227 (quoting Avern Cohn, *A Federal Court's Perspective on Extraterritorial Enforcement of Intellectual Property*, U. WASH. L. SCH. CTR FOR ADVANCED STUDY & RES. ON INTELL. PROP. PUBLICATION SERIES, No. 6, at 31, 33), <http://www.law.washington.edu/CASRIP/Symposium/Number6/Cohn.pdf>.

[Y]ou would immediately understand that thousands of state court trial judges have the same jurisdiction as I have. When I have diversity jurisdiction, a state court judge can have jurisdiction in the same case. If I exercise supplemental jurisdiction, it is likely a state court judge also has jurisdiction in the case. . . . Maybe a bright, imaginative patent lawyer will bring one of these cases in a state court someplace. He, or she, might get a state court judge who is also imaginative, like the judge who says . . . "[t]here's nothing in the statutes in my state that says I can't [adjudicate a foreign patent claim in state court] and we'll see what happens." That is the way it might get started. This will stir things up.

This comment deals with the hurdles a U.S. patent holder will face establishing jurisdiction in a patent suit when the alleged infringer is an entity whose infringing acts are being performed outside of the United States. At least at this point in time, in order to obtain monetary and/or injunctive relief, a patent holder's best bet is to attempt to enforce its correlative patents in those foreign countries where they were lawfully obtained. But when that option is not available or maybe just not preferred due to the heavy costs and uncertainty associated with obtaining and litigating foreign patents abroad, what options are still available to a U.S. patent holder?

Part II of this comment will discuss establishing federal question jurisdiction under the United States Patent Act, and then, once jurisdiction is established, what actions are considered to be in violation of U.S. patent law, and how Texas courts will construe the potential extraterritoriality of U.S. patents. Part III will discuss establishing diversity jurisdiction, and the likelihood that a United States court will adjudicate foreign patent claims on the basis of diversity jurisdiction. Part IV will address the situation where correlative patents in foreign countries have actually been obtained by a U.S. patent holder. Part IV will also discuss supplemental jurisdiction, and the chances that claims for infringement of foreign patents can be consolidated into a single U.S. forum.

II. ESTABLISHING JURISDICTION UNDER THE PATENT ACT

If no diversity jurisdiction is established between the U.S. patent holder and the alleged infringer, the U.S. patent holder must pursue its claim for infringement of that U.S. patent under United States patent law. U.S. district courts have original federal-question jurisdiction under 28 U.S.C. § 1338 for any civil action arising under the Patent Act.¹⁷ However, the challenge then becomes proving that the alleged infringer's actions constitute an infringement of the patent holder's U.S. patents under 35 U.S.C. § 271.¹⁸

¹⁷ 28 U.S.C. § 1338 (2006).

¹⁸ See 35 U.S.C.A. § 271 (West 2001 & Supp. 1A 2010).

A. Direct Infringement

The provisions of U.S. patent law are laid out in the Patent Act located in Title 35 of the United States Code. The Patent Act grants the patent holder the right to exclude others from using the claimed invention.¹⁹ Section 271 of the Patent Act specifically addresses the infringement of patents.²⁰

1. “Make, Use, Offer to Sell, or Sell” Within the United States

Section 271(a) of the Patent Act states: “[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”²¹ The terms “making,” “using,” and “selling” are defined by U.S. courts to only include actions involving the actual patented product, and not any component parts or development materials.²² Thus, for the actions of the alleged infringer to constitute “making,” “using,” or “selling” within the U.S. as required by the statute, the actual completed product, as described by a valid U.S. patent, must be made, used, or sold within the territory of the U.S.²³ The statute makes it clear that it is not an infringement to make or use a patented product *outside* of the United States.²⁴ “Making” means more than just the “substantial manufacture of the constituent parts of a machine.”²⁵ It means the assembly of the operative whole.²⁶ The fully assembled invention is the essence of the patent:

No wrong is done the patentee until the combination is formed. His monopoly does not cover the manufacture or sale of separate elements capable of being, but never actually, associated to form the invention. Only when such association is made is there a direct infringement of his

¹⁹ See *id.*

²⁰ See *id.*

²¹ See *id.* § 271(a).

²² See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 528–29 (1972) *superseded in part by statute*, Patent Law Amendments Act of 1984, Pub. L. No. 98–662, 98 Stat. 3383 (1984).

²³ *Deepsouth Packing Co.*, 406 U.S. at 527.

²⁴ See *id.*

²⁵ See *id.* at 528.

²⁶ *Id.* (“[A] patent on a combination is a patent on the assembled or functioning whole, not on the separate parts.”).

monopoly, and not even then if it is done outside the territory for which the monopoly was granted.²⁷

Congress has not defined the word “use” under Section 271(a), and few cases discuss the question of whether a particular use is an infringing use under Section 271(a). “[A]s a matter of law mere possession of a product or machine covered by a patent does not constitute infringement, absent a threatened or contemplated use or sale.”²⁸ Courts, however, appear to address “using” in much the same way as “making.” A logical extension of the reasoning used by the Supreme Court in *Deepsouth Packing Co. v. Laitram Corp.* would seem to suggest that, in order to directly infringe a patent, “use” requires the actual operation of the assembled whole product.²⁹

In order to prevail on an argument that an alleged infringer “sells” the machine, for purposes of Section 271(a), the patent holder must be able to show that the infringing entity sold, or offered to sell, the “patented invention” within the United States, and not just component parts or instructions to the patented invention.³⁰ Thus, if the patent holder can prove that the alleged infringer sold, or solicited a sale, for the actual infringing machine within the United States, it might be able to bring a valid claim for infringement.

To satisfy the “sale” component of Section 271(a), the actual “sale” of a patented product must occur in the United States.³¹ “The negotiation and execution of a contract to sell is not, standing alone, a sale that is an act of infringement under Section 271(a)”³² There must also be an element of performance to constitute a “sale.”³³ In *Quality Tubing*, Precision Tube Technology, Inc. (Precision) and Stolt Comex Seaway A/S (Stolt) negotiated and executed, within the United States, a contract to manufacture and sell coiled tubing outside of the United States.³⁴ “No delivery of

²⁷Radio Corp. of Am. v. Andrea, 79 F.2d 626, 628 (2d Cir. 1935).

²⁸L.A. Gear, Inc. v. E.S. Originals, Inc., 859 F. Supp. 1294, 1298 (C.D. Cal. 1994) (internal quotation marks omitted).

²⁹See *Deepsouth*, 406 U.S. at 528 (“[A] patent on a combination is a patent on the assembled or functioning whole, not on the separate parts.”).

³⁰See *id.* at 527.

³¹See *Quality Tubing, Inc. v. Precision Tube Holdings Corp.*, 75 F. Supp. 2d 613, 619 (S.D. Tex. 1999).

³²*Id.* at 621.

³³*Id.* (“The [sales] also require performance.”).

³⁴See *id.*

tubing, no invoicing, and no payment had occurred.”³⁵ “The performance that Quality Tubing [was seeking] to enjoin involv[ed] manufacture, delivery, and use [of the coiled tubing] entirely outside of the United States.”³⁶ The court concluded that “[t]here was a contract to sell executed in the United States, but the negotiation and execution of that contract did not in itself constitute a sale in violation of the patent statutes.”³⁷ “[A] ‘sale’ presupposes not merely an agreement to sell, but performance of that agreement.”³⁸ Since no part of the contract had been performed, the court granted Precision’s motion for summary judgment dismissing Quality Tubing’s allegation of infringement by “sale.”³⁹ Thus, to constitute an infringing “sale” under Section 271(a), there must be some element of performance beyond mere execution of the contract.

U.S. courts have yet to define the full territorial scope of the “offers to sell” offense in Section 271(a).⁴⁰ The term “offers to sell” is to be interpreted according to its ordinary meaning in contract law, and thus “requires no more than a commercial offer for sale.”⁴¹ The *Rotec* majority referred to the Restatement (Second) of Contracts Section 24 in examining what would constitute an offer for sale, noting that “[a]lthough not authoritative, the Restatement has long been recognized as useful in establishing the general law governing the law of contracts, including offers.”⁴² Section 24 of the Restatement states that “[a]n offer is the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it.”⁴³ In fact, in *3D Systems, Inc. v. Aarotech Labs., Inc.*, the United States Court of Appeals for the Federal Circuit held that something as simple as price quotation letters could be considered an “offer to sell.”⁴⁴ This demonstrates a low threshold for what constitutes an “offer to sell” under Section 271(a).⁴⁵

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ See *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1375 (Fed. Cir. 2010).

