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## CENTURY IP GROUP, INC.

P.O. BOX 7333 ■ NEWPORT BEACH ■ CA 92658

LOS ANGELES - NEWPORT BEACH

(888) 789 2266

### **Published December 2005: Extraterritorial Reach of US Patent Laws**

*F. Jason Far-hadian Esq., Principal of Century IP Group, Inc. ([www.centuryip.com](http://www.centuryip.com)) maintains that patent rights covering a system are enforceable, even if parts of the system are located abroad, as long as the control of the patented system remains within the US.*



In a recent case that garnered significant attention in the telecommunications industry, Research In Motion (“RIM”) – the manufacturer of the popular BlackBerry® handheld device – was sued by NTP, Inc. for infringing US patents covering the wireless email technology incorporated in RIM’s communication network. This technology enables a user to send or receive an email message via the BlackBerry device by connecting to an email server with a relay switch located in Canada.

In an interesting twist, the Court of Appeals for the Federal Circuit (CAFC) ruled in favor of NTP holding that RIM potentially infringed NTP’s US patent, despite that RIM’s system partially operated outside the United States territories.<sup>1</sup> RIM and NTP have since settled, with RIM paying NTP a total of \$612.5 million in settlement of all claims and a perpetual license going forward.<sup>2</sup>

Generally, infringing activities outside the United States territories do not constitute a cause of action for patent infringement. According to § 271(a) of Title 35 of United States Code, in order for a US patent to be infringed, all infringing activity must take place within the boundaries of the United States. Thus, under § 271(a) isolated acts performed abroad do not create liability for direct infringement of a US patent.<sup>3</sup>

To avoid infringement, many companies perform certain steps of a patented process in a foreign country or alternatively manufacture only the key components, but not all of the components of a patented system in the US. Sections 271(b), (c), (f) and (g) of the code partially address this problem. The former two sections hold a party liable, if it *induces* or *contributes to* third party infringement by selling or manufacturing a component of a patented system. And, the latter two sections impose liability for *exporting* components of a patented invention for assembly abroad, or alternatively *importing* into the US a product “made by” a process covered by a US patent.

For example, in a 2005 case, Microsoft was held liable for patent infringement because it exported source code to foreign OEMs who installed it onto computer hard drives and then sold it to their customers. The court held that every component of every form of invention deserves protection, whether tangible or not.<sup>4</sup> Thus, the court held Microsoft liable because the software

<sup>1</sup> *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1325-26 (Fed. Cir. 2005).

<sup>2</sup> Jennifer Lane, *NTP, Inc. v. Research in Motion, Ltd.: Inventions are Global, But Politics Are Still Local – an Examination of the BlackBerry Case*, 21 Berkeley Tech. L.J. 59, 67-68 (2006).

<sup>3</sup> 35 USC 271(a); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972) (“The Supreme Court of the United States held that exporting domestically made components of a patented product for assembly abroad was not direct infringement under U.S. patent law”).

<sup>4</sup> *Eolas Technologies, Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005).

code was construed to be a "component" of a patented process or computer-program product, which was not suitable for substantial noninfringing use.

RIM's situation was different from the above scenario in that it didn't directly manufacture, import or export a key component of NTP's patented system. In contrast, a major part of RIM's system (i.e., the relay) was permanently stationed in Canada, such that an email was routed over the Internet to redirector software that sent the received email to a destination mail server. Thus, an important step of the patented process was performed outside US territory.

NTP's patents, however, included multiple sets of claims, wherein one set covered the "method" allegedly used by RIM, and the second set covered the "system." NTP's method claims covered the process of sending an email, using the BlackBerry handheld device, to a relay in Canada. The system claims covered the BlackBerry handheld device or pager, email redirector software, the relay device located in Canada, and the related wireless network.

With regard to the method claims, the court held that a process cannot be deemed used within the US, unless each of the steps of the process is performed in US territories. Accordingly, the court held that NTP's claims directed to the patented process were not infringed. With regard to the system claims, however, the court rejected RIM's argument that the location of the relay component outside of the US precluded infringement, because RIM's customers were located in the US where they *controlled* the transmission of information and *benefited* from the information exchanged through the RIM system.<sup>5</sup>

Thus, the court held that the system claims were enforceable even if part of the infringing system was outside the US territories, despite the court also holding that the method claims were not infringed. This decision essentially defines the extraterritorial reach of US patent laws according to the "type" of claims included in an issued patent. Accordingly, US patent rights to a system or apparatus are enforceable, even if parts of the system or apparatus are located abroad, as long as the control of the patented system and the corresponding benefits are within the US. Conversely, the same protection does not apply to method claims that are partially performed outside of US boundaries.

The BlackBerry case is the latest among a series of recent cases and statutes. This trend suggests that US courts are extending the extraterritorial reach of US patent laws in an attempt to close the "loopholes" that allow an infringer to circumvent liability. Because the law in this area is evolving, it is prudent to seek the advice of patent counsel to properly draft patent applications that adequately claim and cover the full scope of a product or process. For example, in software-related patents, practitioners often rely on method claims to protect the functionality of the invention. In light of the above cases, however, well-crafted system claims are now crucial to affording a patent holder maximum protection, because the scope of system and method claims will be probably construed differently if the infringement suit involves cross-border activities.

The current reach of US patent laws offers US patent holders opportunities to pursue infringement actions against competitors that operate inside and outside US borders. To avoid

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<sup>5</sup> *NTP, Inc.*, 418 F.3d at 1317, See also, *Decca Ltd. v. United States*, 210 Ct. Cl. 546, 544 F.2d 1070 (1976).

liability, clearance searches and legal opinions are necessary for evaluating potential risks and for strategic business planning. To help, patent counsel and special search firms can be hired to identify potentially infringing products or newly issued patents in the market. Staying abreast of such activities will be crucial in initiating or avoiding licensing or enforcement actions that can be very lucrative or costly, as evident from the BlackBerry case.

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*F. Jason Far-hadian, Esq. concentrates his practice on client counseling, opinions, due diligence and the procurement of patents, copyrights and trademark rights in several technology areas, including electronics, computer software and hardware, telecommunications and wireless devices. He can be reached at [jfarhadian@i-p-law.us](mailto:jfarhadian@i-p-law.us) or visiting [www.i-p-law.us](http://www.i-p-law.us).*