

Territoriality Waning? Patent Infringement for Offering in the United States to Sell an Invention Abroad

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Undeniably, intellectual property law is increasingly an issue of international law. With respect to patents, recent developments have resulted in the incorporation of international patent standards into U.S. domestic law. In 1994, Congress added a new form of infringement — for offering to sell an invention in the United States — to the Patent Act. Congress failed to provide guidance as to how that provision was to be interpreted, leaving open the following question: is there infringement if the offer is made in the United States but the contemplated sale occurs outside of the United States? This Article addresses this question in the larger context of the increased internationalization of patent law. It posits three possibilities: (1) there is infringement only if the contemplated sale occurs within the United States; (2) there is infringement regardless of where the sale is to occur; or (3) there is infringement only after consideration is given to the patent law of the country of the sale. Courts and commentators have confronted these issues more directly in the copyright context. Comparisons to copyright law and theory are considered, as are analogous provisions of patent law. The third option has never been addressed in the patent context. Adopting this approach would help to protect the interests of the relevant country and also serve to promote dialogue and cross-fertilization of patent concepts in the hopes of achieving greater international understanding, if not norms, of patent law.

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INTRODUCTION

The past few decades have seen an explosion in the importance of intellectual property in the international arena.¹ Various treaties, such as the Berne Convention and the Trade Related Aspects of Intellectual Property agreement (“TRIPS”) have sought to harmonize the national laws of the signatory countries.² The increasingly global marketplace³ and technological revolutions such as the Internet have driven much of this internationalization. Varying national intellectual property laws can complicate this environment. Minimally, requiring familiarity with a host of countries’ varying intellectual property regimes can be costly to businesses.⁴ Moreover, varying intellectual property rights and enforcement could potentially become a barrier to free trade.⁵ Harmonization of national intellectual property laws and the establishment of international norms reduce these costs.

¹ See Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT’L L. 603, 604 (1997) (“The territorial scope of patent and other intellectual property laws is no longer a problem at the periphery of intellectual property deliberations. Rather, it is an issue regularly addressed by the legislative and executive branches.”).

² See Laurence R. Helfer, *Adjudicating Copyright Claims Under the Trips Agreement: The Case for a European Human Rights Analogy*, 39 HARV. INT’L L.J. 357, 366-82 (1998) (discussing Berne and TRIPS implementation).

³ TRIPS is, in essence, a treaty on international trade and demonstrates the concern that intellectual property rights could be used as barriers to entry for international firms. See Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469, 553 (2000) (“TRIPS is premised solely upon the notion that inadequate protection of intellectual property constitutes a barrier to international trade.”) [hereinafter Dinwoodie, *New Copyright Order*].

⁴ *Id.* at 480-81.

⁵ GRAEME B. DINWOODIE, ET AL., *INTERNATIONAL AND COMPARATIVE PATENT LAW* 232 (2003).

In large part because of the Internet, much of the discourse on international intellectual property rights has taken place in the copyright context. Works are easily digitized and copied over the Web, creating great concern by copyright holders that third parties readily will misappropriate their works.⁶ Additionally, copyrights do not require a review by a country's administrative agency — an author's right in his work is created when the work is put into a tangible medium.⁷ More people therefore are likely to possess copyrights than patents. Anyone who creates a web page is likely a copyright holder by definition. In contrast, not everyone who invents something is a patent holder. Moreover, pursuant to international standards under the Berne Convention and TRIPS, foreign authors must be afforded the same rights as domestic authors, so copying something in the United States by a foreign author would constitute copyright infringement.⁸ In fact, most of the scholarship involving the internationalization of intellectual property law has focused on the extraterritorial implications of copyright law, particularly in light of the Internet.⁹

This internationalization has not created as much pressure on the patent system as it has on the copyright system. From amongst patents,

⁶ See Graeme W. Austin, *Does the Copyright Clause Mandate Isolationism?*, 26 COLUM. J.L. & ARTS 17, 36 (2002) (noting pervasive use of file sharing of copyrighted musical works); Dinwoodie, *New Copyright Order*, *supra* note 3, at 483.

⁷ Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 1013 (1997); see 17 U.S.C. § 102(a) (2000); Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, art. 2, ¶ (2), 828 U.N.T.S. 221 ("It shall, however, be a matter for legislation in the countries of the Union to prescribe that works in general or any specified categories of works shall not be protected unless they have been fixed in some material form."). In the United States, a copyright may be *registered* with the Copyright Office in the United States. See 17 U.S.C. §§ 401-412. Registration is not required for copyright protection. See 17 U.S.C. § 408(a) ("Such registration is not a condition of copyright protection."). It is, however, a prerequisite for suing for copyright infringement of a United States work. See 17 U.S.C. § 411(a).

⁸ See Berne Convention for the Protection of Literary and Artistic Works, *supra* note 7, at art. 5; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, art. 3, ¶ 1 Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments — Results of the Uruguay Round vol. 31 (1994), 33 I.L.M. 81 (1994) [hereinafter TRIPS] ("Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property . . .").

⁹ See, e.g., Graeme W. Austin, *Valuing "Domestic Self-Determination" in International Intellectual Property Jurisprudence*, 77 CHI.-KENT L. REV. 1155 (2002) [hereinafter Austin, *Domestic Self-Determination*]; Graeme W. Austin, *Social Policy Choices and Choice of Law for Copyright Infringement in Cyberspace*, 79 OR. L. REV. 575 (2000) [hereinafter Austin, *Social Policy*]; Jane C. Ginsburg, *International Copyright: From a "Bundle" of National Copyright Laws to a Supranational Code?*, 47 J. COPYRIGHT SOC'Y 265 (2000) [hereinafter Ginsburg, *International Copyright*]; Helfer, *supra* note 2.

trademarks, and copyrights, “patent rights are the most explicitly territorial.”¹⁰ Inventions generally require physical embodiments to infringe,¹¹ making the demonstration of a national location more easily determinable.¹² Also, merely inventing something does not create a patent right — the inventor must apply for a patent in a given country. Generally, a governmental agency must review the application, and the patent will issue only if the patentability requirements are satisfied.¹³ Obtaining a patent is therefore more difficult than obtaining a copyright, and this difficulty limits the number of patent holders. Moreover, Congress has more expressly delineated the extraterritorial aspects of patent law in the Patent Act than those of copyright law in the Copyright Act.¹⁴ Consequently, the national nature of patent protection has been more intransigent than copyrights.

Increasingly though, U.S. patent laws have an international perspective, although not at the high rate of copyright laws. Various international treaty obligations and changing market conditions have

¹⁰ Chisum, *supra* note 1, at 605.

¹¹ See *Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1367 (Fed. Cir. 2001). *But see* Timothy R. Holbrook, *Liability for the “Threat of a Sale”: Assessing Patent Infringement for Offering to Sell an Invention and Implications for the On-sale Patentability Bar and Other Forms of Infringement*, 43 SANTA CLARA L. REV. 751, 809-13 (2003) [hereinafter Holbrook, *Threat of Sale*] (arguing that infringement for selling or offering to sell invention should only require enabling description).

¹² Obvious exceptions exist to this proposition, such as patents on software inventions or methods implemented over the internet. See Austin, *Domestic Self-Determination*, *supra* note 9, at 1156; Michael S. Connor & Frank W. Leak, Jr., *Challenges of Business Method Patent Enforcement — Extraterritoriality*, 19 COMPUTER & INTERNET LAW 1 (Aug. 2002); Jason Taketa, Note, *The Future of Business Method Software Patents in the International Intellectual Property System*, 75 S. CAL. L. REV. 943, 969-73 (2002); see, e.g., U.S. PAT. NO. 5,960,411, *Method and System for Placing a Purchase Order via a Communications Network* (issued Sept. 28, 1999) (“A method and system for placing an order to purchase an item via the Internet.”). This patent covers Amazon.com’s 1-Click® ordering system. Patents on machines, manufactures, or compositions of matter generally require some physical component to infringe. See *Waymark*, 245 F.3d at 1368 (“infringement without a completed infringing embodiment is not the norm in patent law”); see also 35 U.S.C. § 271(c), (f) (2000) (requiring, at minimum, creation of components of device or composition for there to be infringement).

¹³ See DINWOODIE, *supra* note 5, at 53. In the United States, patentability generally is governed by 35 U.S.C. §§ 102, 103, and 112. Some countries do not provide substantive review of applications and instead merely operate a registration system. See *id.* at 54. Substantive examination occurs when parties try to assert their exclusive rights. *Id.* Under both approaches, however, the inventor must affirmatively file a patent application; the inventor does not obtain rights simply by creating the invention, unlike copyright.

¹⁴ See 35 U.S.C. § 271(a)-(i); see also Chisum, *supra* note 1, at 605 (“With such explicit [statutory] provisions, there is no occasion even to consider whether there is a presumption for or against extraterritorial application.”).

applied pressure to alter the domestic nature of patent laws. As a result, U.S. patent law has experienced a shift towards incorporating international standards and activities. Scholarship in the patent context, however, has not been as prevalent as in the copyright context.

This Article addresses this shift in patent law towards internationalization. Part I of this Article reviews the patent statute and case law to detail where and how international standards and activities play a role in U.S. patent law, giving the U.S. patent system an increasingly international flavor. Part II then explores one area particularly ripe for the potential expansion of patent law to incorporate international activities — the recently added infringement for “offering to sell” an invention.¹⁵ This Article then addresses the question of whether an offer made in the United States to sell an invention outside of the United States should constitute infringement of a U.S. patent. This Article next addresses three potential answers to the infringement question, including that: (1) the contemplated sale must be in the United States, (2) the contemplated sale need not be in the United States, and (3) the courts must consider the law of the country where the sale is to be completed. The prior literature and judicial decisions have not addressed this third possibility. Drawing on the pervasiveness of copyright doctrine and scholarship, this Article analyzes much of that authority to assess its persuasiveness in the patent context. This Article concludes by suggesting that the “offer to sell” form of infringement affords U.S. courts an opportunity to engage the international community’s discourse on patent law and, by giving due consideration to foreign law, may assist in developing international patent law norms.

I. INTERNATIONAL CONSIDERATIONS IN CURRENT U.S. PATENT LAW

The suggestion that patent laws are strictly territorial is overstated. The patent *rights* afforded under U.S. patent laws are indeed territorially based, but the patent law is cognizant of a wide range of international considerations and activities. Perhaps surprisingly, the 1952 Patent Act (the “Patent Act”) contemplates using international activities, such as foreign publications, in assessing the validity of patents. The Patent Act expressly requires some sort of domestic nexus for patent infringement, although Congress has amended the statute to bring foreign activity increasingly within the scope of U.S. patents.¹⁶ Moreover, Congress has

¹⁵ See 35 U.S.C. § 271(a).

¹⁶ See *infra* notes 98-121 and accompanying text.

incorporated a number of international standards into our national law as a result of the United States' adoption of TRIPS. A few examples are the publication of patent applications after eighteen months¹⁷ and the change of the patent term from seventeen years from the date that the patent issued to the period between issuance and twenty years from the application date.¹⁸ The following section describes other areas of U.S. patent law in which activities outside of the United States interact with domestic patent laws and rights.

A. Filing Date Priority

U.S. patent laws afford an enormous benefit — a priority date of their foreign filing — to those who file either under the Paris Convention or those who file pursuant to the Patent Cooperation Treaty (the “PCT”). An earlier priority date is beneficial because it helps an inventor avoid potentially invalidating prior art under 35 U.S.C. § 102(b), which defines prior art relative to the date the application is filed.¹⁹

The Paris Convention prescribes that “[a]ny person who has duly filed an application for a patent . . . in one of the countries of the Union . . . shall enjoy, for the purpose of filing in other countries, a right of priority during the periods hereinafter fixed.”²⁰ The inventor thus has twelve months to file in other countries who are signatories to the Paris Convention.²¹ Section 119(a) of the Patent Act implements the Paris Convention in the United States.²² The United States, therefore, considers foreign activity — the filing of a patent application in a foreign patent office — in assessing the priority afforded a domestic application.

The PCT process, although complementary to the Paris Convention,²³ is a bit more complicated because it is an attempt to simplify and reduce

¹⁷ See 35 U.S.C. § 122(b); Anneliese M. Seifert, Comment, *Will the United States Take the Plunge Into Global Patent Law Harmonization? A Discussion of the United States' Past, Present, and Future Harmonization Efforts*, 6 MARQ. INTELL. PROP. L. REV. 173, 190 (2002). Before the change, patent applications were confidential. The contents of the application only became public if the patent actually issued.

¹⁸ See 35 U.S.C. § 154(a)(2); Seifert, *supra* note 17, at 185.

¹⁹ Section 102(b) defines prior art as patents, printed publications, domestic public uses, and domestic offers for sale that occur more than one year prior to the application date. For further discussion, see *infra* notes 31-57 and accompanying text.

²⁰ Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, art. 4, § A(1), 13 U.S.T. 2, 828 U.N.T.S. 107.

²¹ *Id.* § (C)(1).

²² 35 U.S.C. § 119(a); see also ADELMAN ET AL., PATENT LAW 701 (2d ed. 2003).

²³ ADELMAN, *supra* note 22, at 733.

the cost of filing in multiple countries.²⁴ An inventor, in the “international phase” of the PCT application process, files her application in one foreign patent office but designates the other countries where the inventor will file.²⁵ Once various administrative deadlines are met and fees are paid, the applicant has thirty months to “convert the PCT application into a series of parallel foreign applications as part of the ‘national stage.’”²⁶ Once in the national stage, the patent application is analyzed within each designated country as any other patent application would be under the laws of that country.²⁷ The United States’ implementation of the PCT is found at 35 U.S.C. §§ 351-376, and thus effects this system of preserving priority via an international filing.

B. Patent Validity and Priority — Section 102

In assessing whether an invention is patentable over the prior art, i.e., the knowledge in the public domain, courts and the United States Patent and Trademark Office (“PTO”) will consider evidence of foreign origin, such as foreign patents and printed publications. Section 102 of the Patent Act governs what prior art will be considered in assessing whether an invention is novel²⁸ or nonobvious.²⁹ Congress originally enacted section 102 as part of the Patent Act to codify the common law that courts had developed.³⁰ This provision explicitly considers foreign

²⁴ *Id.* at 734.

²⁵ *Id.* at 733; see also WORLD INTELLECTUAL PROPERTY ORGANIZATION PCT APPLICANT’S GUIDE, available at http://www.wipo.int/pct/guide/en/gdvol1/gdvol1-01.htm#P49_8337 (last visited Nov. 2, 2003) (“The PCT facilitates the obtaining of protection for inventions where such protection is sought in any or all of the PCT Contracting States It provides for the filing of one patent application (‘the international application’), with effect in several States, instead of filing several separate national and/or regional patent applications.”).

²⁶ ADELMAN, *supra* note 22, at 734.

²⁷ WORLD INTELLECTUAL PROPERTY ORGANIZATION PCT APPLICANT’S GUIDE, *supra* note 25 (“The designated Offices then examine the application and grant or refuse the national (or regional) patent on the basis of their national laws.”).

²⁸ An invention is not novel if a single prior art reference expressly or inherently discloses each and every claim limitation in a reference, *Oakley, Inc. v. Sunglass Hut Int’l*, 316 F.3d 1331, 1339 (Fed. Cir. 2003), and discloses sufficient information so as to enable one of ordinary skill in the relevant technological art to practice the invention, *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1354 (Fed. Cir. 2003).

²⁹ ADELMAN, *supra* note 22, at 180 (“Besides setting a novelty standard, § 102 as a whole also defines the categories of prior art for obviousness determinations.”). Nonobviousness is governed by 35 U.S.C. § 103 and precludes a patent on an invention if the differences between the prior art and the invention would be obvious to one of ordinary skill in the art. 35 U.S.C. § 103(a) (2000). This requirement prevents the granting of patents for trivial technological advances. ADELMAN, *supra* note 22, at 310.

³⁰ See *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 346 n.2 (1961)

activities, such as foreign patents, printed publications, and patent applications, as relevant in assessing the novelty and nonobviousness of an invention.

Section 102(a) provides that a person shall be entitled to a patent unless “the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent.”³¹ Similarly, section 102(b) precludes a patent if “the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.”³² Although knowledge, use, or sale of an invention must be within the territorial United States under these provisions, foreign patents and printed publications can invalidate a U.S. patent. The distinction between acts and publications reflects an aspect of fairness — U.S. inventors are held accountable for knowing what inventions are present in the United States but they cannot monitor all foreign activity.³³ Patents³⁴ and printed publications, however, can readily be transborder in nature — the patentee could subscribe to various printed publications outside of the United States.³⁵

Section 102(c) proscribes patent protection to an inventor who “has abandoned the invention.”³⁶ The term “abandoned” in this context means essentially that the inventor has dedicated the invention to the public domain.³⁷ The provision contains no geographical limitations. If an inventor abandons the invention in a foreign country, then likely his

(Black, J., concurring) (quoting 98 CONG. REC. 9323 (July 4, 1952)).