⁴¹ *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1254 (Fed. Cir. 2000).

⁴² *Id.* at 1257 n.5.

⁴³ RESTATEMENT (SECOND) OF CONTRACTS § 24 (1981).

⁴⁴ See 160 F.3d 1373, 1379 (Fed. Cir. 1998).

⁴⁵ See *id.*

A potential issue then becomes whether an “offer to sell” a device or system whose actual sale cannot infringe a United States patent, e.g., by taking place outside of the U.S., is still an infringing act under Section 271. The Federal Circuit has not squarely ruled on the issue of whether offers made in the United States to sell accused products outside of the United States satisfies Section 271(a)’s “within the United States” requirement, and there is a split in the jurisprudence among U.S. district courts.⁴⁶ However, while the response of U.S. courts to this issue has been mixed, case law from the Southern District of Texas seems to suggest that such an offer does not infringe a U.S. patent.

In *Quality Tubing*, the United States District Court for the Southern District of Texas held that negotiation and execution in the United States of a contract to sell a product to be delivered in Scotland and Norway for use in Norway was not an “offer to sell” constituting an act of infringement under Section 271(a).⁴⁷ The court stated that “[b]ecause a sale is infringing only if it occurs within the United States, an offer to sell is not infringement unless the contemplated sale is to occur in the United States.”⁴⁸

Furthermore, it seems that the United States Court of Appeals for the Federal Circuit has recently favored this non-infringing interpretation. In *SEB S.A. v. Montgomery Ward and Co.*, a February 5, 2010 decision, the Federal Circuit Court cited the concurring opinion in *Rotec* when discussing the territorial scope of the “offers to sell” offense.⁴⁹ Judge Newman’s concurrence in *Rotec* states that “an offer to sell a device or system whose actual sale cannot infringe a United States patent is not an infringing act under section 271.”⁵⁰ While this reference was dicta and has no precedential value, it is strong judicial support for the proposition that an offer made in the United States to sell a system made entirely abroad for sale, installation, and use in a foreign country will likely not infringe the United States patent.⁵¹

However, while unlikely to succeed in the Southern District of Texas, an argument can be made to the contrary. In *Rotec*, the majority’s opinion

⁴⁶ See *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1375 (Fed. Cir. 2010).

⁴⁷ See *Quality Tubing, Inc. v. Precision Tube Holdings Corp.*, 75 F. Supp. 2d 613, 625 (S.D. Tex. 1999).

⁴⁸ *Id.* at 624.

⁴⁹ See *SEB S.A.*, 594 F.3d at 1375.

⁵⁰ *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1259 (Fed. Cir. 2000) (Newman, J., concurring).

⁵¹ See *id.* at 1260.

seemed to accept the premise that Section 271(a) could give rise to liability for an infringing “sale” in the United States even where the contemplated sale would take place abroad.⁵² While the majority did not find liability for an offer for sale under the specific evidence presented in that case,⁵³ it expressly evaluated the evidence under the theory that the ultimate sale did not have to take place in the United States for it to be infringing, indicating that liability might arise under different facts.⁵⁴

After analyzing several Federal Circuit cases,⁵⁵ the Delaware District Court stated in *Wesley Jessen Corp. v. Bausch & Lomb, Inc.* that:

What emerges from Federal Circuit cases dealing with “offer to sell” liability under § 271(a) is the conclusion that an unauthorized “offer to sell” a patented invention within the United States creates a separate cause of action for patent infringement. The geographic location and physical destination of the subject matter of the “offer” appear to be immaterial to the analysis, so long as the “offer” was made in the United States. By the same token, the “sale” contemplated by the “offer to sell” need not take place in the United States . . . for there to be infringement because of the “offer to sell.”⁵⁶

While this opinion conflicts with the Southern District of Texas, it is still a strong example of how liberal courts can be in construing the “offer to sell” offense under Section 271(a).

Additionally, in *Trueposition Inc. v. Andrew Corp.*, the Delaware District Court found that the jury’s determination that a U.S. defendant made an offer for sale in the United States under Section 271(a) to a

⁵² See *id.* at 1258 (majority opinion).

⁵³ See *id.* at 1257 (The *Rotec* majority held that there was no evidence of an offer for sale in that case because most of the communication by the defendants did not involve a third party potential customer (and therefore could not be an offer for sale), and the single statement that showed any communication between the defendant and any third party customer was properly excluded as hearsay.).

⁵⁴ See *id.* at 1251 (“[W]e must establish whether Defendants’ activities in the United States, as would be construed by a reasonable jury, are sufficient to establish an ‘offer for sale,’ as that phrase is used in § 271(a).”).

⁵⁵ See generally *Wesley Jessen Corp. v. Bausch & Lomb, Inc.*, 256 F. Supp. 2d 228 (D. Del. 2003) (The court in *Wesley Jessen* looked at *3D Systems*, *Rotec*, and *HollyAnne Corp. v. TFT, Inc.*, 199 F.3d 1304 (Fed. Cir. 1999)).

⁵⁶ *Id.* at 233–34 (citations omitted).

company in Saudi Arabia was supported by the record, and therefore denied the defendant's motion for judgment as a matter of law.⁵⁷ The defendant argued that there could be no infringement because all communications with the offeree took place in Saudi Arabia, the contract was executed in Saudi Arabia, and all exchanges were hand delivered by an intermediary or its Saudi agent, not by the defendant.⁵⁸ In that case, the subject of the contract was for the supply of a cell phone geolocation system to a company in Saudi Arabia.⁵⁹ There, the plaintiff's evidence to support a theory of infringement included the following:

(1) [D]efendant [was] based in the United States; (2) the offers themselves were prepared by [individuals who were] based in the United States; (3) the cover letter on defendant's December 2004 bid list[ed] Ashburn, Virginia as the return address; (4) [executive for the defendant] signed both a cover letter and the associated contract of the October 2005 offer in the United States and dispatched it from the United States; and (5) the offers were unaltered by [another party] before they were dispatched to [the offeree].⁶⁰

The court referenced *Rotec* in its analysis regarding infringement liability based on offers for sale, concluding that the evidence presented by the plaintiff, regardless of the fact that the ultimate sale took place abroad, was sufficient to deny defendant's motion for judgment as a matter of no infringing offer for sale under Section 271(a).⁶¹ Accordingly, liability may arise for "offers to sell" in the United States under Section 271(a) even if the ultimate sale occurs outside the U.S.⁶²

This split in authority leaves room for advocacy concerning the "offer to sell" offense. However, the modern trend in U.S. courts, especially in the Southern District of Texas, is to consider "offers" made in the United States, for sales to be completed abroad, as not infringing.⁶³

⁵⁷ 568 F. Supp. 2d 500, 516 (D. Del. 2008).

⁵⁸ *Id.*

⁵⁹ *Id.* at 508.

⁶⁰ *Id.* at 516 (citations omitted).

⁶¹ *See id.*

⁶² *See id.*

⁶³ *See* Quality Tubing, Inc. v. Precision Tube Holdings Corp., 75 F. Supp. 2d 613, 621 (S.D. Tex. 1999).

2. U.S. Patent Law Does Not Apply Extraterritorially

“It is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country.”⁶⁴ There is generally a strong presumption against extraterritoriality in United States patent law.⁶⁵ “The traditional understanding that [U.S.] patent law ‘operate[s] only domestically and do[es] not extend to foreign activities’ is embedded in the Patent Act itself, which provides that a patent confers exclusive rights in an invention *within* the United States.”⁶⁶

“[F]oreign law alone, not United States law, currently governs the manufacture and sale of . . . patented inventions in foreign countries.”⁶⁷ “If [a company] desires to prevent copying in foreign countries, its remedy today lies in obtaining and enforcing foreign patents.”⁶⁸ The U.S. patent system makes no claim to extraterritorial effect.⁶⁹ “[Our legislation does not, and was] not intended to, operate beyond the limits of the United States,’ and we correspondingly reject the claims of others to such control over our markets.”⁷⁰ Therefore, a U.S. patent generally provides no protection against infringing activity in any country other than the United States.⁷¹

3. The Section 271(f) Exception

An exception to the general rule that U.S. patent law does not apply extraterritorially is found in Section 271(f) of the Patent Act.⁷² Infringement does occur when one “supplies . . . from the United States,”

⁶⁴ *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441 (2007).

⁶⁵ *Id.* at 454–55 (“The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law.”).

⁶⁶ *Id.* at 455 (emphasis added) (citing 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, 559 (2004)).

⁶⁷ *Microsoft Corp.*, 550 U.S. at 456.

⁶⁸ *Id.*

⁶⁹ See *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1856).

⁷⁰ *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) (quoting *Duchesne*, 60 U.S. (19 How.) at 195) *superseded in part by statute*, Patent Law Amendments Act of 1984, Pub. L. No. 98–662, 98 Stat. 3383 (1984).

⁷¹ See *Duchesne*, 60 U.S. (19 How.) at 195.

⁷² See 35 U.S.C.A. § 271(f)(1) (West 2001 & Supp. 1A 2010).

for “combination” abroad, a patented invention’s “components.”⁷³ Section 271(f) attaches liability to the supply abroad of the “components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components.”⁷⁴ If a patented product is manufactured entirely in a foreign country, including all of the component parts, this clearly does not qualify as being “supplie[d] . . . from the United States.”⁷⁵

Section 271(f) is applicable only when “components” are being supplied in or from the United States.⁷⁶ “‘Component’ is commonly defined as ‘a constituent part,’ ‘element,’ or ‘ingredient.’”⁷⁷ Thus, anything simply containing design information is not considered to be a component for purposes of the statute:

[Section] 271(f) is inapplicable to the export of design tools—blueprints, schematics, templates, and prototypes—all of which may provide the information required to construct and combine overseas the components of inventions patented under United States law. . . . Section 271(f) does not identify as an infringing act conduct in the United States that facilitates making a component of a patented invention outside the United States; nor does the provision [prohibit the] supplying [of] information, instructions, or other materials needed to [copy a patented product] abroad.⁷⁸

To prevail on a claim of direct infringement under this narrow exception, the patent holder must show that the alleged infringer is supplying “component” parts of the patented invention.⁷⁹ Section 271(f)(1) “applies to the supply abroad of ‘all or a substantial portion of’ a patented invention’s components.”⁸⁰ Section 271(f)(2) “applies to the export of even

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ See *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 453 n.15 (2007) (“[A] copy made entirely abroad does not fit the description ‘supplie[d] . . . from the United States.’”).

⁷⁶ See 35 U.S.C.A. § 271(f)(1).

⁷⁷ *Microsoft Corp.*, 550 U.S. at 449 n.11 (citing WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 466 (1981)).

⁷⁸ *Id.* at 457–58.

⁷⁹ See *id.* at 444–45.

⁸⁰ *Id.* at 458 n.18.

a single component if it is ‘especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use.’”⁸¹ Section 271(f)(2) also requires knowledge or intention that the component will be combined outside of the United States.⁸² In fact, “[An] infringer [does not] actually [have to] combine or assemble the components. A party can [simply] intend that a shipped component will ultimately be included in an assembled product even if the combination never occurs.”⁸³

Thus, a U.S. patent holder can prevail on a direct infringement claim for conduct performed abroad only if it can show: (1) that the alleged infringer is supplying “components” of the patented invention from the United States to a foreign country; (2) that the “components” either make up all or a substantial portion of the patented invention, or are especially adapted for use in the invention; and (3) that the alleged infringer had the intention to induce the combination of such “components” outside of the United States in a manner that would infringe the patent if such combination occurred within the United States.⁸⁴

B. Derivative Causes of Action: Inducement and Contributory Infringement

If a patent holder can establish that a direct infringement has taken place in violation of its valid U.S. patent, that patent holder might also have a claim against a third party for inducement or contributory infringement.⁸⁵ This concept may be beneficial to a patent holder if there were several parties that contributed to the infringement, or if the direct infringer is insolvent. While these derivative causes of action are beyond the general scope of this article, I will address them briefly in order to emphasize that activity by a third party that induces or contributes to allegedly infringing conduct in a foreign country cannot be the basis for an infringement claim unless there is actually a direct infringement that occurs.

⁸¹ *Id.*

⁸² See Kurtis A. Kemper, Annotation, *Construction and Application of 35 U.S.C.A. § 271(f), Which Provides an Exception to Rule That No Infringement Occurs When Patented Product is Made and Sold in Another Country*, 33 A.L.R. FED. 2d 593, 627 (2009).

⁸³ *Trueposition Inc. v. Andrew Corp.*, 611 F. Supp. 2d 400, 408 (D. Del. 2009).

⁸⁴ See Kemper, *supra* note 82, at 603–04.

⁸⁵ See 35 U.S.C.A. § 271(b) (West 2001 & Supp. 1A 2010) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”).

“[T]he single concept of contributory infringement was divided [in section 271] between subsections (b) and (c) into ‘active inducement’ (a type of direct infringement) and contributory infringement.”⁸⁶ Yet, at the core of both of these theories is the principle that “there can be neither inducement of infringement nor contributory infringement in the absence of a direct infringement.”⁸⁷

It is established that there can be no contributory infringement without the fact or intention of a direct infringement.⁸⁸ This is a fairly settled point of law:

It is plain that § 271(c) . . . made no change in the fundamental precept that there can be no contributory infringement in the absence of a direct infringement. That section defines contributory infringement in terms of direct infringement—namely the sale of a component of a patented combination or machine for use “in an infringement of such patent.”⁸⁹

The patent holder must show a Section 271 direct infringement by an alleged infringer in the United States: that is, that the alleged infringer “makes,” “uses,” “offers to sell,” or “sells” the patented product within the bounds of the United States, or in a manner fitting the Section 271(f) exception.⁹⁰ If there is no direct infringement under Section 271, then any actions by a third party to induce or contribute to conduct in a foreign country, even if that third party has knowledge of the patent and the intent to circumvent it, will not be actionable as infringing conduct.⁹¹

⁸⁶ See Robert L. Harmon, Bureau of Nat’l Affairs (BNA), Patents and the Federal Circuit § 7.3 (9th ed. 2010).

⁸⁷ *Id.* (citing *Micro Chem. Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1549 (Fed. Cir. 1997)) (“There can be no inducement to infringe absent direct infringement.”); *FMC Corp. v. Up-Right, Inc.*, 21 F.3d 1073, 1076 (Fed. Cir. 1994) (“[W]e note the maxim espoused by the Supreme Court that ‘there can be no contributory infringement in the absence of a direct infringement.’”).

⁸⁸ See *Mercoid Corp. v. Mid-Continent Co.*, 320 U.S. 661, 677 (1944).

⁸⁹ *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972) (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341–42 (1961)) *superseded in part by statute*, Patent Law Amendments Act of 1984, Pub. L. No. 98–662, 98 Stat. 3383 (1984).

⁹⁰ See *id.* at 527.

⁹¹ See *id.*

III. ESTABLISHING JURISDICTION THROUGH DIVERSITY

If no federal-question jurisdiction can be established, the patent holder must then pursue its patent infringement claim in a U.S. court under diversity jurisdiction. The diversity statute, 28 U.S.C. § 1332, grants district courts:

[O]riginal jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of \$75,000 . . . and is between— (1) citizens of different States; (2) citizens of a State and citizens or subjects of a foreign state; [or] (3) citizens of different States and in which citizens or subjects of a foreign state are additional parties.⁹²

Under the statute, a corporation is considered “to be a citizen of any State by which it has been incorporated and of the State where it has its principal place of business.”⁹³

A. *It May Be Possible, Although Very Unlikely, That a U.S. Court Will Adjudicate Foreign Patent Claims on the Basis of Diversity Jurisdiction*

If the patent holder can somehow establish diversity jurisdiction over an alleged infringer, the issue then becomes whether U.S. courts will adjudicate foreign patent claims on the basis of diversity jurisdiction. This question has been a topic of considerable judicial debate. Both the Supreme Court and the Federal Circuit have recognized that federal courts can decline to exercise jurisdiction when the forum is not convenient (*forum non conveniens* doctrine).⁹⁴ Also, district courts have made the argument that because 28 U.S.C. § 1338 establishes original and exclusive jurisdiction in the federal district courts over any civil action arising under

⁹² 28 U.S.C. § 1332 (2006).

⁹³ *Id.* § 1332(c)(1).