³¹ 35 U.S.C. § 102(a).

³² *Id.* § 102(b).

³³ See ADELMAN, *supra* note 22, at 243. Other nations do not include a geographic limitation on public uses or sales activity. *Id.* For an argument that the United States’ exclusion of foreign uses and sales is not only bad policy but also unconstitutional, see Margo A. Bagley, *Patently Unconstitutional: The Geographical Limitation on Prior Art in a Small World*, 87 MINN. L. REV. 679 (2003).

³⁴ Other countries may have intellectual property rights that differ from ours. Courts may have to determine if such a unique right constitutes a “patent” under sections 102(a) and (b). See, e.g., *In re Carlson*, 983 F.2d 1032, 1036-38 (Fed. Cir. 1992) (concluding that design-like protection under German Geschmacksmusters constitutes “patent” for purposes of section 102(a)).

³⁵ The true fairness of this distinction is highly questionable. For example, the Federal Circuit has held that a Ph.D. thesis, found only in a German library but indexed so as to be accessible to the public, constituted a printed publication under this section. See *In re Hall*, 781 F.2d 897, 899 (Fed. Cir. 1986).

³⁶ 35 U.S.C. § 102(c).

³⁷ ADELMAN, *supra* note 22, at 243.

act would preclude obtaining a patent in the United States.

Section 102(d), in contrast to the silence of section 102(c), expressly incorporates international activity. This section deals with delays between filing a patent application abroad and in the United States. Specifically, the provision provides that a patent will be precluded if

the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States.³⁸

In other words, to preclude a U.S. patent, two conditions must be met: (1) the inventor must have filed an application abroad more than twelve months before she filed in the United States and (2) that foreign application must have issued as a patent before she filed in the United States. Section 102(d) explicitly deals with the activities of the inventor in foreign patent offices, or equivalents thereto.³⁹

Section 102(e), before its recent amendment, dealt with problems arising from the fact that the PTO kept patent applications confidential.⁴⁰ For example, one person could invent something and file a patent application on that invention. Subsequently, a second person could invent the same thing. Because the PTO kept the first application confidential, the second inventor would have no knowledge that someone else had already invented the same item. Under section 102(e), the second inventor would be denied a patent even though she had no idea someone else had already created her invention.⁴¹ Thus, courts

³⁸ 35 U.S.C. § 102(d).

³⁹ The courts in applying this provision again have struggled with the reality that foreign jurisdictions may have intellectual property rights that are similar, although not identical, to patent rights. *See, e.g., In re Talbott*, 443 F.2d 1397, 1399 (C.C.P.A. 1971) (concluding that German *Geschmacksmusters*, design-type intellectual property rights, constitute "patent" for the purposes of section 102(d)).

⁴⁰ *See Hazeltine Research, Inc. v. Brenner*, 382 U.S. 252, 254 (1965) (noting that "the Patent Office was forbidden by statute from disclosing to the public, except in special circumstances, anything contained in the application." (citing 35 U.S.C. § 122 (1964))). Congress amended section 122 in the American Inventors Protection Act to allow publication of most patent applications after eighteen months. *See* Pub. L. 106-113 (enacted Nov. 29, 1999) (codified at 35 U.S.C. § 122).

⁴¹ The old section 102(e), now found in section 102(e)(2), precluded a patent if the invention was described in "a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent."

viewed section 102(e) as “secret” prior art.⁴² The policy underlying this provision was that administrative delays at the PTO should not justify granting a patent to a second inventor.⁴³

The amendments to the statute allowing for publication of applications after eighteen months, however, have mitigated this problem.⁴⁴ In light of the publication of applications — an incorporation of an international standard into domestic U.S. law — Congress amended section 102(e) to clarify that the effective date for prior art under section 102(e) is the *application* date, not the date of publication.⁴⁵ Congress added section 102(e)(1) to make this clear, while preserving the old version of section 102(e) in section 102(e)(2).⁴⁶

Additional international considerations can come into play under section 102(e)(1). If an application is published abroad, but has been filed in the United States pursuant to the PCT, then the publication abroad will be effective under section 102(e)(1), so long as the application is published in English.⁴⁷ Thus, foreign publication of patent

⁴² See, e.g., *OddzOn Products, Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1402 (Fed. Cir. 1997).

⁴³ *Alexander Milburn Co. v. Davis-Bourmonville Co.*, 270 U.S. 390, 401 (1926). The Court reasoned that:

The delays of the patent office ought not to cut down the effect of what has been done. The description shows that Whitford was not the first inventor. Clifford had done all that he could do to make his description public. He had taken steps that would make it public as soon as the Patent Office did its work, although, of course, amendments might be required of him before the end could be reached. We see no reason in the words or policy of the law for allowing Whitford to profit by the delay and make himself out to be the first inventor when he was not so in fact. *Id.*

⁴⁴ See 35 U.S.C. § 122(b) (2000).

⁴⁵ See 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, § 13205, 116 Stat. 1758, 1902 (2002); see also 35 U.S.C.A. § 102(e)(1) (West Supp. 2003). The old section 102(e) technically only applied to patents *once they issued*. If the patent never issued, section 102(e) did not apply. This approach would work with confidential patent applications, because if the patent were denied, the information contained therein would never enter the public domain. With the publication of applications, a problem arose. When the application was published, it would constitute prior art under sections 102(a) and (b) as a “printed publication.” The effective date as prior art under those provisions would be the publication date. If the patent issued, however, the effective date would jump back to the date of application under section 102(e). The amendments to section 102(e) eliminated this problem.

⁴⁶ Under certain circumstances, the PTO may not publish an application. See 35 U.S.C. § 122(b). Retention of the old version of section 102(e) therefore was required for cases where the application is never published. Section 102(e)(2) also applies if the patent issues before the application is published.

⁴⁷ See *id.* § 102(e)(1). This language requirement is the only one in section 102 and is

applications designated for the United States under the PCT constitute prior art. Congress expressly *excluded* international patent applications from section 102(e)(2).⁴⁸

Section 102(f) is the derivation provision, which simply states that an inventor is not entitled to a patent if “he did not himself invent the subject matter sought to be patented.”⁴⁹ In other words, if the inventor has “stolen” the invention from someone else, he cannot obtain a patent. Similar to section 102(c), section 102(f) does not contain a geographical limitation. A person, therefore, who obtains the invention from an inventor overseas, presumably would not be able to obtain a patent on the invention in the United States.

Finally, section 102(g) governs who will be considered the “inventor” among competing parties. The United States remains the only country in the world that grants inventor status to the first to invent, as opposed to the first to file a patent application.⁵⁰ In the United States, the PTO grants a patent to the inventor who is either the first to conceive⁵¹ of and reduce the invention to practice,⁵² or to the inventor who is the first to conceive of the invention, but second to reduce it to practice, if she is diligent in doing so.⁵³

Until TRIPS, the United States added an additional burden to foreign inventors — the courts and the PTO would consider only inventive activities within the United States when assessing who was the first to

anomalous with the rest of the section. References in foreign languages under all other provisions of section 102 are all considered appropriate prior art.

⁴⁸ See *id.* § 102(e)(2) (“[A] patent shall not be deemed filed in the United States for the purposes of this subsection based on the filing of an international application filed under the treaty defined in section 351(a) [of the PCT].”).

⁴⁹ *Id.* § 102(f).

⁵⁰ See Seifert, *supra* note 17, at 198.

⁵¹ Conception is a term of art which means that the inventor has a definite and permanent idea of the invention such that only ordinary skill would be necessary to build it. See *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994); see also Timothy R. Holbrook, *The More Things Change, the More They Stay the Same: Implications of Pfaff v. Wells Electronics, Inc. and the Quest for Predictability in the On-Sale Bar*, 15 BERKELEY TECH. L.J. 933, 941 n.45, 977-82 (2000) [hereinafter Holbrook, *More Things Change*] (discussing “conception” as applied in on-sale bar context).

⁵² An actual reduction to practice occurs when the inventor has constructed a working embodiment of the invention. See *UMC Elecs. Co. v. United States*, 816 F.2d 647, 652 (Fed. Cir. 1987). An inventor can constructively reduce the invention to practice by filing a patent application at the PTO that sufficiently describes her invention. See JANICE M. MUELLER, AN INTRODUCTION TO PATENT LAW 69 n.18 (2003).

⁵³ See 35 U.S.C. § 102(g). The period in which diligence is measured runs from the date of the *second* party’s conception until the date the *first* party reduces the invention to practice. *Id.* § 102(g)(2).

invent.⁵⁴ Thus, the Patent Act generally limited foreign inventors to the date of their application in the United States as their date of invention.⁵⁵ They had no opportunity to antedate competing parties' priority claims by showing foreign conception, reduction to practice, or diligence in reducing the invention to practice. Domestic inventors, however, were not so limited, gaining a considerable advantage.

This inequitable situation changed with the adoption of TRIPS. Currently, the PTO considers foreign inventive activities when assessing who was the "first to invent," and thus who is entitled to the patent, in an interference proceeding.⁵⁶ The bias against foreign inventors still exists, however, when trying to invalidate a patent in litigation pursuant to 35 U.S.C. § 102(g)(2), which still retains the requirement that inventive acts take place in the United States.⁵⁷

Although only domestic acts can be used to demonstrate conception, reduction to practice, and diligence, the statute does allow consideration of foreign acts in assessing whether an inventor abandoned, suppressed, or concealed her invention. The United States Court of Appeals for the Federal Circuit⁵⁸ expressly so held in *Apotex USA, Inc. v. Merck & Company, Inc.* In reaching this conclusion, the court first examined the grammatical structure of section 102(g).⁵⁹ Because the language "in this country" does not modify the phrase "abandoned, suppressed, or concealed," the court logically concluded that proof of abandonment, suppression, or concealment of an invention is not territorially limited.⁶⁰ The court also reviewed the legislative history to confirm its

⁵⁴ See Seifert, *supra* note 17, at 177.

⁵⁵ The idea is that the foreign applicant constructively reduced the invention to practice in the United States as of the date of filing her application. See *supra* note 52; see also MUELLER, *supra* note 52, at 69 ("[T]he USPTO initially takes the applicant's filing date as the presumptive invention date under a theory of constructive reduction to practice" (emphasis removed)).

⁵⁶ See 35 U.S.C. §§ 271(g)(1), 104. Interference proceedings are inter partes adjudicative hearings at the PTO in which the PTO determines who is the first to invent. See MUELLER, *supra* note 52, at 359.

⁵⁷ Section 102(g)(1), which eliminated the foreign inventor bias, is limited to interference proceedings. See 35 U.S.C. § 102(g)(1). Section 102(g)(2) preserves the original section 102(g), which can be used to invalidate a patent but assesses priority of invention if the invention "was made in this country." See *id.* § 102(g)(2).

⁵⁸ The Federal Circuit has exclusive appellate jurisdiction over cases arising under the patent laws of the United States. See 28 U.S.C. §§ 1295(a)(1), 1338(a) (2000); see also *Holmes Group Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002) (interpreting statute governing Federal Circuit's jurisdiction to exclude appeals from cases in which patent claim arises only as counterclaim).

⁵⁹ *Apotex USA, Inc. v. Merck & Company, Inc.*, 254 F.3d 1031, 1036 (Fed. Cir. 2001).

⁶⁰ *Id.*

interpretation of the statute.⁶¹ Congress had considered an earlier version of section 102(g) that did contain a territorial limitation, but failed to adopt it.⁶² The court therefore concluded that “the language ‘in this country’ only applies to the country where ‘the invention was made’” and therefore allowed evidence of foreign activities to demonstrate that the invention had not been abandoned, suppressed, or concealed.⁶³

C. Claim Construction / Infringement

Foreign activities are clearly and increasingly relevant to the assessment of whether an inventor should be granted a patent. The implications for the use of foreign events for validity are less extreme than in the infringement context because, if the patent is invalid, in essence the status quo is preserved — there is no patent. Additionally, there is no exercise of an exclusive U.S. patent right over foreign events. Instead, the foreign events are, through Congress’ policy choice, influencing the granting of rights within the United States. The same is not true in the infringement context, where a patent holder may try to exercise his exclusive rights in a way that affects activities outside of the United States. The following subpart discusses international considerations in the infringement context.

1. Foreign Prosecution Histories

The first step in assessing a claim for infringement is to construe the relevant claim language.⁶⁴ The intrinsic evidence — evidence that is part of the public record — is considered first to implement the public notice function that patents serve.⁶⁵ The intrinsic evidence consists of the patent’s claims,⁶⁶ the specification,⁶⁷ and the prosecution history — the

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995) (en banc), *aff’d* 517 U.S. 370 (1996).

⁶⁵ See *Vitronics Corp. v. Conceptor, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996) (“The claims, specification, and file history, rather than extrinsic evidence, constitute the public record of the patentee’s claim, a record on which the public is entitled to rely. . . . Allowing the public record to be altered or changed by extrinsic evidence introduced at trial, such as expert testimony, would make this right meaningless.”).

⁶⁶ 35 U.S.C. § 112, ¶ 2 (2000) (“The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”).

administrative record of a patent application's process through the PTO.⁶⁸ Resorting to extrinsic evidence, such as expert testimony, is only appropriate if, after reviewing the intrinsic evidence, there is an ambiguity in the claim's meaning.⁶⁹

The domestic prosecution history, as part of the intrinsic evidence, is undisputedly important in an infringement analysis.⁷⁰ As part of the public record, the prosecution history of a patent — and related patents⁷¹ — can be used to help assess the meaning of terms in the patent's claims.⁷² Additionally, the prosecution history can limit the scope of the doctrine of equivalents available to a patentee pursuant to prosecution history estoppel.⁷³ The doctrine of equivalents allows a finding of infringement even if the device accused of infringing is not identical to what is claimed, so long as the differences between the device and the patent claim are insubstantial.⁷⁴ If the patentee surrenders subject matter while prosecuting the patent application, however, she is estopped from attempting to recover that subject matter through the doctrine of equivalents.⁷⁵ In other words, if an inventor states — through argument

⁶⁷ *Id.* ¶1. The specification must contain three disclosures — “a written description of the invention,” a description of “the manner and process of making and using [the invention] . . . as to enable any person skilled in the art . . . to make and use the same,” and “the best mode contemplated by the inventory of carrying out his invention.” *Id.* These are called the written description, enablement, and best mode requirements, respectively.

⁶⁸ *Vitronics*, 90 F.3d at 1582.

⁶⁹ *Id.* One exception to this rule is the use of dictionaries, which the Federal Circuit has sanctioned as appropriate to consider along with the intrinsic evidence in order to assess the ordinary meaning of a term. There is a presumption that claim terms are afforded their ordinary meaning absent the patentee giving the term a unique definition in the specification or prosecution history. *Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1202-04 (Fed. Cir. 2002).

⁷⁰ See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 980 (Fed. Cir. 1995) (en banc) (“This ‘undisputed public record’ of proceedings in the Patent and Trademark Office is of primary significance in understanding the claims.”), *aff'd* 517 U.S. 370 (1996).

⁷¹ See, e.g., *Mark I Mktg. Corp. v. R.R. Donnelley & Sons Co.*, 66 F.3d 285, 291 (Fed. Cir. 1995).

⁷² See *Markman*, 52 F.3d at 980; see also *Vitronics*, 90 F.3d at 1582.

⁷³ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 733-34 (2002).

⁷⁴ See *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997). The doctrine of equivalents must be applied on a limitation-by-limitation basis, and not to the invention as a whole. *Id.* at 29-30. In other words, each and every limitation of the claim must be present in the accused device either literally or equivalently. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1459 (Fed. Cir. 1998) (en banc).

⁷⁵ *Festo*, 535 U.S. at 733-34 (“When, however, the patentee originally claimed the subject matter alleged to infringe but then narrowed the claim in response to a rejection, he may not argue that the surrendered territory comprised unforeseen subject matter that should be deemed equivalent to the literal claims of the issued patent.”).

or by amendments made to the patent claims⁷⁶ — that “my invention does not include X,” then the inventor cannot argue subsequently that the patent covers X under the doctrine of equivalents. As such, the prosecution history plays a crucial role in assessing the scope of a patent.