⁹⁴ See *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.*, 589 F. Supp. 2d 84, 92 (D. Me. 2008); see also *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 260 (1981) (holding that public interest factors favored holding trial in Scotland of wrongful death action arising out of airplane crash in Scotland where accident occurred in Scottish airspace, all decedents were Scottish, and, apart from two parties, all potential plaintiffs and defendants were either Scottish or English).

the patent laws, such jurisdiction cannot be founded on diversity under Section 1332.⁹⁵

However, unlike supplemental jurisdiction, diversity subject-matter jurisdiction ordinarily is not discretionary.⁹⁶ Abiding by a strict interpretation of the diversity statute, a few U.S. courts have demonstrated a willingness to adjudicate foreign patent claims when diversity jurisdiction is present.⁹⁷ In *Baker-Bauman v. Walker*, a district court in Ohio upheld the proposition that district courts can exercise diversity jurisdiction over patent-infringement actions based upon foreign patents.⁹⁸ In that case, the plaintiff filed suit against the defendant alleging a number of claims, including that defendant had infringed on four patents owned by the plaintiff: two U.S. patents, an Australian patent, and a Chinese patent.⁹⁹ The court stated:

Congress has decided that District Courts can exercise subject matter over *all* civil actions in which the amount in controversy exceeds \$75,000, between diverse parties. When it enacted § 1332(a), Congress did not include an exception for claims predicated upon foreign patents. Indeed, federal courts are routinely called upon to resolve claims arising under foreign law.¹⁰⁰

The *Baker-Bauman* court thereby interpreted the diversity statute, 28 U.S.C. § 1332, to be more pervasive than the patent jurisdiction statute, 28 U.S.C. § 1338.¹⁰¹

⁹⁵ See *Johlar Indus., Inc. v. Essex Eng'g Co.*, No. 87 C 9013, 1988 WL 71222, at *2 (N.D. Ill. June 30, 1988).

⁹⁶ See *Fairchild*, 589 F. Supp. 2d at 92.

⁹⁷ See *London Film Prods. Ltd. v. Intercontinental Commc'ns, Inc.*, 580 F. Supp. 47, 50 (S.D.N.Y. 1984) (exercising diversity jurisdiction over claims for acts of infringement that were alleged to have taken place only in Latin America); see also *Harris v. Schering-Plough Corp.*, No. Civ. A. 01-2127, 2001 WL 986866, at *1 (E.D. La. Aug. 28, 2001) (holding that even if Plaintiff's claims were pure state law claims and required neither resolution of federal law issue nor disruption of federal patent litigation, that was irrelevant because Defendant had already demonstrated that diversity jurisdiction existed in the case).

⁹⁸ No. 3:06cv017, 2007 WL 1026436, at *1 (S.D. Ohio Mar. 29, 2007).

⁹⁹ *Id.*

¹⁰⁰ *Id.* (citations omitted).

¹⁰¹ See *id.*

In *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.*,¹⁰² a Maine-based patent licensee brought a diversity action against an Arizona-based owner of two licensed patents for semiconductor power devices, one issued in the United States and one issued in China, seeking a declaratory judgment that the licensee owed no royalties for its use of a particular device.¹⁰³ The Maine District Court in this case held that a forum-selection clause in the license agreement governed the outcome of the dispute, explaining that “the dispute remain[ed] primarily one of contractual interpretation.”¹⁰⁴ However, despite not expressly deciding this case as a foreign patent infringement dispute,¹⁰⁵ the court clearly anticipated significant determinations of foreign patent law.¹⁰⁶ In assuming authority over this conflict, the court held that diversity of citizenship, not supplemental jurisdiction, afforded the basis for federal jurisdiction over the claims relating to the validity and interpretation of the Chinese patent.¹⁰⁷ Thus, while not explicitly extending diversity jurisdiction for the sole purpose of resolving a foreign patent-infringement claim, this court seemed to concede that such an extension of jurisdiction could be possible:

[E]ven domestic patent law is difficult, and it is challenging to resolve disputes between the parties over the proper translation of the foreign patent claims, and disputes about how the foreign law applies to the dispute, and learning about foreign patent law and procedure. [Recognizing] these difficulties, law and language often are difficult and they are familiar challenges for a federal judge in today’s world.¹⁰⁸

¹⁰² See 589 F. Supp. 2d at 85–87.

¹⁰³ See *id.*

¹⁰⁴ *Id.* at 94.

¹⁰⁵ See *id.*

¹⁰⁶ See *id.* at 97, 99–100.

¹⁰⁷ *Id.* at 85 (“[T]he parties are disputing royalty obligations that depend in part on whether the licensee’s products are ‘covered by’ a foreign patent[.] . . . [I]n a diversity of citizenship case [where jurisdiction is not discretionary], which this case is, ‘*forum non conveniens*’ guides the analysis [of whether assuming jurisdiction over the foreign claims is proper].”).

¹⁰⁸ *Id.* at 100.

Despite these anomalies, there seems to be a “strong Federal Circuit distaste for letting United States courts deal with foreign patents.”¹⁰⁹ In fact, in *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*,¹¹⁰ after dismissing a case involving a foreign patent claim for lack of subject-matter jurisdiction under supplemental jurisdiction, the Federal Circuit stated that any attempt by the plaintiffs to assert diversity jurisdiction on remand would “seem ill-founded,” and thus inevitably result in a future dismissal under the doctrine of *forum non conveniens*.¹¹¹ In explaining this statement, the Federal Circuit said that several “public interest” factors, including “the avoidance of unnecessary problems in conflict of laws, or in application of foreign laws,” as well as “general concerns respecting international comity,” would counsel against extending jurisdiction over the foreign claims, even in a diversity case.¹¹²

Yet, in *Voda v. Cordis Corp.*, the Federal Circuit referred to the possibility that diversity jurisdiction might exist as an alternate and independent basis for the district court to hear a plaintiff’s claims of foreign patent infringement.¹¹³ In *Voda*, a patent holder brought an infringement action against competitors regarding both U.S. and foreign patents directed toward guiding catheters for use in interventional cardiology.¹¹⁴ However, since diversity jurisdiction was not properly plead, the court explicitly refused to consider its consequences.¹¹⁵ Under this analysis it might also be possible to plead foreign patent claims by themselves, stripped of any accompanying U.S. patent claims, in federal court under diversity jurisdiction, although this might raise some serious *forum non conveniens* issues.

Thus, while recognizing the significant complications involved in adjudicating claims under foreign law¹¹⁶ and the strong Federal Circuit sentiment in opposition to having United States courts adjudicate foreign

¹⁰⁹ *Id.* at 95.

¹¹⁰ 24 F.3d 1368 (Fed. Cir. 1994).

¹¹¹ *See id.* at 1375–76.

¹¹² *Id.*

¹¹³ *See Voda v. Cordis Corp.*, 476 F.3d 887, 905 (Fed. Cir. 2007) (“The parties . . . dispute on appeal whether diversity jurisdiction under § 1332 provides an alternate and independent basis for the district court to hear Voda’s claims of foreign patent infringement.”).

¹¹⁴ *Id.* at 890–91.

¹¹⁵ *Id.* at 905.

¹¹⁶ *Id.* at 898.

patent claims,¹¹⁷ a U.S. court might still be willing, when actual diverse parties are present and public interest and comity considerations do not counsel too strongly against it, to extend jurisdiction over claims involving foreign patents.

B. Adding a Non-Diverse Party Destroys Complete Diversity

A controversy is not “between citizens of different states,” so as to give jurisdiction to the federal courts, unless all the persons on one side of it are citizens of different states from all the persons on the other side.¹¹⁸ This complete diversity requirement is based on the diversity statute, not Article III of the Constitution.¹¹⁹ For diversity jurisdiction purposes, a corporation is a citizen of the state in which it was incorporated and the state in which it has its principal place of business.¹²⁰

C. Changing State of Incorporation Prior to Filing Might Create Diversity Jurisdiction

If the U.S. patent holder is an incorporated entity, there is a means of creating diversity even if the parties involved were not diverse at the time of the infringement.¹²¹ In such a situation, the patent holder may consider changing its state or country of incorporation if a legitimate purpose exists to do so other than establishing jurisdiction in a federal court.¹²² Also, because a corporation is considered to be a citizen of the state where it has its principal place of business, a corporation cannot create such diversity without also transferring its headquarters, or “nerve center,” to the new state of incorporation (unless its location is already such that it would not destroy the diversity of the parties).¹²³ If the patent holder elects to change its state

¹¹⁷ *Id.* at 905 (citing *City of Chi. v. Int’l Coll. of Surgeons*, 552 U.S. 156, 174 (1997)).

¹¹⁸ *See* *Strawbridge v. Curtiss*, 7 U.S. (3 Cranch) 267, 267 (1806).

¹¹⁹ *See* *State Farm Fire & Cas. Co. v. Tashire*, 386 U.S. 523, 530–31 (1967).

¹²⁰ *See* 28 U.S.C. § 1332(c) (2006).

¹²¹ *See* *Black & White Taxicab & Transfer Co. v. Brown & Yellow Taxicab & Transfer Co.*, 276 U.S. 518, 524 (1928), *superseded by statute*, 28 U.S.C. § 1332(c)(1), *as recognized in* *Hertz Corp. v. Friend*, 130 S.Ct. 1181, 1184 (2010) (holding that cooperation between railroad and taxi company to have rights under contract determined in federal court by taxi company’s reincorporation in another state was not collusive) (“The succession and transfer were actual, not feigned or merely colorable. In these circumstances, courts will not inquire into motives when deciding concerning their jurisdiction.”).

¹²² *Id.*

¹²³ *See* *Hertz Corp.*, 130 S. Ct. at 1184 (“[Principle place of business] should normally be the

of incorporation to an alternative venue prior to filing suit against a potential infringer, this might invoke the diversity jurisdiction of a U.S. federal court.¹²⁴ The court will determine jurisdiction at the time the suit was filed, so “the pertinent question is whether the [transferring parties] were properly citizens of [the new state of incorporation] on the date the suit was filed, not whether the parties to the underlying [claims] were, at the time [of the alleged infringement], citizens of [the new state].”¹²⁵

However, “28 U.S.C. § 1359 . . . provides that ‘a district court shall not have jurisdiction of a civil action in which any party, by assignment or otherwise, has been improperly or collusively made or joined to invoke the jurisdiction of such court.’”¹²⁶ The courts will make a factual determination of whether the “assignment [was] collusive, in the relevant sense of being motivated by the assignor’s desire to obtain access to a federal court under the diversity jurisdiction.”¹²⁷ Therefore, a federal court will deny diversity jurisdiction if it determines that the transfer of incorporation status was performed collusively or solely to fabricate diversity jurisdiction.¹²⁸

In *DBD Franchising, Inc., v. DeLaurentis*, the defendant argued that because the plaintiff corporations were incorporated in Illinois when they executed the disputed agreement, they could not “subsequently change their state of [in]corporation [to Wisconsin] in a manner that would permit diversity jurisdiction.”¹²⁹ The court rejected this argument, explaining that it must “make a factual determination of whether the change in corporate status was collusive.”¹³⁰ In that case, the plaintiff corporations conceded that “one reason for the transfer of [their] state of incorporation . . . was to ensure diversity jurisdiction in a suit against [the defendant].”¹³¹ However, “they also claim[ed] that there were other reasons for the transfer.”¹³² For

place where the corporation maintains its headquarters—provided that the headquarters is the actual center of direction, control and coordination, *i.e.*, the ‘nerve center,’ and not simply an office where the corporation holds its board meetings.”).

¹²⁴ See *DBD Franchising, Inc. v. DeLaurentis*, No. 09-C-669, 2009 WL 1766751, at *2 n.2 (N.D. Ill. June 23, 2009).

¹²⁵ *Id.*

¹²⁶ *Herzog Contracting Corp. v. McGowen Corp.*, 976 F.2d 1062, 1066 (7th Cir. 1992).

¹²⁷ *Id.*

¹²⁸ See *id.*

¹²⁹ See *DBD Franchising*, 2009 WL 1766751, at *2 n.2.

¹³⁰ *Id.*

¹³¹ *Id.* at *4.

¹³² *Id.*

example, the plaintiffs said that they “had physically moved to Wisconsin, were not conducting business in Illinois, and had intended to change their corporate status for some time.”¹³³ The court held that diversity jurisdiction was not prohibited by Section 1359, since the defendant had not offered any evidence to indicate that the plaintiffs’ change in corporate status was undertaken *solely* to fabricate diversity jurisdiction, other than pointing to the suspicious timing and circumstances of the transfers.¹³⁴

The approach taken by the district court in *DBD Franchising*, and the conclusion it reached, are not universal.¹³⁵ In fact, there are analogous cases from other circuits that have adopted the exact opposite conclusion.¹³⁶ However, if the patent holder changes its state of incorporation prior to filing suit against an alleged infringer in order to establish diversity jurisdiction, whether this transfer was conducted improperly or collusively will be a simple question of fact to be resolved by the court.¹³⁷ If a proper purpose exists for the change other than establishing jurisdiction in a federal court, it might be possible to convince a U.S. court to permit diversity jurisdiction.¹³⁸

D. Patent Holder Must Also Establish in Personam Jurisdiction over the Alleged Infringer

Even if diversity jurisdiction exists over the alleged infringer, *in personam* jurisdiction must also exist.¹³⁹ If the patent holder can demonstrate that it and the alleged infringer are diverse parties, and that the

¹³³ *Id.*

¹³⁴ *Id.* (“Although we recognize that the Illinois companies had no ongoing business and their only assets were their rights under the Agreement with DeLaurentis, we cannot disregard the sworn statements that they caused the incorporation of the companies in Wisconsin for reasons other than just the establishment of diversity jurisdiction.”).

¹³⁵ See *Toste Farm Corp. v. Hadbury, Inc.*, 70 F.3d 640, 645 (1st Cir. 1995) (holding that where the main asset transferred to a diverse corporation is the legal claim and the new corporation did not have any ongoing activities after the transfer, other than the pursuit of the legal claim, the transfer was made for collusive purposes and diversity jurisdiction was prohibited by § 1359).

¹³⁶ See *id.*

¹³⁷ See *Herzog Contracting Corp. v. McGowen Corp.*, 976 F.2d 1062, 1066 (7th Cir. 1992).

¹³⁸ See *id.* (“Herzog submitted affidavits attesting that the purpose of the assignment was not to create diversity jurisdiction but to facilitate the provision of additional capital.”).

¹³⁹ See *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 319 (1945) (“[The Due Process] clause does not contemplate that a state may make binding a judgment *in personam* against an individual or corporate defendant with which the state has no contacts, ties, or relations.”).

alleged infringer has sufficient contacts with Texas, or possibly just the United States as a whole, to establish either specific or general personal jurisdiction, then it is possible, although unlikely, that the patent holder can convince a U.S. federal court to adjudicate its foreign patent claims against the alleged infringer under diversity subject-matter jurisdiction.

IV. ASSUMING SUPPLEMENTAL JURISDICTION OVER FOREIGN CLAIMS

If a patent holder does own simultaneous foreign patents for an invention, it would be significantly more convenient and cost effective for that patent holder if a U.S. court would be willing to consolidate all the claims based on those foreign patents into a single case. If an action for infringement of a U.S. patent can be initiated in a U.S. court, the issue then becomes whether a U.S. court also has jurisdiction with respect to the claims based on foreign patents.¹⁴⁰ Because U.S. federal courts have original jurisdiction over claims based solely on U.S. patents and not over claims based on foreign patents, the U.S. courts must be able to exercise supplemental jurisdiction over the foreign patent claims in order to properly adjudicate those foreign claims.¹⁴¹

A. *Assuming Supplemental Jurisdiction Requires a Common Nucleus of Operative Fact*

U.S. courts have supplemental jurisdiction under 28 U.S.C. § 1367.¹⁴² This supplemental jurisdiction, however, “‘is a doctrine of discretion, not of plaintiff’s right,’ and . . . district courts can decline to exercise jurisdiction over pendent claims for a number of valid reasons.”¹⁴³ Yet, U.S. courts have recognized that Section 1367(a) authorizes supplemental jurisdiction over foreign-law claims in certain limited circumstances.¹⁴⁴ Specifically, the Federal Circuit in *Voda v. Cordis Corp.* held that Section 1367 provides the statutory authority for federal courts to exercise supplemental jurisdiction over claims that are outside the limited original jurisdiction of federal district courts.¹⁴⁵

¹⁴⁰ See *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1374 (Fed. Cir. 1994).

¹⁴¹ See *id.*

¹⁴² 28 U.S.C. § 1367 (2006).

¹⁴³ *City of Chi. v. Int’l Coll. of Surgeons*, 522 U.S. 156, 172 (1997) (citing *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 726 (1966)).

¹⁴⁴ See *Voda v. Cordis Corp.* 476 F.3d 887, 893 (Fed. Cir. 2007).