What role, if any, then do *foreign* prosecution histories play? The Federal Circuit has confirmed that, although foreign prosecution histories do not create an estoppel, they *are* relevant in assessing the scope of the patent. In *Caterpillar Tractor Co. v. Berco*, the Federal Circuit considered representations made to the German patent office.⁷⁷ The court noted that, although “the varying legal and procedural requirements for obtaining patent protection in foreign countries might render consideration of certain types of representations inappropriate . . . when such matters comprise relevant evidence they must be considered.”⁷⁸

Similarly, in *Tanabe Seiyaku Co. v. United States International Trade Commission*, the Federal Circuit concluded that “in evaluating infringement under the doctrine of equivalents, ‘representation[s] to foreign patent offices should be considered . . . when [they] comprise relevant evidence.’”⁷⁹ The court rejected the argument that the Commission had improperly found an estoppel based on the foreign prosecution history,⁸⁰ concluding that the Commission had properly used the representations made to the foreign offices — Finnish, Israeli, and European patent offices⁸¹ — to assess the interchangeability of compounds used in the patented and accused processes.⁸²

Following the Federal Circuit’s guidance, other courts subsequently have relied on representations made to foreign patent offices in assessing the scope of a patent.⁸³ Consequently, U.S. patent law has provided an

⁷⁶ See *Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1349-50 (Fed. Cir. 2002).

⁷⁷ *Caterpillar Tractor Co. v. Berco*, S.P.A., 714 F.2d 1110, 1116 (Fed. Cir. 1983).

⁷⁸ *Id.*

⁷⁹ *Tanabe Seiyaku Co. v. United States Int’l Trade Comm’n*, 109 F.3d 726, 733 (Fed. Cir. 1997) (quoting *Caterpillar Tractor Co. v. Berco*, S.P.A., 714 F.2d 1110, 1116 (Fed. Cir. 1983)).

⁸⁰ *Id.* The court conspicuously did not say that foreign prosecution histories may *never* be used to find an estoppel, seemingly leaving the question open.

⁸¹ *Id.* at 730.

⁸² *Id.* at 733.

⁸³ See, e.g., *AK Steel Corp. v. Sollac & Ugine*, 234 F. Supp. 2d 711, 770 (S.D. Ohio 2002) (reviewing representations made to European Patent Office); *Astra Aktiebolag v. Andrx Pharms., Inc.*, 222 F. Supp. 2d 423, 466-68 (S.D.N.Y. 2002) (reviewing representations made before European Patent Office and patent office of Republic of South Africa to construe relevant claims); *Gallant v. Telebrands Corp.*, 35 F. Supp. 2d 378, 400 (D.N.J. 1998) (“The Plaintiffs, through their admissions to the European Patent Office, conceded the irrelevance of the Quadraflex as prior art to Telebrands. The Plaintiffs cannot now assume a contrary

additional role for foreign activities — representations made to foreign patent offices — that directly implicate the scope of a domestic patent. As markets continue to globalize, the need for inventors to obtain foreign patents likely will expand, and thus the availability of foreign prosecution histories could play a greater role in domestic litigation.

2. Indirect Infringement — Inducement to Infringe and Contributory Infringement

Prior to adoption of the Patent Act, the common law had a general category of “contributory infringement” for joint tortfeasors to protect patentees from those who, although not directly infringing the patent, nonetheless are considered culpable for the infringement of others.⁸⁴ Most cases for common-law contributory infringement involved a party selling a component that was not covered by a patent, but which had no other use except in a patented device.⁸⁵ Congress, not wanting to change the common law substantively, split the former “contributory infringement” into “active inducement” under 35 U.S.C. § 271(b) and contributory infringement under section 271(c), which covers the “infringement by non-staple component” scenario.⁸⁶

While direct infringement under section 271(a) requires that the acts take place within the United States,⁸⁷ active inducement of infringement under section 271(b) is not so limited. Specifically, section 271(b) provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” Inducement is a broad category,⁸⁸ but liability for active inducement requires “proof of actual intent to cause the acts which constitute infringement.”⁸⁹ There also must be direct infringement, i.e., an infringement within the United States, for there to

position.”); *Merck & Co., Inc. v. Mylan Pharms., Inc.*, 19 F. Supp. 2d 334, 344 n.17 (E.D. Pa. 1998) (considering representations made to New Zealand patent office); *Intellectual Property Development, Inc. v. UA-Columbia Cablevision of Westchester, Inc.*, No. 94 CIV. 6296(SS), 1998 WL 142346, at *20 (S.D.N.Y. Mar. 26, 1998) (“Representations made to foreign patent offices in counterpart foreign applications may also assist in determining how a person skilled in the art would construe claim language.”).

⁸⁴ See *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ See 35 U.S.C. § 271(a) (2000).

⁸⁸ See *Hewlett-Packard*, 909 F.2d at 1469 (“Section 271(b) codified the prohibition against all other types of activity which, prior to 1952, had constituted ‘contributory infringement.’”).

⁸⁹ *Id.*

be inducement.⁹⁰ Absent that requirement, however, the activity constituting "inducement" need not be in the United States, allowing liability for extraterritorial conduct under U.S. law.⁹¹ Therefore, if an entity, by acts performed outside of the United States, actively induced another company to infringe within the United States, then that entity would be liable.

Like active inducement, contributory infringement under section 271(c) formerly lacked a domestic limitation.⁹² Prior to 1994, section 271(c) simply stated:

Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.⁹³

⁹⁰ See, e.g., *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) ("Liability for either active inducement of infringement or for contributory infringement is dependent upon the existence of direct infringement."); see also 5 DONALD CHISUM, CHISUM ON PATENTS § 17.03 ("The required relation between direct and contributory infringement affects the territorial scope of the latter remedy. Thus, domestic sale of an especially designed component for assembly or use in the patented combination or process in a foreign country does not constitute contributory infringement because the foreign assembly or use does not constitute direct infringement."). Section 271(f), though, deals with exportation of components. *Id.*

⁹¹ See Curtis A. Bradley, *Territorial Property Rights in an Age of Globalism*, 37 VA. J. INT'L L. 505, 522-23, 575 (1997); see also *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1366-67 (Fed. Cir. 1998) ("An injunction under Section 283 can reach extraterritorial activities such as those at issue here, even if these activities do not themselves constitute infringement" in order to prevent future infringement in the United States.); *Spindelfabrik Suessen-Schurr v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1577-78 (Fed. Cir. 1990) (upholding injunction reaching outside United States because injunction's "provisions are a reasonable and permissible endeavor to prevent infringement in the United States and not a prohibited extra-territorial application of American patent law"); *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137, 1141 (7th Cir. 1975) ("[A]lthough the patent laws of the United States do not have extra-territorial effect, 'active inducement' may be found in events outside the United States if they result in a direct infringement here."); *Kabushiki Kaisha Hattori Seiko v. Refac Tech. Dev. Corp.*, 690 F. Supp. 1339, 1344 (S.D.N.Y. 1988) ("Its seller abroad may be liable for infringement inducement or contributory infringement of the United States patent under 35 U.S.C. § 271(b) or (c), even though that seller neither made, used, nor sold the product in the United States.").

⁹² See Chisum, *supra* note 1, at 615 ("Curiously, the 1994 amendments to section 271 . . . appear to have altered the territorial scope of the section 271(c) contributory infringement remedy.").

⁹³ 35 U.S.C. § 271(c) (1994).

The statute was silent as to whether the sale of the component had to take place in the United States. For example, if a Hungarian company sold a non-staple piece of a photocopier, and that piece was then sent by the purchaser to the United States and assembled in an infringing device, under the plain reading of the statute, the Hungarian company could be liable as a contributory infringer.⁹⁴

In 1994, however, Congress narrowed the scope of section 271(c) by limiting contributory infringement to offers to sell or sales of a non-staple component, material, or apparatus “within the United States” and to importation of such items “into the United States.”⁹⁵ Although the addition of the “importation” restriction likely will cover much of the former scope of contributory infringement⁹⁶ — and thus still provide extraterritorial reach to the U.S. patent laws — the provision now contains an express geographic limitation that narrows the scope of protection afforded.⁹⁷

3. Direct Infringement

Section 271 generally prescribes what constitutes infringement of a patent.⁹⁸ Originally, section 271(a) of the Patent Act stated that “whoever without authority makes, uses, or sells any patented invention, within the United States during the term of the patent therefore, infringes the patent.”⁹⁹ These acts are considered “direct” infringement because the person held liable has performed the acts herself.¹⁰⁰ The statute reflected

⁹⁴ See *Engineered Sports Prods. v. Brunswick Corp.*, 362 F. Supp. 722, 727 (D. Utah 1973) (holding that section 271(c) “prohibits the ‘sale’, whether or not domestic” of unpatented ski boot specially designed for use in patented injection molding technique); cf. *Bradley*, *supra* note 91, at 574 (“In the international context, these contributory infringement tests mean, among other things, that foreign sellers can be held liable if they know or have reason to know that their products are likely to be brought into the United States and result in an infringement.”).

⁹⁵ See 35 U.S.C. § 271(c) (2000); see also Uruguay Round Agreements Act, Pub. L. No. 103-465, § 533, 108 Stat. 4809, 4988 (1994).

⁹⁶ See *Chisum*, *supra* note 1, at 615 (“Of course, the amendment explicitly creates a remedy against an importer of a component into the United States . . .”).

⁹⁷ *Id.* at 615-16 (“[T]he foreign manufacturer may be several steps removed from the entity that imports.”). *Chisum* sees “no policy reason” supporting this change and views it as anomalous “with the recent trend to craft intellectual property statutes as to provide effective relief against infringing activity originating abroad.” *Id.*

⁹⁸ See 35 U.S.C. § 271 (2000).

⁹⁹ Patent Act of 1952, ch. 950, 66 Stat. 811; see 35 U.S.C. § 271(a) (1994); see also *Deepsouth Packing Co. v. Laitram*, 406 U.S. 518, 527 (1972) (noting that 1952 Act defines direct infringement as occurring when infringer makes, uses, or sells patented product).

¹⁰⁰ See *MUELLER*, *supra* note 52, at 257-58.

the territorial nature of patent rights: all infringing activities had to occur within the United States. The statute did not prescribe whether the domestic manufacture of all of the *components* of an invention — without actually assembling the components into the device — would constitute infringement.¹⁰¹

The Supreme Court addressed this issue in *Deepsouth Packing Co. v. Laitram*.¹⁰² The two patents in *Deepsouth* related to shrimp deveining machines.¹⁰³ *Deepsouth*, the accused infringer, did not practice the invention in the United States; rather, it sought “to make the parts of deveining machines, to sell them to foreign buyers, and to have the buyers assemble the parts and use the machines abroad.”¹⁰⁴ The Court therefore confronted a situation where no infringing machine had been made, used, or sold in the United States. Instead, the accused infringer exported the disassembled components of the device and later assembled it overseas.¹⁰⁵ The completed machine would have infringed if the defendant had built it in the United States.¹⁰⁶ The Court noted that “[t]he statute makes it clear that it is not an infringement to make or use a patented product outside of the United States.”¹⁰⁷ The key question thus was whether *Deepsouth* had sold the invention in the United States.¹⁰⁸ The Court concluded that *Deepsouth*’s activity did not constitute a sale in the United States and therefore was noninfringing.¹⁰⁹

The impact of *Deepsouth*, however, was only temporary because Congress subsequently overruled its key holding by statute in 1984.¹¹⁰ Congress adopted 35 U.S.C. § 271(f) to close the loophole identified in

¹⁰¹ See, e.g., *Hewitt-Robins, Inc. v. Link-Belt Co.*, 371 F.2d 225, 229 (7th Cir. 1966) (“If anything is settled in the patent law, it is that a combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. We deem it equally clear that unassembled elements of a combination patent do not constitute the ‘patented invention.’”) (citation omitted).

¹⁰² *Deepsouth*, 406 U.S. at 524-25.

¹⁰³ *Id.* at 519-20.

¹⁰⁴ *Id.* at 523.

¹⁰⁵ *Id.* at 524 (“The company contends that by this means both the ‘making’ and the ‘use’ of the machines occur abroad and *Laitram*’s lawful monopoly over the making and use of the machines throughout the United States is not infringed.”). Infringement under section 271(a) is limited to activities “in the United States.” Thus assembly of the device overseas would not be infringement under the law at the time.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 527.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 532.

¹¹⁰ Patent Law Amendments Act of 1984, Pub. L. No. 98-622, 98 Stat. 3383 (codified as amended at 35 U.S.C. § 271(f)(1), (2) (2000)).

Deepsouth. Under section 271(f)(1), anyone who exports the unassembled components of what would be an infringing device if completely built in the United States is liable as an infringer if he actively induces the assembly of the device outside of the United States.¹¹¹ Similarly, under section 271(f)(2), exporting a component that is either not a staple article of commerce or which has no substantial noninfringing use is also infringement if the exporter knows that the component's only use is in the patented device and also knows that it will be combined outside of the United States into the completed device.¹¹² Congress therefore made it an act of infringement to export either the complete but disassembled invention, or even a component of an invention for which there is no noninfringing use, effectively overruling *Deepsouth*¹¹³ and significantly expanding the patentee's exclusive rights.¹¹⁴

Congress subsequently amended section 271 in 1988 by adding section 271(g).¹¹⁵ Section 271(g) is similar to section 271(f) in that it closes a loophole in the statute resulting from the territorial nature of patent rights. Specifically, section 271(g) defines as an infringer anyone who imports, sells, or offers to sell in the United States a product made by a patented process.¹¹⁶

Prior to the adoption of section 271(g), a competitor could circumvent a U.S. patent that covered only the process of making a product, but not the product itself.¹¹⁷ For example, a chemical company may have discovered a more cost-effective process to make an already known chemical. The process could be patented, but the chemical compound itself may not be. Technically, to infringe the patent under section 271(a), a competitor would have to perform the process within the United States.¹¹⁸ If the process was used overseas, there would be no

¹¹¹ See 35 U.S.C. § 271(f)(1) (2000).

¹¹² See *id.* § 271(f)(2).

¹¹³ See *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1546 (Fed. Cir. 1987) (noting "Congress' effective overruling of *Deepsouth* in 1984, 35 U.S.C. § 271(f)").

¹¹⁴ Patent Law Amendments Act of 1984.

¹¹⁵ See Omnibus Trade & Competitiveness Act of 1988, Pub. L. 100-418, § 9003, 102 Stat. 1107, 1564 (1988).

¹¹⁶ See *id.*

¹¹⁷ See, e.g., *United States v. Studiengesellschaft Kohle m.b.H.*, 670 F.2d 1122, 1127-28 (D.C. Cir. 1981) ("A sale of a product made by a patented process does not itself infringe the patent; it is the unauthorized use of the process that infringes the patent.").

¹¹⁸ See *Mycogen Plant Science, Inc. v. Monsanto Co.*, 252 F.3d 1306, 1318 (Fed. Cir. 2001) ("The congressional reports make clear that the principal purpose of the statute was to prevent a patent owner's competitors from avoiding the patent by producing products outside the United States and then importing them."), *vacated and remanded on other grounds*, 535 U.S. 1109 (2002).

infringement.¹¹⁹ A competitor could avoid infringement, therefore, by manufacturing the chemical by the patented process outside of the United States and then importing the unpatented product.¹²⁰ Section 271(g) is Congress' response to this problem and an attempt to reach some extraterritorial conduct — the use of the infringing process — through the nexus of a domestic act — the importation, sale, or use of the invention.¹²¹

Finally, in 1994, Congress amended subsections 271(a), (c), (e), and (f) to include "offers to sell" and "importation" of an invention in order to meet the United States' obligations under TRIPS.¹²² Congress also added section 271(i), which limits infringement via offers to sell by noting that "[a]s used in this section, an 'offer for sale' or an 'offer to sell' by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent."¹²³

The addition of "offers to sell" as a type of direct infringement demonstrates the increasingly international nature of patent law. Congress created this form of infringement solely to incorporate international standards into domestic law pursuant to TRIPS.¹²⁴ Congress, as the above discussion shows, also has demonstrated an interest in expanding the scope of patent protection to cover acts outside the United States that effect the value of U.S. patents. This recently added provision affords an opportunity to consider more fully the

¹¹⁹ *Id.*

¹²⁰ See, e.g., 132 CONG REC. S17, 386 (1986) ("A significant loophole in our patent laws, as compared with those of our major trading partners, has emerged as a major factor in the dynamics of global innovation and economic competition. In contrast to Japan and nearly all of the Western European nations, the United States does not provide patent protection against the importation, and subsequent use or sale, of products made abroad without authorization using a process patented in the United States.").