¹⁴⁵ See *id.* (“Section 1367(a) provides the statutory authority for district courts to exercise

Federal courts are limited in their extension of supplemental jurisdiction to claims that are “so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.”¹⁴⁶ This, in turn, requires that the federal question and pendent question share a “common nucleus of operative fact.”¹⁴⁷ There are two schools of thought on the propriety of extending supplemental jurisdiction over foreign claims, and while the result is unclear, I will discuss each.

1. Proponents: Arguments in Favor of Extending Supplemental Jurisdiction over Foreign Patent Claims

While U.S. case law involving multinational patent litigation is limited, those few cases that exist suggest that U.S. courts may indeed have jurisdiction to adjudicate foreign patents in limited circumstances, as courts in Germany,¹⁴⁸ Japan,¹⁴⁹ and the Netherlands¹⁵⁰ have done.¹⁵¹ However, this case law also reveals an unpredictable pattern regarding the willingness of

supplemental jurisdiction over certain claims outside their original jurisdiction.”).

¹⁴⁶ 28 U.S.C. § 1367(a) (2006).

¹⁴⁷ See *United Mine Workers*, 383 U.S. at 725; see also *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1374–75 (Fed. Cir. 1994) (Extending the “common nucleus of operative fact” test to include not only state claims, but also infringement claims based on foreign patents. The court applied the “common nucleus of operative fact” rubric to determine whether § 1367(a) authorized supplemental jurisdiction over an infringement claim based on a Japanese patent. After finding that the foreign patent infringement claim was not so related to the U.S. patent infringement claim that the claims formed part of the same case or controversy, the court held that the district court had erred in assuming that it had the power to hear the Japanese infringement claim under § 1367(a).).

¹⁴⁸ See *Robins*, *supra* note 11, at 1294–95 (discussing how a German court held that, despite how Article 16(4) of the Brussels Convention provided that exclusive jurisdiction on validity issues resides with the issuing state, the German court was not barred from adjudicating even issues of validity of foreign patents).

¹⁴⁹ See *Robins* *supra* note 11, at 1292 (discussing how a Japanese court applied U.S. patent law, specifically the rule of prosecution history estoppel, and determined that a U.S. patent was not infringed).

¹⁵⁰ See *Robins* *supra* note 11, at 1293 (discussing a Hague Court of Appeals case finding that the Dutch defendant infringed a patent in the Netherlands, as well as in Germany, France, Austria, and Sweden, among other countries. The court issued a cross-border injunction in any country in which the plaintiff had patent protection for the invention.).

¹⁵¹ See generally Gretchen Ann Bender, *Clash of the Titans: The Territoriality of Patent Law vs. The European Union*, 40 IDEA 49 (2000).

U.S. courts to assert such jurisdiction in cases involving foreign patent infringement.¹⁵²

In *Distillers Co. v. Standard Oil Co.*, a district court in Ohio, after establishing original subject-matter jurisdiction over the U.S. patent claim under 28 U.S.C. § 1338(b), found foreign patent-law claims sufficiently related to the U.S. patent-law claims so as to confer jurisdiction over the entire matter.¹⁵³ In fact, the court unambiguously stated that it was empowered to consider claims arising under foreign patents.¹⁵⁴ The court's concern here was not whether it could adjudicate the foreign patent claims, but whether it would be proper to do so.¹⁵⁵ In that case, Defendant Standard Oil Company filed a counterclaim against Plaintiff Distillers Company alleging that Distiller's misconduct reduced the value of Standard's foreign patents involving a process for the manufacture of unsaturated nitriles.¹⁵⁶ Standard had already secured a U.S. patent for the contested process and had secured patents in foreign countries which allegedly covered the same process.¹⁵⁷ Defining "related claim" to mean essentially that there be an "overlapping of probative facts" from the main federal claim to the non-federal, the court held that Standard's counterclaims were sufficiently related to the claim arising under the patent laws of the United States to confer jurisdiction under Section 1338(b).¹⁵⁸ In defending its decision to confront the potential application of foreign law, the court explained:

The law is in the books, and may be found conveniently if not easily. The facts are the elusive elements of lawsuits. If the parties must collect and interpret facts for one action, we might properly make every effort to adjudicate all

¹⁵² See generally *id.*

¹⁵³ Civ. No. C 63-745, 1964 WL 8167, at *6 (N.D. Ohio June 3, 1964).

¹⁵⁴ See *id.* ("It cannot be doubted, nor does the plaintiff question, that this Court is empowered to consider claims arising under foreign patents.").

¹⁵⁵ See *id.*

¹⁵⁶ See *id.* at *1 (Note: nitriles are an organic compound used in the manufacturing of non-latex gloves for the healthcare industry, automotive transmission belts, and synthetic leather.).

¹⁵⁷ See *id.*

¹⁵⁸ See *id.* at *6; See *contra* *Powder Power Tool Corp. v. Power Actuated Tool Co.*, 230 F.2d 409, 413 (7th Cir. 1956) (requiring that both the federal and non-federal causes rest on substantially identical facts).

claims arising out of those facts in one forum at one time.¹⁵⁹

In *Ortman v. Stanray Corp.*, the Seventh Circuit discounted the availability of diversity jurisdiction, observing that “[u]nder ordinary circumstances, it would seem clear that plaintiff could not come into a United States District Court and sue for infringement of patents issued by Canada, Brazil and Mexico where such claim is based upon alleged acts of the defendant in each of the foreign countries named.”¹⁶⁰ The court noted, however, that supplemental jurisdiction may exist because “[a]ll of the actions of defendant of which complaint is made are the result of defendant doing similar acts both in and out of the United States.”¹⁶¹ In that case, Plaintiff-Appellee Charles Ortman filed suit against Defendant-Appellant Stanray Corporation alleging five different causes of action.¹⁶² The first cause of action alleged infringement of a United States patent, the second cause of action alleged breach and wrongful termination of an assignment agreement pertaining to the U.S. patent, and the third, fourth, and fifth causes of action alleged infringement of Canadian, Brazilian and Mexican patent rights.¹⁶³ In affirming the district court’s decision denying Defendant’s motion for a dismissal of the suit because of lack of jurisdiction, the Seventh Circuit emphasized that:

The distinction to be observed is between a case where two distinct grounds in support of a single cause of action are alleged, and a case where two [separate and distinct causes of action] are alleged, one only of which presents a federal question. . . . In the former, where the federal question averred is not plainly wanting in substance, the federal court, even though the federal ground be not established, may nevertheless retain and dispose of the case upon the nonfederal ground; in the latter it may not do so upon the nonfederal cause of action.¹⁶⁴

¹⁵⁹ *Distillers Co.*, 1964 WL 8167, at *7.

¹⁶⁰ *Ortman v. Stanray Corp.*, 371 F.2d 154, 156 (7th Cir. 1967).

¹⁶¹ *Id.* at 158.

¹⁶² *See id.* at 155.

¹⁶³ *See id.*

¹⁶⁴ *Id.* at 158 (emphasis omitted).

This distinction made by the Seventh Circuit emphasizes that supplemental jurisdiction may be properly extended to foreign claims as long as the relationship between the primary claim and the ancillary claims “permits the conclusion that the entire action before the court comprises but one constitutional ‘case.’”¹⁶⁵ Thus, the Seventh Circuit in *Ortman*, explaining that “[a]ll of the actions of defendant [in the complaint] are the result of defendant doing similar acts both in and out of the United States,” decided not to dismiss the foreign claims for lack of jurisdiction.¹⁶⁶

It is clear that U.S. courts have the authority to adjudicate foreign patent claims as long as the foreign claims arise from such an “overlapping of probative facts”¹⁶⁷ with the U.S. patent claim that they constitute a single “constitutional case.”¹⁶⁸ However, it is the propriety of extending such jurisdiction that troubles most courts.¹⁶⁹ Those U.S. courts that support assuming jurisdiction over foreign patent claims emphasize that jurisdiction may be proper if the benefits of adjudicating the foreign claims outweigh the costs.¹⁷⁰ The potential benefits considered by U.S. courts include judicial economy,¹⁷¹ convenience,¹⁷² and fairness.¹⁷³

¹⁶⁵ See *id.* (citing *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 725 (1966)).

¹⁶⁶ *Id.*

¹⁶⁷ See *Distillers Co. v. Standard Oil Co.*, Civ. No. C 63-745, 1964 WL 8167, at *6 (N.D. Ohio June 3, 1964).