¹²¹ Chisum, *supra* note 1, at 607 ("Congress did not expand patent rights to acts outside the United States, but rather relied on some domestic act as a hook to reach foreign-based economic activity that harms a patent owner's interest in deriving full economic advantage from the U.S. market for the patented invention."). If the product has been "materially changed by subsequent processes" or "it becomes a trivial and nonessential component of another product," then there is no infringement. See 35 U.S.C. § 271(g)(1), (2) (2000). The Federal Circuit recently clarified that section 271(g) applies only to products that have been manufactured and not to data output of a product. See *Bayer AG v. Housey Pharm., Inc.*, 340 F.3d 1367, 1377 (Fed. Cir. 2003).

¹²² See Uruguay Round Agreements Act, Pub. L. No. 103-465, §§ 531-533, 108 Stat. 4809 (1994).

¹²³ 35 U.S.C. § 271(i). For the argument that the courts should apply a rebuttable presumption that the contemplated sale will occur during the patent term unless the accused infringer can come forward with evidence to demonstrate that the sale will occur post-expiration, see Holbrook, *Threat of Sale*, *supra* note 11, at 763-64 n.81.

¹²⁴ See MUELLER, *supra* note 52, at 224 n.3.

appropriate extraterritorial reach of U.S. patent law. Simply put, if an offer is made in the United States to sell an invention abroad, would there be infringement in the United States under this new provision?¹²⁵

II. EXPANDING THE INTERNATIONAL SCOPE OF U.S. PATENT LAW — POSSIBLE APPLICATIONS OF INFRINGEMENT FOR OFFERS TO SELL AN INVENTION

A. *Present State of the Law for Infringement for Offering to Sell an Invention*

The addition of “offers to sell” to 35 U.S.C. §§ 271(a), (c), (e), and (f)¹²⁶ significantly expanded the class of conduct that constitutes patent infringement.¹²⁷ Prior to TRIPS, a party could infringe a patent under 35 U.S.C. § 271(a) only by making, using, or selling a patented invention without the permission of the patent owner.¹²⁸ Thus “a threat of a sale [did] not constitute an act of infringement.”¹²⁹ Now a party who simply offers to sell a device covered by a patent is liable as an infringer, even if the sale is never completed.¹³⁰

The legislative history surrounding this provision is silent with respect to how the provision is to be interpreted.¹³¹ In light of this omission, the

¹²⁵ See Chisum, *supra* note 1, at 608 (“Adding ‘offering for sale’ may have interesting implications for the territorial scope of a U.S. patent, depending on how the phrase is interpreted? Is an offer by a person in another country to a customer in the United States an offer in the United States even though the sale will be consummated or the product delivered outside the United States?”).

¹²⁶ See Uruguay Round Agreements Act, §§ 531-533.

¹²⁷ See *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1378 (Fed. Cir. 1998) (“The amendment to § 271(a) represents a distinct change to the bases for patent infringement, because liability arose previously only as the result of an actual sale.”).

¹²⁸ See 35 U.S.C. § 271(a) (1994). Section 271 prescribes other forms of infringement, but section 271(a) contains the traditional, basic forms of infringement. See also *3D Sys., Inc.*, 160 F.3d at 1378 (“Patent infringement occurs when someone ‘without authority makes, uses, offers to sell or sells any patented invention.’” (quoting 35 U.S.C. § 271(a))).

¹²⁹ *Eli Lilly & Co. v. Medtronic, Inc.*, 915 F.2d 670, 673 (Fed. Cir. 1990).

¹³⁰ 35 U.S.C. § 271(a) (2000). Congress amended the statute in 1994, but it did not become effective until January 1, 1996. See *Black & Decker, Inc. v. Home Product Mktg., Inc.*, 929 F. Supp. 1114, 1120 n.17 (N.D. Ill. 1996).

¹³¹ See *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1252 (Fed. Cir. 2000) (“Unfortunately, other than stating that an ‘offer to sell’ includes only those offers ‘in which the sale will occur before the expiration of the term of the patent,’ Congress offered no other guidance as to the meaning of the phrase.” (citation omitted)); see also *Engate, Inc. v. Esquire Deposition Servs.*, No. 01 C 6204, 2003 WL 21372472, at *8 (N.D. Ill. June 13, 2003) (“As a result, we have little guidance from the Federal Circuit as to what is and what is not an ‘offer to sell’ within the meaning of § 271(a).”); *Mahurkar v. C.R. Bard, Inc.*, No. 01 C 8452, 2003 WL 355636, at *6 (N.D. Ill. Feb. 13, 2003) (“Congress offered little guidance as to

Federal Circuit has clarified some basic principles of this new provision, such as what constitutes an “offer.”¹³² In *3D Systems, Inc. v. Aarotech Laboratories, Inc.*, the Federal Circuit addressed whether a court could assert personal jurisdiction over a defendant solely based on an infringing offer to sell.¹³³ The court concluded that federal common law — not state contract law — would govern what constitutes an offer, thereby promoting uniformity in the law.¹³⁴ The court held that sending price quotation letters to persons in the relevant state was sufficient for personal jurisdiction.¹³⁵

The Federal Circuit further elaborated on personal jurisdiction in *Hollyanne Corp. v. TFT, Inc.*¹³⁶ The question in *Hollyanne* was “whether an offer to donate is the equivalent of an offer to sell.”¹³⁷ The court concluded that an offer to donate is insufficient to constitute an offer to sell,¹³⁸ and that, therefore, the court lacked personal jurisdiction over the defendant.¹³⁹ The court expressly reserved the question of “whether or under what circumstances actual advertisements of a product are sufficient to be considered an ‘offer to sell.’”¹⁴⁰

The court in both *3D Systems* and *Hollyanne* dealt solely with personal jurisdiction and did not discuss the requirements for finding liability for offers to sell. In *Rotec Industries, Inc. v. Mitsubishi Corp.*,¹⁴¹ however, the Federal Circuit finally addressed offers to sell on the merits, concluding that a formal commercial offer to sell was required for infringement.¹⁴² In

the meaning of the phrase, however, and there is little case law from the Federal Circuit defining the term ‘offer to sell.’”).

¹³² See, e.g., *Rotec*, 215 F.3d at 1254-55; *3D Sys., Inc. v. Aarotech Laboratories, Inc.*, 160 F.3d 1373, 1378-79 (Fed. Cir. 1998) (discussing possible definitions of “offer to sell” to satisfy personal jurisdiction requirements).

¹³³ *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1378 (Fed. Cir. 1998).

¹³⁴ *Id.* at 1379. Otherwise, the law governing what constitutes an “offer” under section 271(a) could be governed by the standards of all fifty states, destroying uniformity.

¹³⁵ *Id.*; accord *Sitrick v. Freehand Sys., Inc.*, No. 02 C 1568, 2002 WL 31443128, at *4 (N.D. Ill. Oct. 30, 2002) (holding that brochures containing description and price are sufficient for personal jurisdiction).

¹³⁶ 199 F.3d 1304 (Fed. Cir. 1999).

¹³⁷ *Id.* at 1308.

¹³⁸ *Id.* at 1309.

¹³⁹ *Id.* at 1310.

¹⁴⁰ *Id.* at 1309 n.6.

¹⁴¹ 215 F.3d 1246 (Fed. Cir. 2000).

¹⁴² *Id.* at 1255-56. District courts have subsequently applied this standard to find no infringement when pricing information has been lacking, viewing the activity as more akin to nonbinding advertisement than a formal commercial offer. See, e.g., *Black & Decker, Inc. v. Shanghai Xing Te Hao Indus. Co.*, No. 02 C 4615, 2003 WL 21383325, at *3 (N.D. Ill. June 12, 2003) (“Here, B & D cannot point to any evidence of product descriptions or price

Rotec, one party allegedly offered to sell crane and conveyor systems to the People's Republic of China to carry concrete long distances.¹⁴³ The Federal Circuit interpreted section 271(a)'s "offer to sell" according to the norms of traditional contractual analysis.¹⁴⁴ The court concluded that an "offer to sell" is to be interpreted according to its ordinary meaning in contract law, as revealed by traditional sources of authority,¹⁴⁵ such as the Uniform Commercial Code ("UCC"), dictionaries,¹⁴⁶ and the Restatement (Second) of Contracts.¹⁴⁷

Applying this standard, the court concluded that the accused infringer had not made an offer.¹⁴⁸ In support of its argument that the defendant made infringing offers, the patentee offered the following evidence:

- (1) [T]he offering parties met nine times in the United States about supplying a conveyor system for the Three Gorges Dam Project;
- (2) Johnson and Tucker designed and priced the contemplated system in the United States; and
- (3) the written offer identified Johnson as the supplier for the concrete system, and confirmed that Johnson had provided all relevant technical and financial documents.¹⁴⁹

The court concluded that this evidence did not demonstrate an infringing offer to sell because "[n]one of [the] evidence . . . establishes

quotations by Xing Te Hao during its visit to Illinois, and merely displaying an accused product, even in an obviously commercial atmosphere such as a trade show, does not, by itself, constitute an offer to sell." (citation omitted)); *Engate, Inc. v. Esquire Deposition Services*, No. 01 C 6204, 2003 WL 21372472, at *10 ("The website contains no information about specific real time products, nor does it reference the methods and systems disclosed in Engate's patents. And it says nothing about pricing."); *Mahurkar v. C.R. Bard, Inc.*, No. 01 C 8452, 2003 WL 355636, at *6 (N.D. Ill. Feb. 13, 2003) ("In this case, the court concludes that at most, Mahurkar has demonstrated that C.R. Bard advertises the accused products. . . . The C.R. Bard website does not provide specific information on the accused products, nor does it include prices.").

¹⁴³ *Rotec*, 215 F.3d at 1249.

¹⁴⁴ *Id.* at 1254-55.

¹⁴⁵ *Id.* at 1255. Ironically, by requiring an actual commercial offer, the Federal Circuit — contrary to the *only* purpose for adopting offer to sell infringement — has unharmonized U.S. law from the international community, where courts have decided that the "offer to sell" analog in the foreign country includes advertisements. See *Holbrook, Threat of Sale*, *supra* note 11, at 786.

¹⁴⁶ See *Rotec*, 215 F.3d at 1255 (comparing interpretation of section 271(a) with interpretation of term "sale or importation" under section 337 of Tariff Act of 1930 in *Enercon v. ITC*, 151 F.3d 1376, 47 U.S.P.Q.2d 1725 (Fed.Cir.1998), in which UCC and dictionaries were used.).

¹⁴⁷ *Id.* at 1257, 1257 n.5.

¹⁴⁸ *Id.* at 1248.

¹⁴⁹ *Id.* at 1255.

any communication by Defendants with any third party.”¹⁵⁰ Without communication to a third party, there could be no commercial detriment to the patentee.¹⁵¹ The court also concluded that further evidence of negotiations was insufficient because proof was wanting as to whether the agent had the power to make a contract.¹⁵² The deposition testimony also lacked the requisite proof “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.”¹⁵³

Judge Newman concurred in the judgment of the majority but disagreed with its reasoning.¹⁵⁴ In her view, there could be no infringement because the offer to sell did not contemplate a “sale” that would occur within the United States.¹⁵⁵ Relying on section 271(i), Judge Newman concluded that not only must the offer be made in the United States, but the sale contemplated in that offer also must take place within the United States.¹⁵⁶ For example, an offer made in the United States to sell a device in Hungary would not infringe. The majority opinion, however, did not discuss the territorial aspects of an offer to sell, leaving the question unanswered.

As such, the issue of how to interpret section 271(a)’s “offer to sell” provision with respect to foreign sales remains an open question. The following sections identify three potential approaches to this issue and provide a unique perspective that attempts to balance the interest of United States patent holders with the interests of the countries where the sale will be completed.

B. Do Offers Made in the United States for Sales to Be Completed Outside the United States Infringe Under Section 271?

The Federal Circuit has yet to address — and in fact dodged — the potential international implications of this new form of infringement. The creation of the new form of infringement, however, has additional

¹⁵⁰ *Id.*

¹⁵¹ *Id.* (“In the absence of a communication with a third party, it is difficult to imagine any commercial detriment of the rightful patentee taking place.”).

¹⁵² *Id.* at 1256. Without proof that the agent had contracting authority, the Federal Circuit concluded that the district court correctly excluded the evidence as inadmissible hearsay. *Id.*

¹⁵³ *Id.* at 1257 (quoting RESTATEMENT (SECOND) OF CONTRACTS § 24 (1979)).

¹⁵⁴ *Id.* at 1258-60 (Newman, J., concurring); see *infra* notes 194-98 and accompanying text.

¹⁵⁵ *Rotec*, 215 F.3d at 1258-60.

¹⁵⁶ *Id.*

implications in the international arena because offers to sell can present interesting jurisdictional and territorial issues. Minimally, offers for sale afford added flexibility to patentees in choosing a forum. At present, the majority of “offer to sell” infringement cases have arisen in the context of jurisdiction.¹⁵⁷ Given that the offer for sale now is in and of itself tortious conduct, such an offer alone can provide the nexus for jurisdiction in a district court, permitting even greater venue shopping than in the past. For example, if the offer to sell occurs in Delaware, even though the sale itself will occur in Kansas, then there likely will be jurisdiction in the more patent-savvy United States District Court for the District of Delaware.¹⁵⁸ Recent scholarship has demonstrated that forum shopping in patent cases at the district court level is significant.¹⁵⁹ “Offer to sell” infringement may facilitate greater flexibility in the choice of a forum, potentially increasing forum shopping.

The more interesting question, however, arises with respect to foreign actors. The amendment to the patent law made an “offer to sell . . . in the United States” a form of infringement.¹⁶⁰ This language begs the

¹⁵⁷ See, e.g., *Hollyanne Corp. v. TFT, Inc.*, 199 F.3d 1304, 1308-10 (Fed. Cir. 1999); *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1378-80 (Fed. Cir. 1998); *Int'l Truck & Engine Corp. v. Dawson Int'l Inc.*, 216 F. Supp. 2d 754, 759-62 (N.D. Ind. 2002); *Sitrick v. Freehand Sys., Inc.*, No. 02 C 1568, 2002 WL 31443128, at *4 (N.D. Ill. Oct. 30, 2002); *Recycling Scis. Int'l, Inc. v. Soil Restoration & Recycling, L.L.C.*, No. 00 C 0311, 2001 WL 969040 (N.D. Ill. Aug. 24, 2001); *USA Payments, Inc. v. Hotel Ramada of Nevada*, No. C-01-1450 VRW, 2001 WL 764923, at *2-*3 (N.D. Cal. June 21, 2001); *Ecological Sys. Tech. v. Aquatic Wildlife Co.*, 142 F. Supp. 2d 122, 125-26 (D. Mass. 2000); *Biometrics, LLC v. New Womyn, Inc.*, 112 F. Supp. 2d 869, 873-74 (E.D. Mo. 2000); *Hockerson-Halberstadt, Inc. v. Costco Wholesale Corp.*, 93 F. Supp. 2d 738, 742-44 (E.D. La. 2000); *Cognitronics Imaging Sys., Inc. v. Recognition Research Inc.*, 83 F. Supp. 2d 689, 695-96 (E.D. Va. 2000); *Neato, Inc. v. Great Gizmos*, No. 3:99CV958 (AVC), 2000 WL305949, at *4-*5 (D. Conn. Feb. 24, 2000); *ESAB Group, Inc. v. Centricut, LLC*, 34 F. Supp. 2d 323, 333-34 (D.S.C. 1999); *American Bio Medica Corp. v. Peninsula Drug Analysis Co.*, No. Civ.A. 99-218-SLR, 1999 WL 615175, at *4-*6 (D. Del. Aug. 3, 1999); *VP Intellectual Props., LLC v. Imtec Corp.*, No. CIV A 99-3136, 1999 WL 1125204, at *5-*6 (D.N.J. Dec. 9, 1999); *Intel Corp. v. Silicon Storage Tech., Inc.*, 20 F. Supp. 2d 690, 696 (D. Del. 1998); *Finnsugar Bioproducts, Inc. v. Raytheon Eng'rs & Constructors, Inc.*, No. 97 C 8746, 1998 WL 703463, at *3 (N.D. Ill. Sept. 20, 1998); *DeSantis v. Hafner Creations, Inc.*, 949 F. Supp. 419, 426 (E.D. Va. 1996); *Lifting Techs., Inc. v. Dixon Indus., Inc.*, No. CV-96-68-M-CCL, 1996 WL 653391 (D. Mont. Aug. 27, 1996).

¹⁵⁸ The court's authority over the parties, of course, would be subject to the limitations of general or specific personal jurisdiction. See, e.g., *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1200-01 (Fed. Cir. 2003). General personal jurisdiction is present when the defendant has “‘continuous and systematic’ contacts with the forum state,” whereas specific personal jurisdiction is present if the state's long-arm statute and due process requirements are satisfied. *Id.*

¹⁵⁹ See generally Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001).

¹⁶⁰ See *supra* notes 122-23 and accompanying text.

question, however, of what “in the United States” modifies — the offer, the contemplated sale, or both?

If only the offer has to be in the United States, and not the contemplated sale, then this provision could capture foreign actors who normally would not be subject to domestic jurisdiction. Suppose that a person in another country offers to sell a device to a customer in the United States where the sale will be consummated outside of the United States: is there an infringing offer to sell in the United States?¹⁶¹ Or, to an even further extreme, would an offer made in the United States to sell a patented product between foreign actors for a sale to be consummated abroad be considered infringing? Conceivably, the district court where the suit was brought would have jurisdiction over these cases.¹⁶² To allow infringement in these circumstances would greatly enhance the scope of a patentee’s coverage and seemingly allow the patentee to reach well beyond the territorial United States. The newly added “offer to sell” form of infringement has the potential to alter the territorial application of U.S. laws, with respect to not only direct infringement, but also contributory infringement.¹⁶³

Extraterritoriality is typically defined as “the application of one country’s laws to events occurring outside that country’s borders.”¹⁶⁴

¹⁶¹ Chisum, *supra* note 1, at 608.

¹⁶² Extending jurisdiction over such actors would, of course, depend not only on subject matter jurisdiction, which the offer for sale would provide, but also personal jurisdiction. For a court to have personal jurisdiction, the party must have sufficient minimum contacts with a forum to meet a state’s long-arm statute and the minimum requirements established by the Due Process Clause of the Constitution. *See, e.g., Genetic Implant Sys., Inc. v. Core-Vent Corp.*, 123 F.3d 1455, 1458 (Fed. Cir. 1997) (citing *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 471-76 (1985)). Preparatory activities inside the United States would likely satisfy this condition. *See Bradley, supra* note 91, at 578-79.

¹⁶³ Chisum, *supra* note 1, at 615. The amendments to section 271 also added “offer to sell” to section 271(c), which deals with contributory infringement. *Id.*; *see also supra* notes 84-97 and accompanying text.

¹⁶⁴ Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT’L L. 587, 588 (1997). Professor Dodge takes a slightly different approach to defining “extraterritorial” by bifurcating the locus of the activity and the effect of the activity. *See William S. Dodge, Understanding the Presumption Against Extraterritoriality*, 16 BERKELEY J. INT’L L. 85, 87-89 (1998). In his view, if both the conduct and effect are domestic, the activity is clearly territorial; if the conduct, effects, or both occur outside the United States, then the activity is extraterritorial to a certain degree. *Id.* Such bifurcation affords three potential permutations for the presumption against extraterritorial application of U.S. law: (1) acts of Congress should only apply to conduct within the United States regardless of where the effects of the conduct are felt (the “traditional view”); (2) acts of Congress apply only to activities where the effect is inside, regardless of the locus of the activity (the Borkian view); or (3) acts of Congress should apply only to conduct occurring within or having an effect within the United States (the Mikvian view). *See id.* at 88. In Professor Dodge’s opinion, extraterritoriality should be determined strictly

Generally, courts have disfavored extraterritorial application of United States law.¹⁶⁵ The Supreme Court has noted that “it is a long-standing principle of American law ‘that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’”¹⁶⁶ The courts will thus presume that Congress did not intend a law to have extraterritorial effect absent a clear signal from Congress to the contrary.¹⁶⁷ The bases for this presumption are the potential conflict with another nation’s law, international comity, choice-of-law concerns, congressional intent, and separation of powers.¹⁶⁸ The Supreme Court has applied the presumption in a variety of circumstances, such as the Foreign Sovereign Immunities Act,¹⁶⁹ the Federal Tort Claims Act,¹⁷⁰ and the Immigration and Nationality Act.¹⁷¹

Courts, however, have not uniformly applied the presumption against extraterritorial reach of U.S. laws. In some contexts, courts have been willing to extend the reach of U.S. law abroad, with little or no discussion of the presumption.¹⁷² For example, instead of applying the presumption, courts have used an “effects” test when analyzing the

by the effects of a given activity, and not the location. *Id.* at 124. Thus, activity in the United States that has no domestic effect would not be covered under a congressional statute absent clear congressional intent, whereas conduct taking place entirely abroad that does have domestic effect would be covered. *Id.* at 112, 124. For the purposes of this Article, I will adopt the Mikvian view, which recognizes the traditional view: that conduct in the United States is clearly within the power of Congress to regulate, and which also affords accountability for activities, the effects of which are directed toward the United States.

¹⁶⁵ *EEOC v. Arabian American Oil Co. (Aramco)*, 499 U.S. 244, 248 (1991).

¹⁶⁶ *Id.* (quoting *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949)).

¹⁶⁷ *Id.* at 248; see also Elizabeth Chien-Hale, *Asserting U.S. Intellectual Property Rights in China: Expansion of Extraterritorial Jurisdiction?*, 44 J. COPYRIGHT SOC’Y U.S.A. 198, 204 (1997).

¹⁶⁸ See generally Bradley, *supra* note 91, at 513-17. Commentators have criticized the presumption and these bases underlying it. *Id.* at 517; see, e.g., Jonathan Turley, “When in Rome”: *Multinational Misconduct and the Presumption Against Extraterritoriality*, 84 NW. U. L. REV. 598, 634-38 (1990).

¹⁶⁹ *Argentine Republic v. Amerada Hess Shipping Corp.*, 488 U.S. 428, 440-41 (1989).

¹⁷⁰ *Smith v. United States*, 507 U.S. 197, 203-04 (1993).

¹⁷¹ *Sale v. Haitian Ctrs. Council, Inc.*, 509 U.S. 155, 173-74 (1993). See generally Dodge, *supra* note 164, at 87.

¹⁷² Bradley, *supra* note 91, at 518 (“[C]ritics of the presumption point out that the courts have construed several federal statutes as having extraterritorial effect despite the absence of clear extraterritorial language. This is evidence, they argue, of an erosion of the presumption in U.S. law.”); Dodge, *supra* note 164, at 99 (“Rather, *Alcoa* and the other decisions that Souter and Scalia relied on simply ignored the presumption against extraterritoriality, as Justice Souter did in *Hartford*.”); John Patrick Kelsh, Note, *Subafilms, Ltd. v. MGM-Pathe Communications Co., the Berne Convention, and the Extraterritorial Application of the Copyright Act*, 90 NW. U. L. REV. 1839, 1855 (1996) (“American courts have generally ignored the presumption against extraterritoriality in antitrust cases.”).

extraterritorial implications of antitrust law.¹⁷³ Specifically, “the Sherman Act applies to foreign conduct that was meant to produce and did in fact produce some substantial effect in the United States.”¹⁷⁴ Thus, in the antitrust context, both intent and actual harm is required,¹⁷⁵ but the locus of such activities can be completely abroad so long as the effect is in the United States. The “effects” test has developed without reference to any presumption against extraterritoriality.¹⁷⁶

Courts have used a similar “effects” test in addressing the extraterritorial application of U.S. securities law. Courts have reasoned that extraterritorial application of U.S. securities law is necessary “to protect domestic investors who have purchased foreign securities on American exchanges and to protect the domestic securities market from the effects of improper foreign transactions in American securities.”¹⁷⁷ The foci in the securities context, as in antitrust, are the intent to produce, and actual production of, detrimental effects within the United States.¹⁷⁸ Ironically, this extension of securities law took place in the face of statutory language that explicitly limited the Securities Exchange Act’s reach to acts within the United States.¹⁷⁹

Trademark law in the United States undeniably can apply to activities abroad. It is well established that the Lanham Act¹⁸⁰ applies extraterritorially.¹⁸¹ The Supreme Court, noting that the Lanham Act “confers broad jurisdictional powers upon the courts of the United States,”¹⁸² concluded that Congress’ definition of “commerce” in the Lanham Act encompasses “all commerce which may lawfully be regulated by Congress,”¹⁸³ including extraterritorial conduct.¹⁸⁴ In

¹⁷³ *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 796 (1993); see Chien-Hale, *supra* note 167, at 204.

¹⁷⁴ *Hartford Fire*, 509 U.S. at 796 (discussing Sherman Act, 15 U.S.C. §§ 1, 2 (1994)).

¹⁷⁵ Chien-Hale, *supra* note 167, at 204.

¹⁷⁶ Kelsh, *supra* note 172, at 1856.

¹⁷⁷ *Schoenbaum v. Firstbrook*, 405 F.2d 200, 206 (2d Cir. 1968), *overruled on other grounds*, 405 F.2d 215 (2d Cir. 1968) (en banc).

¹⁷⁸ See *id.* at 206, 208-09; *Bersch v. Drexel Firestone, Inc.*, 519 F.2d 974, 988-89 (2d Cir. 1975); see also Phanesh Koneru, *The Right “To Authorize” in U.S. Copyright Law: Questions of Contributory Infringement and Extraterritoriality*, 37 IDEA 87, 117-18 (1996).

¹⁷⁹ Kelsh, *supra* note 172, at 1856-57.

¹⁸⁰ 15 U.S.C. §§ 1051-1129 (2000); 15 U.S.C.A. §§ 1141-1141n (West Supp. 2003) (implementing Madrid Protocol).

¹⁸¹ See *Steele et al. v. Bulova Watch Co.*, 344 U.S. 280, 286-87 (1952); see also Chien-Hale, *supra* note 167, at 206-07.

¹⁸² *Bulova Watch*, 344 U.S. at 283.

¹⁸³ *Id.* at 284 (quoting 15 U.S.C. § 1127).

¹⁸⁴ *Id.* at 287 (“We do not deem material that petitioner affixed the mark ‘Bulova’ in

determining jurisdiction in trademark cases, the courts, similar to the approach used in antitrust law, consider the effect on U.S. commerce, the citizenship of the offender, and the existence of conflicts between U.S. and foreign law.¹⁸⁵ The courts' opinions, however, make no reference to the presumption against extraterritoriality.¹⁸⁶

The somewhat inconsistent state of the law with respect to the presumption against extraterritorial application of U.S. law does not help elucidate the scope of the new "offer to sell" version of infringement. Undisputedly, U.S. patent law is domestic in scope. The Patent Act itself limits infringement to acts within the United States.¹⁸⁷ The Supreme Court has also stated that the domestic nature of U.S. patent law is a constitutional limitation on Congress' power.¹⁸⁸ The requirement that the "offer" be in the United States does provide a domestic nexus to the United States, however, and arguably eliminates any consideration of the presumption.¹⁸⁹ Given the lack of guidance in the legislative history and the ambiguous statutory language, the presumption should not be conclusive as to the extraterritorial reach of "offers to sell," and the appropriate scope merits further discussion. The following subparts identify three potential options: (1) the contemplated sale must occur in the United States; (2) merely the offer must occur in the United States; or (3) assessing infringement will depend on the laws of the country in which the sale will be completed.

1. Option One: Contemplated Sale Must Occur in United States for Infringement — the Current Trend in the Courts

Although the discussion of "offer to sell" infringement in the case law and in the literature has been scant, this issue is one that has drawn some

Mexico City rather than here, or that his purchases in the United States when viewed in isolation do not violate any of our laws. They were essential steps in the course of business consummated abroad; acts in themselves legal lose that character when they become part of an unlawful scheme.") (citations omitted).

¹⁸⁵ Chien-Hale, *supra* note 167, at 207; Koneru, *supra* note 178, at 120. *But see* Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 365-69 (4th Cir. 2003) (applying U.S. trademark law without applying balancing test and instead solely applying statutory interpretation of 15 U.S.C. § 1127).

¹⁸⁶ Bradley, *supra* note 91, at 533.

¹⁸⁷ See 35 U.S.C. § 271(a) (2000) (requiring that all acts that constitute infringement occur "in the United States").

¹⁸⁸ Brown v. Duchesne, 60 U.S. (19 How.) 183, 195 (1856) (holding that power under Intellectual Property Clause "is domestic in its character, and necessarily confined within the limits of the United States").

¹⁸⁹ Cf. *supra* notes 98-121 and accompanying text.

attention. While the Federal Circuit has not expressly addressed the issue, a district court and a number of commentators have discussed the extraterritorial implications of "offers to sell." They generally have followed the aforementioned presumption and rejected extraterritorial application of "offer to sell" infringement.

Commentators have argued for limiting the reach of offers to sell because of the hesitancy to apply U.S. patent law extraterritorially.¹⁹⁰ Additionally, because of the historical antipathy towards patents, these authors consider a narrow interpretation of section 271(a)'s infringement provisions to be appropriate.¹⁹¹ In fact, one commentator has read the statute so narrowly as to require not only that the offer be in the United States, but also that the contemplated completed sale would infringe, i.e., that the sale *itself* would be in the United States and would be covered by the patent.¹⁹²

Because Congress added the "offer to sell" language for reasons of international harmonization, the courts and commentators have turned to the laws of other countries for additional support and insight. For example, the United Kingdom limits infringement for offers to sell to those offers in which the contemplated sale will occur within the country of protection.¹⁹³ The following subsections will evaluate Option One in light of a variety of sources, including presently developing case law and by comparison to an analogous provision in copyright law, the authorization right.

a. Federal Circuit and District Court Case Law

The case law on this issue is slowly beginning to evolve. While the Federal Circuit has yet to address the issue directly, Judge Newman, in a concurring opinion, expressed her view that infringing offers to sell must only contemplate domestic sales. Concurring in *Rotec Industries, Inc. v. Mitsubishi Corp.*,¹⁹⁴ Judge Newman notes that there can be no

¹⁹⁰ See Edwin D. Garlepp, *An Analysis of the Patentee's New Exclusive Right to "Offer to Sell,"* 81 J. PAT. & TRADEMARK OFF. SOC'Y 315, 326-27 (1999); Robert Ryan Morishita, Note, *Patent Infringement After GATT: What is an Offer to Sell?*, 1997 UTAH L. REV. 905, 915 (1997).

¹⁹¹ Morishita, *supra* note 190, at 915. *But see* Holbrook, *Threat of Sale*, *supra* note 11, at 799 (arguing that antipathy is inappropriate in modern setting).

¹⁹² Morishita, *supra* note 190, at 911.

¹⁹³ Garlepp, *supra* note 190, at 326-27 (noting that analogous "disposing of" language in United Kingdom requires disposing to occur within U.K.); Morishita, *supra* note 190, at 915 (same); *see also* Gerber Garment Tech. Inc. v. Lectra Sys. Ltd., 1995 WL 1082938, 1995 R.P.C. 383 Chancery Division (Patents Court 1995).

¹⁹⁴ 215 F.3d 1246, 1258 (Fed. Cir. 2000) (Newman, J., concurring).

infringement when “no offer for sale was made whereby the sale itself could infringe the United States patent.”¹⁹⁵ The basis for her conclusion is section 271(i), which defines an “offer to sell” as one “in which the sale will occur before the expiration of the term of the patent.”¹⁹⁶ According to Judge Newman, “[b]y requiring that the actual sale of the thing [being] offered will occur before the patent expires, the statute makes clear that the sale must be one that will infringe the patent.”¹⁹⁷ Thus, in Judge Newman’s opinion, section 271(i) answers the question of the extraterritorial application of “offer to sell” infringement.¹⁹⁸

Two district courts have squarely addressed this issue, concluding, in accordance with Judge Newman, that such infringing offers are limited to those that contemplate a domestic sale. In *Quality Tubing, Inc. v. Precision Tube Holdings Corp.*,¹⁹⁹ the Southern District of Texas was faced with an offer made in Houston, Texas, to deliver a product in Scotland and Norway, for use in Norway.²⁰⁰ The court recognized the ambiguity in section 271(a), stating:

The issue is whether these provisions forbid: (1) an offer to sell a patented invention in the United States; or (2) an offer, in the United States, to sell a patented invention. Under the first interpretation . . . the phrase “within the United States,” qualifies “offer to sell.” This interpretation requires the offer to be made within the United States and to contemplate a sale within the United States. Under the second interpretation . . . the phrase, “within the United States,” qualifies only the word “offer.” Under this interpretation, an offer can be an act of infringement if the offer is made within the United States, regardless of where the contemplated sale will take place.²⁰¹

The court identified two key considerations in addressing this issue. First, the United States patent laws generally do not have extraterritorial effect.²⁰² Second, section 271(i) of the Patent Act limits coverage of an infringement via an offer to sell to those “in which the sale will occur before the expiration of the term of the patent.”²⁰³ Thus, the court

¹⁹⁵ *Id.*

¹⁹⁶ 35 U.S.C. § 271(i) (2000).