¹⁶⁸ See *Ortman*, 371 F.2d at 158 (citing *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 725 (1966)).

¹⁶⁹ See *Voda v. Cordis Corp.*, 476 F.3d 887, 898 (Fed. Cir. 2007) (“We find that considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances constitute compelling reasons to decline jurisdiction under § 1367(c) in this case and therefore, hold that the district court abused its discretion by assuming jurisdiction [over Plaintiff’s foreign patent claims].”).

¹⁷⁰ See *City of Chi. v. Int’l Coll. of Surgeons*, 522 U.S. 156, 173 (citing *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 350 (1988)) (“[28 U.S.C. § 1367] reflects the understanding that, when deciding whether to exercise supplemental jurisdiction, ‘a federal court should consider and weigh in each case, and at every stage of the litigation, the values of judicial economy, convenience, fairness, and comity.’”).

¹⁷¹ See *Chan*, *supra* note 15, at 44 (“[There should be a comprehensive analysis of] the cost of litigating all patents in one consolidated proceeding versus in a series of individual adjudications, [including] the cost of obtaining and translating foreign legal documents, the cost and scope of foreign discovery, [and] the cost of retaining foreign patent experts.”).

¹⁷² See *Distillers Co.*, 1964 WL 8167, at *7 (“If the parties must collect and interpret facts for one action, we might properly make every effort to adjudicate all claims arising out of those facts in one forum at one time.”).

¹⁷³ See *Voda*, 476 F.3d at 901 (“[Plaintiff] has not shown that foreign courts will inadequately

2. Opponents: Arguments in Opposition to Extending Supplemental Jurisdiction over Foreign Patent Claims

Opponents of multinational patent litigation maintain that U.S. case law and the inherent territoriality of patent law prohibit U.S. courts from extending jurisdiction to foreign patents.¹⁷⁴ These courts emphasize that “[a] patent right is limited by the metes and bounds of the jurisdictional territory that granted the right to exclude.”¹⁷⁵ Section 271(a) of the United States Patent Act is only applicable to patent infringement that occurs within the United States.¹⁷⁶ “Therefore, a patent right to exclude only arises from the legal right granted and recognized by the sovereign within whose territory the right is located.”¹⁷⁷ Many U.S. courts, following this reasoning, refuse to extend supplemental jurisdiction over foreign patent claims. The Federal Circuit in *Voda v. Cordis Corp.* explains that “[i]t would be incongruent to allow the sovereign power of one to be infringed or limited by another sovereign’s extension of its jurisdiction.”¹⁷⁸

In *Stein Assocs., Inc. v. Heat & Control, Inc.*, there were two separate issues being litigated: one action involving United States patents and the other involving British patents.¹⁷⁹ In that case, Plaintiff filed suit alleging that Defendant’s United States patents, relating to an apparatus and method for cooking solid food, were invalid and not infringed.¹⁸⁰ Plaintiff filed a motion to preliminarily enjoin Defendant’s effort to enforce its British patents in Great Britain.¹⁸¹ The *Stein* court held that the district court did not abuse its discretion in denying Plaintiff’s motion to preliminarily enjoin Defendant’s effort to enforce its British patents in Great Britain, since the issues were not the same, and any resolution of the domestic action would not dispose of the British action.¹⁸²

The court acknowledged that it could only exercise its discretionary power over foreign claims “if the parties and issues [were] the same, and

protect his foreign patent rights.”).

¹⁷⁴ See, e.g., Robins, *supra* note 11, at 1278–79.

¹⁷⁵ *Voda*, 476 F.3d at 901.

¹⁷⁶ See *supra* Part II(A).

¹⁷⁷ *Voda*, 476 F.3d at 902.

¹⁷⁸ *Id.*

¹⁷⁹ 748 F.2d 653, 655 (Fed. Cir. 1984).

¹⁸⁰ *Id.*

¹⁸¹ *Id.*

¹⁸² See *id.* at 658 (“Here, the issues are not the same, one action involving United States patents and the other involving British patents.”).

resolution of the domestic action [would] dispose of the foreign action.”¹⁸³ However, the court also stated that “[o]nly a British court, applying British law, can determine the validity and infringement of British patents.”¹⁸⁴ It continued: “British law being different from our own, and British and United States courts being independent of each other, resolution of the question of whether the United States patents are valid could have no binding effect on the British court’s decision.”¹⁸⁵ Thus, while determining that it would be improper to extend jurisdiction over the foreign patent claims because those claims did not comprise part of the same “constitutional case” as the U.S. patent claims, the Federal Circuit expounded on this opinion to emphasize that sovereign independence, especially in the arena of patent law, played a significant role in its decision.¹⁸⁶

Then, in *Mars Inc., v. Kabushiki-Kaisha Nippon Conlux*, the Federal Circuit specifically applied the “common nucleus of operative fact” rubric to determine whether Section 1367(a) authorized supplemental jurisdiction over an infringement claim based on a Japanese patent.¹⁸⁷ In that case, a Delaware corporation sued a Japanese company for alleged infringement of United States and Japanese patents.¹⁸⁸ The Federal Circuit held that the Delaware District Court had neither original nor supplemental jurisdiction over the alleged infringement of the Japanese patent, explaining that “the foreign patent infringement claim at issue here is not so related to the U.S. patent infringement claim that the claims form part of the same case or controversy and would thus ordinarily be expected to be tried in one proceeding.”¹⁸⁹

The Federal Circuit also provided some precedential guidance in *Mars* by discussing the four factors it used to conclude that no “common nucleus of operative fact” existed between the claims: “[(1)] The respective patents are different, [(2)] the accused devices are different, [(3)] the alleged acts are different, and [(4)] the governing laws are different.”¹⁹⁰ Now, the Federal Circuit has since qualified its opinion in *Mars* by stating that “*Mars*

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *See id.*

¹⁸⁷ *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1374–75 (Fed. Cir. 1994).

¹⁸⁸ *See id.* at 1370.

¹⁸⁹ *Id.* at 1375.

¹⁹⁰ *Id.*

did not establish either an exhaustive list of the factors district courts may consider under § 1367(a) or the necessary conditions for a finding of no supplemental jurisdiction.”¹⁹¹ Still *Mars*, while not creating a *per se* rule preventing U.S. courts from asserting supplemental jurisdiction to adjudicate foreign patents, provided a precedent that any such extension of jurisdiction over foreign patents would only be available in rare circumstances.¹⁹²

These cases set the stage for the Federal Circuit’s landmark opinion in *Voda v. Cordis Corp.*¹⁹³ In *Voda*, as mentioned prior, a patent holder brought an infringement action against competitors regarding both U.S. and foreign patents.¹⁹⁴ The district court originally assumed supplemental subject-matter jurisdiction over the foreign patent-infringement claims.¹⁹⁵ On appeal, however, the Federal Circuit vacated the judgment of the district court, holding that “considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances constitute[d] compelling reasons to decline” supplemental jurisdiction over the patent holder’s foreign patent infringement claims.¹⁹⁶

Also, in *Voda*, in support of its decision to refuse to extend supplemental jurisdiction to a foreign patent claim, the Federal Circuit called attention to the fact that the U.S. is a party to several international treaties governing various aspects of intellectual property rights, including the Paris Convention for the Protection of Industrial Property (“Paris Convention”), the Patent Cooperation Treaty (“PCT”), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”).¹⁹⁷ These treaties emphasize “the independence of each [participating] country’s patent systems and their systems for adjudicating those patents.”¹⁹⁸ There is no rule of methodology in any of these treaties for dealing with multinational patent claims.¹⁹⁹ None of the treaties, the

¹⁹¹ *Voda v. Cordis Corp.*, 476 F.3d 887, 895 (Fed. Cir. 2007).

¹⁹² *See Mars*, 24 F.3d at 1375–76.

¹⁹³ *See Voda*, 476 F.3d at 890–91, 894–95.

¹⁹⁴ *Id.* at 890–91.

¹⁹⁵ *Id.* at 889.

¹⁹⁶ *Id.* at 898.

¹⁹⁷ *See id.* at 898–99.

¹⁹⁸ *Id.* at 899.