¹⁹⁷ *Rotec*, 215 F.3d at 1259 (Newman, J., concurring).

¹⁹⁸ *Id.*

¹⁹⁹ 75 F. Supp. 2d 613, 614 (S.D. Tex. 1999).

²⁰⁰ *Id.* at 625.

²⁰¹ *Id.* at 614-15.

²⁰² *Id.* at 618.

²⁰³ *Id.* at 619 (quoting 35 U.S.C. § 271(i)).

concluded that section 271(i) “contemplates that an infringing sale will occur, but does not require that the patent holder wait for the sale before suing for patent infringement.”²⁰⁴ In other words, Congress intended to “push back the point in time at which the competitors’ activity is an act of infringement,” so the entire act — the offer and the contemplated sale — must both be infringing activity.²⁰⁵ Accordingly, given the presumption against extraterritorial application²⁰⁶ and the court’s view of section 271(i) as contemplating only offers to sell for which the later sale would itself infringe,²⁰⁷ the court concluded that there is no infringement unless the contemplated sale is to take place in the United States.²⁰⁸ Accordingly, the court granted summary judgment of noninfringement because the sale contemplated in the offer was to be completed outside of the United States.²⁰⁹

Subsequently, another district court adopted the reasoning of the *Quality Tubing* decision. In *Cybiotronics, Ltd. v. Golden Source Electronics, Ltd.*, the Central District of California confronted what was arguably an offer in New York to sell patented telephone identification technology in Hong Kong.²¹⁰ The court first recognized that there was no binding Federal Circuit precedent regarding this issue.²¹¹ In the absence of such guidance, the court relied extensively upon the *Quality Tubing* reasoning, finding it “highly persuasive.”²¹² The court agreed with *Quality Tubing* that section 271(a) did not afford a new substantive basis for liability and instead only allows patentees to sue for infringement sooner, without having to wait for consummation of the sale.²¹³ Liability for offering to

²⁰⁴ *Id.* at 624.

²⁰⁵ *Id.* This analysis is very similar to that of Judge Newman in her *Rotec* concurrence. See *Rotec*, 215 F.3d at 1259-60 (Newman, J., concurring).

²⁰⁶ *Quality Tubing*, 75 F. Supp. 2d at 625.

²⁰⁷ *Id.* at 624 (“[T]he expansion of the statute to include the earlier stage of an infringing activity, the offer to sell as well as the actual sale, means that the sale for which the offer is made must itself be an act of infringement. If it were sufficient to have an offer, in the United States, to sell in a foreign country, the sale offered would not be an act of infringement, and the offer to sell would not be an earlier stage of an infringing activity.”).

²⁰⁸ *Id.* at 625 (“This construction does not expand the territorial jurisdiction of the United States patent laws and does not inhibit the ability of American companies to compete abroad.”).

²⁰⁹ *Id.*

²¹⁰ 130 F. Supp. 2d 1152, 1167-71 (C.D. Cal. 2001).

²¹¹ *Id.* at 1170 (“The only case that directly presented the question of hinging liability on an ‘offer to sell’ goods that would not end up in the United States, *Rotec Industries, Inc.*, did not decide the question presently before the Court because it found no (admissible) evidence of an ‘offer to sell’ made ‘within the United States.’”).

²¹² *Id.*

²¹³ *Id.* at 1171.

sell an invention, therefore, is contingent upon an infringing actual sale, which can only happen if the sale is in the United States.²¹⁴ Consequently, the court concluded that “the ‘offer to sell’ language was *not* intended to (and could not) extend the protection of a U.S. patent to allow the patentee to also prevent sales taking place in other countries.”²¹⁵ The court therefore held that section 271(a) does not apply to offers to sell where the actual sale would take place outside of the United States, and granted summary judgment of noninfringement on that issue.²¹⁶

The general weight of authority, both scholarly and judicial, favors limiting the “offer to sell” infringement to those offers that contemplate a sale in the United States. Drawing support from section 271(i), courts have reasoned that Congress intended only to allow patentees to stop infringing activity at an earlier period of time. Thus, the contemplated sale must also be infringing for the offer itself to infringe and, therefore, the sale must be within the United States.

b. Analogies From Copyright Law — the Right to Authorize the Making of Copies

Because, as previously noted, much of the discussion regarding the international implications of intellectual property law has occurred in the area of copyright law, unsurprisingly, the Copyright Act affords an interesting comparison to infringing offers to sell.²¹⁷ The Copyright Act includes “authorization” of a copy of a work as a form of copyright infringement.²¹⁸ Recent debate in copyright law has focused on the extraterritorial application of this exclusive right. Consideration of this more developed judicial discourse sheds additional light onto the issue of the extraterritorial reach of patent infringement by offers to sell.

Section 106 of the Copyright Act affords the owner of the copyright “the exclusive rights to do and to *authorize*” any of several enumerated acts.²¹⁹ The question arises as to whether a *domestic* authorization to

²¹⁴ *Id.*

²¹⁵ *Id.*

²¹⁶ *Id.* at 1171, 1173. The court also granted summary judgment of noninfringement on all of the patentee’s claims. *Id.* at 1176-77.

²¹⁷ See *supra* notes 6-13 and accompanying text.

²¹⁸ 17 U.S.C. § 106 (2000).

²¹⁹ *Id.* § 106 (emphasis added). Specifically, section 106 affords the copyright owner the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;

perform any of the enumerated acts *abroad* also constitutes copyright infringement. For example, paragraph (1) of section 106 provides the exclusive right “to reproduce the copyrighted work in copies or phonorecords.”²²⁰ What is the effect, then, if the authorization is given in the United States to reproduce a copyrighted item in China? The comparison to offer to sell infringement thus becomes clear: is a domestic offer to sell an invention abroad infringement under the Patent Act? Like the “offer to sell” provision, Congress did not define “authorization,” and the courts have yet to articulate a test.²²¹

The extraterritorial effect of domestic authorization of acts abroad that would infringe the U.S. copyright if performed in the United States, has been litigated. The preeminent opinion dealing with this issue is the Ninth Circuit’s en banc decision in *Subafilms, Ltd. v. MGM-Pathe Communications Co.*²²² In *Subafilms*, the Ninth Circuit concluded that domestic authorization of foreign activities that would violate section 106 if performed domestically was not copyright infringement under the Copyright Act. The court reasoned that the “to authorize” language of section 106 “was not meant to create a new form of liability for ‘authorization’ that was divorced completely from the legal consequences of authorized conduct, but was intended to invoke the

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Id.

²²⁰ *Id.* § 106(1).

²²¹ Koneru, *supra* note 178, at 99 (“The Copyright Act has not defined ‘authorization,’ and apparently no court has made any serious effort to define it. Consequently, ‘authorization’ is an evolving judicial concept in copyright law, and it may be some time before an acceptable definition is formulated.”).

²²² 24 F.3d 1088 (9th Cir. 1994) (en banc).

preexisting doctrine of contributory infringement."²²³ Accordingly, the court concluded that Congress did not intend "to hold a party liable for merely 'authorizing' conduct that, had the *authorizing* party chosen to engage itself, would have resulted in no liability under the Act."²²⁴ The court therefore rejected the argument that an act of domestic authorization alone for foreign activities would be sufficient for infringement liability.²²⁵

This conclusion requires, of course, accepting the notion that the foreign activity could not constitute infringement under the Copyright Act. Thus, the court went on to analyze whether there should be extraterritorial application of the copyright law, i.e., whether the activities outside of the United States that would infringe if performed domestically should nonetheless constitute infringement. The court applied the presumption against extraterritorial application of U.S. law.²²⁶ Recognizing that it is axiomatic that copyright laws have no extraterritorial effect,²²⁷ the court concluded that "[t]here is no clear expression of congressional intent in either the 1976 Act or other relevant enactments to alter the preexisting extraterritoriality doctrine."²²⁸ The Ninth Circuit rejected the "effects" test used in antitrust law, because the cases applying the effects test were, in reality, simply discerning congressional intent.²²⁹

A primary concern in extending domestic laws to extraterritorial acts is the potential conflict between U.S. law and the laws of other nations.²³⁰ The court concluded that this concern "is decisive in the case of the Copyright Act and fully justifies application of the *Aramco* presumption even assuming *arguendo* that 'adverse effects' within the United States 'generally' would require a plenary inquiry into congressional intent."²³¹ Indeed, the court noted that:

In light of the *Aramco* Court's concern with preventing international

²²³ *Id.* at 1092.

²²⁴ *Id.* at 1094.

²²⁵ *Id.* at 1095; *accord* *Seals v. Compendia Media Group*, No. 02 C 0920, 2003 WL 731369, at *4 (N.D. Ill. 2003); *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 634 (S.D.N.Y. 2000); *Nat'l Football League v. Primetime 24 Joint Venture*, 1999 WL 163181, at *4 (S.D.N.Y. Mar. 24, 1999); *Fund-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 1996 WL 724734 at *6 (S.D.N.Y. Dec. 17, 1996).

²²⁶ *See supra* notes 164-88 and accompanying text.

²²⁷ *Subafilms*, 24 F.3d at 1095-96.

²²⁸ *Id.* at 1096.

²²⁹ *Id.*

²³⁰ *Id.* at 1097.

²³¹ *Id.*

discord, we think it inappropriate for the courts to act in a manner that might disrupt Congress's efforts to secure a more stable international intellectual property regime unless Congress otherwise clearly has expressed its intent. The application of American copyright law to acts of infringement that occur entirely overseas clearly could have this effect. Extraterritorial application of American law would be contrary to the spirit of the Berne Convention,²³² and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern. Consequently an extension of extraterritoriality might undermine Congress's objective of achieving "effective and harmonious" copyright laws among all nations.²³³

Accordingly, the Ninth Circuit refused to extend the Copyright Act beyond United States' territory.²³⁴ This consideration of copyright law would support the growing authority that an infringing offer to sell must contemplate a domestic sale in order to infringe, just as a domestic authorization of infringing activity must contemplate domestic infringing activity as defined by section 106 of the Copyright Act.

2. Option Two: Offers in the United States for Sales Outside of the United States Do Infringe

The courts seem to be heading in the direction of limiting offer to sell infringement to offers made in the United States that contemplate sales in the United States. One district court, however, has implicitly suggested that an offer in the United States may be sufficient even if the

²³² The Berne Convention is an international agreement that provides that "[a] work of an American national first generated in America will receive the same protection in a foreign nation as that country accords to the works of its own nationals." *Id.* Thus, the focus of Berne is the implementation of an international copyright regime through the use of *national* copyright law. The *Subafilms* decision arguably respects the national treatment principle by refusing to extend the reach of U.S. copyright law to extraterritorial infringement. Jeffrey Lewis, Note & Comment, *The Yellow Submarine Steers Clear of U.S. Copyright Law: The Ninth Circuit Reexamines the Doctrine of Contributory Infringement*, 18 LOY. L.A. INT'L & COMP. L. REV. 371, 394 (1996). If authorization *alone* is considered an infringing activity, however, then there are no extraterritorial implications because the infringing activity did occur within the United States. See Kelsh, *supra* note 172, at 1849.

²³³ *Subafilms*, 24 F.3d at 1097.

²³⁴ For arguments against the *Subafilms* reasoning, see *infra* notes 263-86. The Ninth Circuit has afforded damages recovery for overseas activity, however. The court will allow "[r]ecovery of damages arising from overseas infringing uses" if "the predicate act of infringement occurring within the United States enabled further reproduction abroad." *Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 149 F.3d 987, 992 (9th Cir. 1998).

sale is to be completed outside the United States, and another district court has expressly adopted this perspective.²³⁵ Additionally, the highly territorial approach of Option One is contrary to the approach used under an analogous provision in patent law — the on-sale bar to patentability under section 102(b).²³⁶ Commentators and other courts also have disagreed with the *Subafilms* approach, suggesting that offers to sell, like authorizations in copyright law, should be afforded greater extraterritorial scope.²³⁷

a. District Court Opinions Allow Infringement for Overseas Sales

Although the Federal Circuit has not expressly addressed the scenario where a domestic offer is made to sell an invention abroad, the district courts have begun to grapple with this issue. Two district court decisions have allowed for the possibility of infringement in these circumstances. The first, *Halmar Robicon Group, Inc. v. Toshiba International Corp.*,²³⁸ dealt with an offer made in Houston, Texas, to sell an allegedly infringing device in Canada.²³⁹ The court denied summary judgment of noninfringement, concluding that “the offer to sell to Chevron was made in Houston, Texas, and not Canada. Therefore, the offer to sell the device to Chevron was an offer to sell within the United States.”²⁴⁰ It was undisputed that the sale contemplated by the offer was to be completed in Canada.²⁴¹ To deny summary judgment, therefore, the court necessarily must have considered infringement possible where the contemplated sale is to occur outside the United States.

Another district court opinion that left open the door for infringement for domestic offers to sell the invention abroad is *Fieldturf, Inc. v. Southwest Recreational Industries, Inc.*²⁴² Here, the district court confronted a defendant who had engaged in substantial domestic activity in order to sell devices abroad that admittedly would infringe if the activity took place in the United States.²⁴³ The accused infringer had “contacted customers, received proposals, sent out quotations, made shipping and customs arrangements, instructed on delivery and installations, and had

²³⁵ See *infra* notes 242-48 and accompanying text.

²³⁶ See *infra* notes 257-62 and accompanying text.

²³⁷ See *infra* notes 263-86 and accompanying text.

²³⁸ 53 U.S.P.Q.2d 1501 (W.D. Penn. Nov. 17, 1999).

²³⁹ *Id.* at 1502.

²⁴⁰ *Id.* at 1504.

²⁴¹ *Id.* at 1502.

²⁴² 235 F. Supp. 2d 708 (E.D. Ky. 2002).

²⁴³ *Id.* at 731-32.

shipped and accepted payment for the pile fabric and flexible backing components of the AstroPlay® product supplied from the U.S.”²⁴⁴ Moreover, the accused infringer met with foreign representatives in the United States who were soliciting offers for the accused device.²⁴⁵ The accused infringer directed quotes, pricing information, and orders to its Texas home office, and faxed offers and acceptances from its U.S. offices to overseas installations.²⁴⁶ All of the relevant sales were to take place outside the United States.²⁴⁷

The court did not rely on the district court cases that previously concluded that offers to sell a device overseas categorically cannot infringe under section 271(a).²⁴⁸ Discussion of *Cybiotronics* or *Quality Tubing* is conspicuously absent from the decision. Instead, the court used the *Rotec* dodge and concluded that the domestic activity in *Fieldturf* did not rise to the level of an offer to sell.²⁴⁹ The court’s language suggests, however, that an offer made in the United States to sell a device overseas could infringe under section 271(a), stating:

This is not to say, however, that certain actions taken within the United States cannot lead to liability for patent infringement for an infringing product otherwise made, used, or sold outside of the United States. § 271(a) is intended to prevent infringers from “generating interest in a potential infringing product to the commercial detriment of the rightful patentee.”²⁵⁰

By recognizing that a party could generate interest in a product in the United States with consequences outside of the United States, the court is implicitly stating that an offer in the United States to sell an invention abroad could constitute infringement under section 271(a).

²⁴⁴ *Id.* at 731.

²⁴⁵ *Id.* at 732.

²⁴⁶ *Id.*

²⁴⁷ *Id.* at 731. The accused infringer had modified its domestic products as a result of a prior settlement agreement. *See id.* at 729 (“The Court finds it quite clear that the Settlement Agreement permits the Defendant to produce its AstroPlay® product, where appropriately modified to contain only a resilient particle infill, within the United States without fear of infringing the ‘283 patent.”).

²⁴⁸ *See supra* notes 199-216 and accompanying text.

²⁴⁹ *Fieldturf*, 235 F. Supp. 2d at 732. This conclusion seems incorrect. Much of the activity was in the United States, and offers were made and accepted in the U.S. office. Indeed, under the “substantial prefatory activity” standard, this likely would constitute an offer to sell in the United States. *See infra* notes 259-62 and accompanying text.

²⁵⁰ *See Fieldturf*, 235 F. Supp. 2d at 731 (quoting *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1379 (Fed. Cir. 1998)).

A more recent district court case, in contrast, has expressly found infringement for a domestic offer that contemplates a foreign sale. The patentee in *Wesley Jessen Corporation v. Bausch & Lomb, Inc.* accused the infringer of violating the district court's injunction against making, using, offering for sale, or selling the patented invention.²⁵¹ The court rejected the defendant's contention that there could be no infringing offers to sell because the sales took place outside of the United States.²⁵² The district court reasoned 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 or be intended to take place in the United States for there to be infringement because of the "offer to sell."²⁵³

Unlike the *Fieldturf* court, the district court in *Wesley Jessen* expressly considered and rejected the conclusions of the district courts in *Cybiotronics*²⁵⁴ and *Quality Tubing*,²⁵⁵ because it viewed the reasoning in those decisions as unpersuasive in light of the Federal Circuit precedent.²⁵⁶

Accordingly, two district courts have allowed for the possibility that an offer made in the United States could infringe a U.S. patent even if the actual sale is to be completed abroad. And the *Wesley Jessen* court has expressly held that such an offer would be infringing. This decision has created a split in authority at the district court level, which the Federal Circuit inevitably will have to address.

b. Sufficient Domestic Prefatory Acts to the Sale — Lessons From the On-Sale Bar

Given the general dearth in specific guidance regarding how to interpret the "offer to sell" provision, a natural place to turn for general

²⁵¹ 256 F. Supp. 2d 228, 230 (D. Del. 2003).

²⁵² *Id.* at 234.

²⁵³ *Id.* at 233-34 (citations omitted).

²⁵⁴ See *supra* notes 210-16 and accompanying text.

²⁵⁵ See *supra* notes 199-209 and accompanying text.

²⁵⁶ *Wesley Jessen*, 256 F. Supp. 2d at 235.

guidance is another aspect of patent law — the on-sale bar to a patent under 35 U.S.C. § 102(b).²⁵⁷ The on-sale bar is a statutorily based limitation on the patentability of an invention. Specifically, an inventor cannot obtain a patent if the “invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States.”²⁵⁸ The relevant question here is whether a domestic offer to sell an invention can invalidate a patent if the parties will consummate the sale abroad.

At present, the only authority on whether offers to sell an invention made in the United States that contemplate an overseas sale can invalidate a patent under section 102(b)'s “on-sale” bar is the Ninth Circuit's decision in *Robbins Co. v. Lawrence Manufacturing Co.*²⁵⁹ In *Robbins*, the Ninth Circuit concluded that, even though the contemplated sale was to take place in Australia, the making of an offer in the United States was sufficient to bring the activity under the purview of U.S. patent law:

Whether or not such a sale is consummated in a foreign country, we hold that the product is “on sale” in the United States, within the proscription of the statute, if substantial activity prefatory to a sale occurs in the United States. An offer for sale, made in this country, is sufficient prefatory activity occurring here, to bring the matter within the statute.²⁶⁰

A patent can thus be invalidated by sales activity in the United States — even if the sale is to be completed abroad — if there has been sufficient

²⁵⁷ See *Lifting Techs., Inc. v. Dixon Indus., Inc.*, No. CV-96-98-M-CCL, 1996 WL 653391, at *3 (D. Mont. Aug. 27, 1996) (relying on on-sale bar precedent to interpret section 271(a)); see also Holbrook, *Threat of Sale*, *supra* note 11, at 770-76 (discussing reliance of on-sale bar and “offer to sell” infringement on each other).

²⁵⁸ 35 U.S.C. § 102(b) (2000). See generally Holbrook, *More Things Change*, *supra* note 51, at 941-55 (discussing history and development of on-sale bar jurisprudence).

²⁵⁹ 482 F.2d 426 (9th Cir. 1973). The Federal Circuit has not squarely addressed this issue. Indeed, district courts have continued to rely on this decision even after the Federal Circuit's creation in 1982. See, e.g., *Linear Tech. Corp. v. Micrel, Inc.*, 63 F. Supp. 2d 1103, 1126 (N.D. Cal. 1999) (“Sales and offers to sell to foreign customers can invalidate a patent if the sale is made in the United States, if the offer is extended from the United States, or if substantial sales activity prefatory to the sale occurs in the United States.” (citing *Robbins*, 482 F.2d at 434)), *aff'd-in-part, rev'd-in-part*, 275 F.3d 1040 (Fed. Cir. 2001); *MDS Assocs. Ltd. P'ship v. United States*, 37 Fed. Cl. 611, 631 (1997) (holding that “if substantial activity prefatory to a sale occurs in the United States,” then activity falls “within the proscription of the statute” (quoting *Robbins*, 482 F.2d at 434); *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 825 F. Supp. 65, 71-72 (D. Del. 1993) (same).

²⁶⁰ *Robbins*, 482 F.2d at 434.

prefatory activity in the United States.²⁶¹

By comparison, the reasoning of *Robbins* suggests that an offer to sell, even if the sale is consummated in a foreign country, should be considered infringement under section 271(a). Although arguably validity under section 102(b) and infringement under section 271 serve two different purposes — assessing whether a patentee should get a patent and protecting a patentee's economic interest in a patent, respectively — both are concerned with the appropriation of an invention's economic value and therefore should be treated in the same manner.²⁶² Prefatory acts in the United States for foreign offers, therefore, could constitute infringement under section 271(a).

c. The Other Side of the Copyright Coin — Criticism of the *Subafilms* Approach and Support for a Broader View of "Offer to Sell" Infringement

In addition to the on-sale bar, a revisit to copyright law is also helpful. The Ninth Circuit in *Subafilms* adopted the rule that authorizations made in the United States to copy an item overseas would not constitute copyright infringement. This rule, however, has not been uniformly endorsed.

Commentators have criticized the *Subafilms* approach as contrary to the plain, unambiguous language of the statute, which notes that the copyright owner has the exclusive right "to authorize" the various activities.²⁶³ Nothing in the statute requires that direct infringement (aside from the authorization) occur in the United States.²⁶⁴ *Subafilms*'s reliance on the terse legislative history is misplaced because the history is

²⁶¹ The continued viability of *Robbins* may be in doubt in light of the Supreme Court's decision in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 69 (1998), and the Federal Circuit's subsequent interpretation of *Pfaff* to require a formal commercial offer to sell a device in order for the on-sale bar to apply. See *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1053 (Fed. Cir. 2001). But see *Holbrook, Threat of Sale*, *supra* note 11, at 780-84 (criticizing requirement of formal commercial offer for on-sale bar to apply).

²⁶² See *Holbrook, Threat of Sale*, *supra* note 11, at 778 ("The value that the patentee extracts from the patent pre-term is the same value that an infringer inappropriately extracts during the patent term — the commercial value of the invention.").

²⁶³ *Kelsh*, *supra* note 172, at 1846 ("The text of the statute offers no basis for the argument that Congress added the words 'to authorize' to the text of the statute for the sole purpose of clarifying the doctrine of contributory infringement."); *Koneru*, *supra* note 178, at 94; Sean A. Monticello, Note, *Subafilms Revisited: The Case for Imposing Liability on Domestic Authorizers of Extraterritorial Copyright Infringements*, 1 J. INTELL. PROP. 101, 108-09 (1999).

²⁶⁴ See 1 PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE, § 6.1 at 706 n.4 (1st ed. 1989).

not particularly clear. Indeed, “[i]t is reasonable to assume that if Congress wished to codify the doctrine of contributory infringement, such a desire would be stated in the legislative history of the Copyright Act, or, at least, Congress would have defined or discussed the doctrine or its relevant terminology.”²⁶⁵ Instead of using the legislative history to clarify an ambiguous statutory provision, the Ninth Circuit has used the murky legislative history to alter the statute’s plain meaning.²⁶⁶

Moreover, the Supreme Court has implicitly suggested that, contrary to *Subafilms*, authorization is an independent form of direct infringement. In *Sony Corp. v. Universal City Studios*,²⁶⁷ the Court noted that “an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.”²⁶⁸ Thus the Supreme Court equated “to do” infringement with “to authorize” infringement and did not characterize the latter as limited to contributory infringement.²⁶⁹ Thus, an act of authorization domestically is copyright infringement within the United States, and the location of the authorized act should be irrelevant to the inquiry.²⁷⁰ All that is relevant is whether the conduct so authorized would have been infringing if it had been committed within the United States.²⁷¹ Domestic authorization alone should be an act of copyright infringement.²⁷²

Even if this act of domestic authorization is viewed as insufficient, commentators have suggested that the court adopted the wrong formula. Instead of reading — or perhaps misreading — the plain language of the

²⁶⁵ Koneru, *supra* note 178, at 94-95; see Kelsh, *supra* note 172, at 1847 (“[I]f Congress’s purpose in amending the Copyright Act had been merely to clarify the doctrine of contributory infringement, it would have done so explicitly.”); Monticello, *supra* note 263, at 109.

²⁶⁶ Kelsh, *supra* note 172, at 1846.

²⁶⁷ 464 U.S. 417 (1984).

²⁶⁸ *Id.* at 435 n.17.

²⁶⁹ See Kelsh, *supra* note 172, at 1849; Koneru, *supra* note 178, at 94.

²⁷⁰ See Kelsh, *supra* note 172, at 1849 (“This statement strongly implies that an illegitimate authorization, in and of itself, is a copyright infringement.”); Koneru, *supra* note 178, at 126-27.

²⁷¹ See Kelsh, *supra* note 172, at 1849 (“If this reading is correct, it is irrelevant whether the authorization is for actions that take place overseas or whether the authorization is ever acted on at all. Extraterritoriality need not be invoked.”); Koneru, *supra* note 178, at 127.

²⁷² See Kelsh, *supra* note 172, at 1849 (“An illegitimate authorization is a violation in and of itself”); Monticello, *supra* note 263, at 129 (“In such a case, a federal court would be holding liable under U.S. law a defendant who committed an infringing act within the territorial jurisdiction of the United States.”). Thus, the five policy considerations identified at *supra* note 168 and accompanying text, are not implicated. Monticello, *supra* note 263, at 130.

statute and the legislative history, the court should have borrowed the effects test from the antitrust, securities, and trademark contexts. That is, the court should have analyzed whether the activities were intended to effect and did effect U.S. businesses.²⁷³

The *Subafilms* approach requires the copyright owner to pursue copyright claims in each individual country in which the copying occurred, a potentially costly endeavor.²⁷⁴ In other words, unless a U.S. court is willing to apply foreign copyright law, the copyright owner may very well be left without a remedy against the infringer. This may be true even though the economic impact upon the infringer is the same, "usurpation of foreign markets."²⁷⁵

In addition to this scholarly criticism, some courts also have rejected the *Subafilms* approach. Although no other regional circuit has addressed the issue, recent district court decisions portend a possible circuit split. The district court in *Curb v. MCA Records, Inc.*²⁷⁶ considered and expressly rejected the Ninth Circuit's analysis of section 106, characterizing the analysis as "peculiar" and "contrary both to well-reasoned precedent, statutory text, and legislative history."²⁷⁷ According to the court, the *Subafilms* decision "reads the authorization right out of the Act in cases of foreign infringement."²⁷⁸ The court reasoned that:

[P]iracy has changed since the Barbary days. Today the raider need not grab the bounty with his own hands; he need only transmit his go-ahead by wire or telefax to start the presses in a distant land. *Subafilms* ignores this economic reality, and the economic incentives underpinning the Copyright Clause designed to encourage creation of new works, and transforms infringement of the authorization right into a requirement of domestic presence by a primary infringer. Under this view, a phone call to Nebraska results in liability; the same phone call to France results in riches. In a global marketplace, it is literally a distinction without a difference.

A better view, and one supported by the text, the precedents, and, ironically enough, the legislative history to which the *Subafilms* court cited, would be to hold that domestic violation of the authorization right is an infringement, sanctionable under the

²⁷³ Koneru, *supra* note 178, at 117.

²⁷⁴ Ginsburg, *supra* note 164, at 596.

²⁷⁵ *Id.* at 598.

²⁷⁶ 898 F. Supp. 586 (M.D. Tenn. 1995).

²⁷⁷ *Id.* at 594.

²⁷⁸ *Id.* at 595.

Copyright Act, whenever the authorizee has committed an act that would violate the copyright owner's § 106 rights.²⁷⁹

The court thus concluded that domestic authorization is an act of infringement whenever the authorizee has committed an act that violates section 106.²⁸⁰

More recently, the district court in *Expeditors International of Washington, Inc. v. Direct Line Cargo Management Services, Inc.*²⁸¹ reached the same conclusion. Reviewing both the *Subafilms* and *Curb* decisions, the court adopted the reasoning of *Curb*, finding it to be "more closely aligned with the language, legislative history, and purpose of the statute."²⁸² The court also reasoned that the *Curb* approach more accurately reflected the "modern age of telefaxes, Internet communication, and electronic mail systems" and prevented allowing "an entity to curtail this right by merely directing its foreign agent to do its 'dirty work.'"²⁸³

The analysis of the relevant district court cases, on-sale bar jurisprudence, and the authorization right of section 106 of the Copyright Act supports expanding "offer to sell" infringement to include foreign sales. The district courts are currently split as to whether domestic offers to sell an invention overseas can infringe. The on-sale bar precedent suggests that offers to sell the invention abroad should be considered within the scope of patent protection so long as the offer was made within the United States. Similarly, the reasoning of the *Curb* and *Expediter's International* courts strongly supports the imposition of liability for a domestic offer to sell even if the contemplated sale takes place abroad. The statutory construction principle used in *Curb* and *Expediter's International* — the plain language of the statute — also applies in the offer to sell context. The statute says that an offer to sell in the United States is an infringement, regardless of where the sale is to be completed.

Moreover, the policy reasons articulated in *Curb* and *Expediter's International* apply with equal force in the patent context. Given the increasingly international marketplace, allowing infringers to so easily

²⁷⁹ *Id.*; see also Monticello, *supra* note 263, at 115 ("If, however, someone else can improperly authorize foreign exploitation and reap the rewards with impunity, this may severely hinder the copyright owner's ability to recoup his investment, and the incentive to create will suffer.").

²⁸⁰ *Curb*, 898 F. Supp. at 595.

²⁸¹ 995 F. Supp. 468 (D.N.J. 1998).

²⁸² *Id.* at 477.

²⁸³ *Id.*

escape liability undermines the intellectual property system. If the patentee does not have a patent in the foreign jurisdiction, then allowing infringement for offers made in the United States would help protect that property interest. Even if the patentee does have a patent in the relevant foreign country, allowing suit under these circumstances would allow the patentee to consolidate its lawsuit to a single court — a potentially huge cost-saving measure.²⁸⁴

Finally, the justification used by the Ninth Circuit in *Subafilms* has no application in the context of offer to sell infringement. The Ninth Circuit reasoned that the addition of the authorization language in section 106 was to, in effect, codify liability for contributory infringers.²⁸⁵ Thus, there could only be infringement via a violation of the authorization right if there was a cognizable infringement of one or more of the enumerated rights in section 106 by the authorizee. In the patent context, however, “offer to sell” infringement under section 271(a) has *nothing* to do with contributory infringers.²⁸⁶ Contributory infringement is dealt with expressly in the Patent Act in Sections 271(b) and (c). Thus, it is clear that offer to sell infringement is a new form of direct liability. The language of the statute (that the offer must take place in the United States) and the policy reasons noted above in the context of the authorization cases, such as an increasingly global market, strongly suggest that domestic offers to sell that contemplate a foreign sale *should* be cognizable as a form of direct infringement.

Reliance on section 271(i) to support the conclusion that offers that contemplate foreign sales are not cognizable acts of infringement goes too far. The language of section 271(i) is limited expressly to contemplation of the patent term — only offers that are to be completed during the patent’s term will be considered infringements. The language says nothing of whether the contemplated sale must also be infringing. Had Congress wanted the contemplated sale to also be infringing, Congress could have expressly said so. Instead, Congress seemed to be

²⁸⁴ See Chisum, *supra* note 1, at 610 (“The efficiency and effectiveness of being able to enforce patent rights by bringing suit in a single court, whether in the United States or elsewhere, for patent infringements, wherever they occur, is obvious. The high cost of patent litigation makes the practical concerns more compelling than for parallel copyright or trademark infringement.”).

²⁸⁵ *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (en banc).

²⁸⁶ See Kelsh, *supra* note 172, at 1847 (“Section 271(c) of the Patent Laws explicitly establishes liability for certain individuals labeled ‘contributory’ infringers. In modifying the Copyright Act, however, Congress chose broader language than it had used in the revision of the Patent Laws.”).

concerned with inappropriately extending the term of the patent by allowing recovery for sales outside the patent term, not for noninfringing sales generally. For example, a party could change the product to a noninfringing version after the offer was made. Although the offer would in fact infringe, there would be no infringement under Judge Newman's reasoning because the *actual* sale would not be infringing.²⁸⁷ Thus, to interpret section 271(i) as limiting the offer to sell provision to only those contemplated sales that are themselves infringing reads far too much into the statute, particularly in light of the absence of congressional intent. The plain language of the statute does not support this interpretation.