¹⁹⁹ *See id.* (“Nothing in the Paris Convention contemplates nor allows one jurisdiction to adjudicate the patents of another . . . nothing in the PCT or the Agreement on TRIPS contemplates or allows one jurisdiction to adjudicate patents of another.”).

court found, contemplates or allows for “the extraterritorial jurisdiction of [U.S.] courts to adjudicate patents of other sovereign nations.”²⁰⁰ Mindful that treaties are the “supreme law of the land,” the court noted that “a district court’s exercise of supplemental jurisdiction [over foreign patent infringement claims] could undermine the obligations of the United States under such treaties.”²⁰¹

Furthermore, the Maine District Court in *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.* interpreted the Federal Circuit’s 2007 opinion in *Voda* to mean that it is “almost always an abuse of discretion [for a court] to use [its] supplemental power to deal with infringement claims involving foreign patents.”²⁰² To support this conclusion, the *Fairchild* court cited several of the concerns that the Federal Circuit expressed in *Voda* regarding the discretionary use of supplemental authority over foreign patent claims, including comity,²⁰³ judicial economy, convenience, and fairness.²⁰⁴ The *Fairchild* court held that “there is § 1338 jurisdiction over the U.S. patent license dispute . . . but not over the [foreign] license dispute and, under *Voda*, no § 1367 supplemental jurisdiction over the latter.”²⁰⁵

This strict adherence to the territoriality of patent law prevents many U.S. courts from extending supplemental jurisdiction to claims involving foreign patents. In fact, after *Voda*, it seems that it would almost never be proper for a district court to extend supplemental jurisdiction over foreign patent claims.

B. No Per Se Rule in Voda—Factors to Consider

Nonetheless, the courts may have left open the possibility that a case exists “where a claim of foreign patent infringement may be so related

²⁰⁰ *Id.* at 902.

²⁰¹ *Id.* at 900.

²⁰² 589 F. Supp. 2d 84, 91 (D. Del. 2008).

²⁰³ *See id.* at 91 n.43, (citing *Voda*, 476 F.3d at 900 (“Comity refers to the spirit of cooperation in which a domestic tribunal approaches the resolution of cases touching the laws and interests of other sovereign states.” (quoting *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court*, 482 U.S. 522, 543 n.27 (1987)))).

²⁰⁴ *See id.* at 91 (The Federal Circuit expressed concerns about: (1) intellectual property treaties; (2) comity and relations between sovereigns; (3) judicial economy; (4) convenience; and (5) fairness.).

²⁰⁵ *Id.* at 91–92 n.49.

under Article III as to be heard and decided in the United States.”²⁰⁶ In fact, the court in *Voda* proposed several factors for district courts to consider in determining whether supplemental jurisdiction over foreign claims is proper in future cases.²⁰⁷ The Federal Circuit found that “considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances constitute compelling reasons to decline jurisdiction under § 1367(c).”²⁰⁸ Yet, the Federal Circuit did not create a *per se* rule in *Voda*. The court simply emphasized:

[T]he exercise of supplemental jurisdiction under § 1367(c) is an area of discretion, [and] the district courts should examine these reasons along with others that are relevant in every case, especially if circumstances change, such as if the United States were to enter into a new international patent treaty or if events during litigation alter a district court’s conclusions regarding comity, judicial economy, convenience, or fairness.²⁰⁹

U.S. courts today are very reluctant to extend supplemental jurisdiction to foreign patent claims, but it is not an impossibility.²¹⁰ However, the arguments for opposing the extension of jurisdiction to foreign patent claims seem to be given much more weight by courts today than the convenience of including such claims.²¹¹ In fact, the Federal Circuit in *Voda* specifically delineated some of the factors that it considered to be most important:

The Federal Circuit expressed concerns that: [1] ruling on validity and infringement of a foreign patent could undermine United States obligations under intellectual property treaties; [2] comity and relations between sovereigns ordinarily counsel United States judicial deference to foreign courts for infringement claims concerning foreign patents: because there is no

²⁰⁶ See Gerald J. Mossinghoff & Vivian S. Kuo, *World Patent System Circa 20XX*, A.D., 38 IDEA 529, 540 (1998).

²⁰⁷ See Robins, *supra* note 11, at 1286.

²⁰⁸ *Voda v. Cordis Corp.*, 476 F.3d 887, 898 (Fed. Cir. 2007).

²⁰⁹ *Id.* at 905.

²¹⁰ See *id.*

²¹¹ See *id.*

international duty to adjudicate them, no convenience in using U.S. courts to do so, no reason that a foreign forum cannot adequately protect foreign patent rights, and possible prejudice to the rights of foreign governments; because patent infringement disputes like land disputes should be decided locally; and because the supplemental jurisdiction statute is ambiguous on the jurisdictional grant; [3] although multinational patent adjudication could be efficient, judicial economy calls for avoiding difficult foreign patent questions in the absence of a mechanism for recognizing resulting foreign judgments; [4] convenience, such as that recognized in *forum non conveniens* analysis, counsels against dealing with foreign patents (although *Voda* noted that the district court there had not assessed that factor and that the plaintiff's choice of forum could be a factor supporting jurisdiction); and [5] it would be unfair for a U.S. court to undertake infringement decisions when the "act of state" doctrine, preventing U.S. courts from inquiring into another sovereign's official acts, would prevent that court from determining the validity of the foreign patent grants in question.²¹²

This particular emphasis on the reasons for denying the extension of jurisdiction to foreign patent claims suggests that such supplemental jurisdiction would only be available under very limited circumstances.

V. CONCLUSION

What options are available for the U.S. company that patented its new video game console in the United States, only to see a competitor manufacture and sell the patented console across the border in Canada? At least at this point in time, in order to prevent allegedly infringing conduct outside of the United States, the company's best option is to attempt to enforce its correlative patent in Canada. However, if no correlative patent has been obtained, as is often the case, the company is left attempting to enforce its U.S. patent in a United States court in order to obtain any relief for the allegedly infringing conduct abroad. In such a suit for the alleged

²¹²Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc., 589 F. Supp. 2d 84, 91 (D. Me. 2008) (citing *Voda*, 476 F.3d at 900-04).

infringement of a U.S. patent, proper jurisdiction exists in a U.S. federal court either under the original jurisdiction granted by the patent statute, 28 U.S.C. § 1338, or by establishing the diversity of the parties.²¹³ For the alleged infringer's conduct to infringe the company's U.S. patent, it must either occur within the territory of the United States, or fit into an exception to the territoriality of U.S. patent law.²¹⁴ Even if the majority of the allegedly infringing conduct occurs abroad, any action within the U.S. that qualifies under the "make, use, sell, or offer to sell" classifications is sufficient to infringe the U.S. patent.²¹⁵ Thus, the company should search high and low for some evidence of potentially infringing conduct that took place within the United States.

Even if the company has obtained a correlative patent in Canada, litigating this patent abroad can be an incredibly costly and uncertain process. In order to save on the time and expense of litigating multiple patents abroad, the company might attempt to convince a U.S. court to consolidate the Canadian patent claim with the U.S. patent-infringement claim in a single U.S. forum. While the Federal Circuit's opinion in *Voda* has made it much more difficult to convince a U.S. federal court to assert supplemental jurisdiction over foreign patents, it is not an impossibility.²¹⁶ Yet, today the arguments for opposing the extension of jurisdiction to foreign patent claims seem to be given much more weight by U.S. courts than the convenience of including such claims.²¹⁷ Also, because patent law is substantive and inherently unique to each country, considerations of comity, judicial economy, and fairness could still prevent the court from electing to extend jurisdiction over such a claim.²¹⁸

According to Professor Donald S. Chisum, "[T]he increasing interdependence of the global economy and the growing concern over the cost of multinational intellectual property rights procurement and enforcement . . . will make territorialism an unacceptable obstacle to international trade."²¹⁹ Unfortunately for today's U.S. patent holders, the

²¹³ See 28 U.S.C. § 1332 (2006); *id.* § 1338; 35 U.S.C.A. § 271 (West 2001 & Supp. 1A 2010).

²¹⁴ See 35 U.S.C.A. § 271(a).

²¹⁵ *Id.*

²¹⁶ See *Voda*, 476 F.3d at 905.

²¹⁷ See *id.*

²¹⁸ See *id.*

²¹⁹ Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 616 (1997).

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territorial limitations of patent protection are all too real. Admittedly, the inherent territoriality of patent law makes it possible for competitors in today's cutthroat business world to avoid liability for theft of intellectual property by moving their business operations to a foreign country where the U.S. patent holder has not yet acquired the appropriate protections, or to a country that simply does not recognize intellectual property protection. However, just because the allegedly infringing conduct is occurring outside of the United States, that does not necessarily mean that the U.S. patent holder is out of luck.