Thus, the offer to sell provision of section 271 could be interpreted to cover those offers that take place in the United States that contemplate overseas sales. Such an interpretation, in the absence of any congressional intent, gives meaning to the plain language of the statute and reflects the need to protect inventors in an increasingly global market, where protection against only domestic acts may inadequately protect the patentee's pecuniary interests.

3. Option Three: Offers in the United States to Sell Abroad Infringe Depending on the Law of the Foreign Jurisdiction in Which the Sale is Made

The above discussion identified the two traditional views of whether an "offer to sell" that contemplates a foreign sale should infringe, as exemplified in the copyright context of authorization of copies. Presently, a third element is missing from the debate: consideration of the law of the country in which the sale is to be completed. Option Three posits that U.S. courts should consider the law of the country in which the sale is to be completed. This Article offers two approaches — a strict version and a flexible version. The strict version would require that, in order to infringe, the device must also infringe in the foreign country. The flexible rule in contrast balances a variety of factors, including the law of the foreign country, to determine whether a court should find infringement.

Consideration of the law in the foreign country is appropriate given that a finding of infringement would have consequences in that nation. This reality is one of the bases for the presumption against

²⁸⁷ See, e.g., Holbrook, *Threat of Sale*, *supra* note 11, at 795 n.273 (discussing "bait-and-switch" approach by infringers).

extraterritorial application of U.S. laws. Although technically there is no extraterritorial application of U.S. law because the infringer made the offer in the United States, it does not follow that there are no extraterritorial consequences. By analyzing the law of the recipient nation, those interests can be balanced.

This approach also furthers the cross-fertilization of patent law, which could help foster international patent norms. Professor Graeme B. Dinwoodie has superbly articulated this position in the copyright context.²⁸⁸ Professor Dinwoodie contends that international public law-making, like treaties, alone is insufficient to deal with the increasing internationalization of intellectual property. In his view, treaties are retrospective and are too long in the making to address adequately the needs created both by new technologies and by the globalization of trade.²⁸⁹ Moreover, U.S. courts generally apply only U.S. copyright law when addressing a copyright infringement suit, even though the relief granted by the court will have transnational consequences.²⁹⁰ Courts generally apply choice of law doctrine that takes an “either-or” approach to the substantive law — either our law or theirs.²⁹¹ Professor Dinwoodie eschews this approach, instead arguing that national courts should adopt international norms that take into consideration the laws of the countries involved, international treaties, and even conduct in the given field by private actors, such as standards that evolve on the Internet.²⁹² By relying on such a variety of sources, Professor Dinwoodie believes that private law-making can supplement the public law approach mechanisms in a prospective way that is both more agile to deal with new technologies and perhaps more representative than the public law model, such as enforcement through the World Trade Organization’s state-to-state dispute resolution proceedings.²⁹³

²⁸⁸ See Dinwoodie, *New Copyright Order*, *supra* note 3, at 543-57.

²⁸⁹ *Id.* at 492-93.

²⁹⁰ *Id.* at 529-31.

²⁹¹ *Id.* at 534.

²⁹² *Id.* at 552-57.

²⁹³ *Id.* at 569-70. Professor Dinwoodie has identified a number of problems with the current approaches to establishing international standards. For example, the traditional treaty-making process is “slow and unwieldy” due to the variety of perspectives that must be accommodated, tends to be backward-looking, and is unable to adapt to changing circumstances. *Id.* at 492-93. Newer approaches such as TRIPS, which includes a state-to-state dispute settlement procedure has the ability to potentially deal with new technologies by prospective lawmaking by the TRIPS panels. *Id.* at 497-98. The panels, however, are not to be judicial activists and, according to the relevant agreements, should take “a more restrained judicial role,” impeding their ability to adjust to changing circumstances. *Id.* at 503-04. Disputes are country-to-country and not between private parties, which reduces

The “offer to sell” form of infringement allows consideration of such a “substantive law method,”²⁹⁴ although the patent context presents unique issues not attendant in the copyright domain. Congress generally has dealt with extraterritorial applications of U.S. patent law through explicit amendments to section 271,²⁹⁵ unlike the copyright context. Thus, Professor Dinwoodie’s approach has more play in copyright infringement than patent infringement. For offers to sell, however, the ambiguous state of the law provides an opportunity to consider this approach. Moreover, the narrower scope of this proposal could prove useful in its adoption. If viewed as an experimental development in the law, this proposal would not create far-sweeping changes to the state of the law, instead affording time to assess whether the substantive law method is appropriate.

This subpart will consider two possible implementations of a substantive (or quasi-substantive) law method: the sale in the foreign country must infringe under foreign law for there to be liability for an offer to sell, or U.S. courts must at least consider the law of the nation where the offer to sell is to be completed as one factor in assessing whether there should be infringement. For simplicity, these approaches are labeled the absolute approach and the flexible approach, respectively.

a. The Absolute Approach: To Infringe, the Contemplated Sale Must Also Infringe in the Recipient Country

The absolute approach requires not only that the accused device infringe under U.S. law but also under the laws of the country where the sale is to be completed. Undeniably, the infringement law of countries varies, as exemplified by the existence of the doctrine of equivalents in the United States, which may not exist or which may exist in a different form in other nations.²⁹⁶ Other countries may have broader exceptions or defenses to infringement, may preclude forms of patent protection for a

the representation of parties and issues that may be placed before the panels. *Id.* at 505-06. The dispute proceedings also lack transparency. *Id.* These factors all limit the ability of the WTO dispute panels to establish international norms. *Id.*

²⁹⁴ *Id.* at 542.

²⁹⁵ See 35 U.S.C. § 271(f), (g) (2000).

²⁹⁶ Allan M. Soobert, *Analyzing Infringement by Equivalents: A Proposal to Focus the Scope of International Patent Protection*, 22 RUTGERS COMPUTER & TECH. L.J. 189, 201-21 (1996) (comparing varying approaches in European Patent Convention, United Kingdom, Germany, and Japan).

given invention such as gene patents,²⁹⁷ or may require an inventor to “work” the invention or else be subject to a compulsory license.²⁹⁸

This approach limits the extraterritorial scope of the patent rights relative to Option Two. Both Option One and Option Two above are highly U.S.-centric in approach because neither considers the international implications of the offer to sell. Option One, while cabining application of U.S. law strictly to domestic activity, risks being underinclusive, leaving the patentee at risk of being harmed from activities interfering with her patent rights. Option Two, however, risks being overinclusive in that liability may attend acts occurring in a foreign country that would not be infringing there, thus limiting that country’s access to an invention which should be in the public domain under its laws.

Moreover, requiring foreign infringement, in addition to U.S. infringement, will force U.S. courts to consider the patent laws of foreign jurisdictions. This approach would assist in the cross-fertilization of ideas in international patent law, and could help create discussion of various policies that may underlie differences between patent regimes. Such discussions could act to supplement the minimal standards identified in international agreements such as TRIPS, but with greater prospective application and a greater diversity of parties. The particular concerns of a given nation, and perhaps novel, experimental views within that country,²⁹⁹ would be effected as well.³⁰⁰ Although the law of a

²⁹⁷ See, e.g., Linda J. Demaine & Aaron Xavier Fellmeth, *Reinventing the Double Helix: A Novel and Nonobvious Reconceptualization of the Biotechnology Patent*, 55 STAN. L. REV. 303, 375-76 (2002) (noting that European Patent Convention, pursuant to Directive on the Legal Protection of Biotechnological Inventions, does not afford patent protection for human gene sequences).

²⁹⁸ Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 IOWA L. REV. 273, 286 (1991).

²⁹⁹ See John F. Duffy, *Harmony and Diversity in Global Patent Law*, 17 BERKELEY TECH. L.J. 685, 703-09 (2002) (arguing that matching local preferences and encouraging experimentation and innovation counsel against harmonization); cf. Austin, *Domestic Self-Determination*, *supra* note 9, at 1162 (“[T]he territoriality principle — and the possibilities for domestic self-determination it allows — should not come to be regarded as an irritating distraction in the seemingly inexorable drive toward uniform international standards.”); Austin, *Social Policy*, *supra* note 9, at 598 (“Seldom, if at all, is it acknowledged that differences in domestic regimes may be the result of deliberate policy choices about how copyright law may best be shaped to serve the needs of different societies.”); Ginsburg, *International Copyright*, *supra* note 9, at 267 (“National copyright laws are a component of local cultural and information policies.”).

³⁰⁰ See e.g., Dinwoodie, *New Copyright Order*, *supra* note 3, at 510 (criticizing WTO dispute settlement process as failing to account for cultural and identity issues that may be relevant to given country).

foreign jurisdiction may not be easy to discern, certainty would be encouraged because the rule would be set: the invention must infringe in the foreign jurisdiction for there to be liability for an infringing offer to sell. The patentee would bear the burden of proving infringement under the foreign law and would be required to assist the court in ascertaining the law of the relevant jurisdiction.

The absolute approach is much narrower than that espoused by Professor Dinwoodie, whose approach contemplates courts weighing a variety of factors, such as international agreements and private norms along with the law of a country where the infringement occurred.³⁰¹ The absolute approach requires a rigorous application of the foreign country's laws as a prerequisite to infringement liability. If the activity does not infringe under the foreign law, there is no infringement. In contrast, Dinwoodie's approach in the copyright context requires courts to only consider that foreign country's laws. Whether or not the act would be infringing in the foreign jurisdiction, however, is not determinative. It is only one of many relevant factors in the infringement inquiry. As a result, Dinwoodie's approach sacrifices considerable certainty to the parties prior to litigation because they will not know which factors, if any, will be determinative, or whether a court might articulate some type of hybrid standard of infringement.³⁰² In fact, Dinwoodie's methodology admittedly could result in courts applying a standard that represents neither U.S. law nor that of the country in which the sale will be made.³⁰³ The absolute approach would require courts to *follow* the law of both the United States and the foreign country. There is no risk, therefore, of a court ignoring the interest of the foreign nation or trumping that interest pursuant to some sort of policy balancing.

³⁰¹ *Id.* at 552-57.

³⁰² Professor Dinwoodie recognizes the problems of predictability under his approach, but considers them to be a short-term concern — as international standards are developed, then greater certainty will be achieved. *Id.* at 571-72. Given the plethora of considerations that his approach considers, though, such hope may be ill-founded. Indeed, if the laws of a country where an infringement occurs must be considered in each case, then the balancing of factors in each case likely will be different. Under the absolute approach here, the lack of balancing adds considerably more certainty.

³⁰³ *See id.* at 542-43 (“[A] court faced with an international copyright dispute would not necessarily apply the copyright law of a single state to the contested issues. Instead, it would consider whether the international dimension implicated policies of other states or the international copyright system, and develop (and apply) a substantive rule of copyright that best effectuates this range of policies.”).

Of course, domestic courts may not be comfortable with applying the standards of a foreign country.³⁰⁴ The Federal Circuit has expressly noted its reluctance to apply foreign patent law.³⁰⁵ These fears do not justify completely ignoring foreign law, however.³⁰⁶ To the contrary, given the increasingly international nature of intellectual property rights — even patent rights — the great diversity of law necessitates that courts consider foreign laws to ensure that those legal standards are given effect. Such discourse over such a variety of standards would aid in identifying commonalities that would help foster greater international norms. In addition, given the adversarial system of litigation in the United States, courts would have the benefit of the *parties* presenting the law of the foreign jurisdiction. Because the accused infringer is attempting to sell a device in a given country, the accused would likely have some familiarity with the laws of that country. Although there could be a learning curve — and potential language issues — fear or ignorance of applying foreign law is an inadequate justification given the potential benefits that this approach could afford.

In order to consider this permutation of Option Three, two scenarios will be reviewed: where the U.S. patentee has a patent in the relevant foreign country and where the U.S. patentee does not have a patent in

³⁰⁴ See Chisum, *supra* note 1, at 610 (“The decisions question the propriety of having a U.S. court pass on the validity of a foreign patent that was granted by an agency of a foreign country.”); cf. Dinwoodie, *New Copyright Order*, *supra* note 3, at 531 (noting courts’ hesitancy to apply law of foreign jurisdiction); see also Austin, *Domestic Self-Determination*, *supra* note 9, at 1181 n.128 (“In addition, patent laws may raise difficult practical problems, given the diversity of international patent laws, leading to fears that courts in one jurisdiction cannot properly interpret and apply the laws of another jurisdiction.”). Concerns may be further heightened due to issues of sovereignty: because patents are *issued* by a government — as opposed to existing at the creation of an original work — respect for the sovereign interest of the foreign country might discourage domestic courts from considering issues surrounding foreign patents. Austin, *Domestic Self-Determination*, *supra* note 9, at 1181.

³⁰⁵ See, e.g., *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1376 (Fed. Cir. 1994) (noting adjudicating Japanese patent infringement claim would “require the court to resolve complex issues of Japanese procedural and substantive law, a task further complicated by ‘having to agree on the proper translation of laws, documents and other communications,’” and implicating “international comity” by exercising jurisdiction “over a matter involving a Japanese patent, Japanese law, and acts of a Japanese defendant in Japan.”); *In re Kathawala*, 9 F.3d 942, 945 (Fed. Cir. 1993) (rejecting argument that court should look to Greek law regarding validity because it “would place an ‘unrealistic burden’ on the courts and PTO to resolve ‘esoteric legal questions which may arise under the patent laws of numerous foreign countries.’”).

³⁰⁶ In the area of validity, these arguments seem overblown. See Chisum, *supra* note 1, at 610-11 (“In fact, such difficulties [in assessing the validity of a foreign patent] will not often arise. The patentability requirements in other countries are usually more straightforward and less dependent on historic fact than those in the United States.”).

the relevant foreign country.

(1) Patentee Does Not Have a Patent in the Foreign Country

The first scenario is that the U.S. patent holder does not hold a patent in the country where the sale is to take place. The patentee would benefit in this situation because affording infringement liability would plug a seeming hole in the patent system. In a global market, with patents still territorially based, obtaining patent protection in every possible country is a costly endeavor. As a matter of fairness, this approach would allow the patentee to protect the interest in his invention — where there is still a nexus to the United States through the offer — without having to obtain patent protection in every country in the world.

Of course, arguably this approach grants considerable extraterritorial scope to the U.S. patent laws. The activities taking place in the foreign country would not be contravening any rights within the country itself due to the lack of a patent. Thus, patent protection would be extended to activities that, absent the mere negotiation in the United States, would not be considered infringing within that foreign country due to the lack of patent protection. But this problem is also present under Option Two, where the nature of rights or activities in the foreign country are utterly irrelevant to the issue of infringement. Here the scope of the extraterritorial reach of U.S. law would be narrower — the patentee would have the additional hurdle of proving that the activities would infringe in the foreign jurisdiction.

A significant problem with this variation of the absolute approach is the absence of a patent in the foreign jurisdiction to which the infringing device would be compared. A court would have to use the U.S. patent as the basis of comparison, using foreign standards of infringement and validity. Foreign jurisdictions may take a different approach to infringement, such as not having something akin to the doctrine of equivalents to accommodate situations where the infringer has insignificantly altered its device to avoid the literal scope of the patent claims. Moreover, the jurisdiction may have varying laws on eligible subject matter or standards for patentability, such as novelty or nonobviousness (also known as “inventive step” internationally).³⁰⁷ The validity of a U.S. patent assessed under foreign law would seem particularly problematic given that the patent was never prosecuted

³⁰⁷ See TRIPS, *supra* note 8, at art. 27, para. 1.

under the laws of that foreign nation.³⁰⁸

While these complications do invite pause in consideration of this approach, they are not insurmountable. The patentee is being afforded a scope of protection much broader than Option One above, so if there is some narrowing of the scope of the patent as applied in the foreign country, the patentee is still relatively better off. Moreover, concerns about the validity of the patent in the foreign jurisdiction would not risk invalidation of the patent in the United States, so while the patentee would not be able to receive damages from a given infringer, the patentee has not lost the patent, as would be the case domestically. Finally, as the patentee does not have patent protection in the foreign country at all, he is better off under this approach because at least he has the possibility of ensnaring conduct in that country, in contrast to the strict territorial approach.

(2) Patentee Has a Patent in the Foreign Country

A second scenario that might arise concerns the patentee who does have a patent in the relevant country. An even stricter view of the absolute approach would *require* the patentee to have a patent and that the patent be infringed. This requirement would considerably limit the extraterritorial reach of U.S. law — the U.S. court would merely be applying foreign law within the United States, which courts already have the competence to do.³⁰⁹ The problem identified above of having nothing to which the accused device could be compared would be eliminated because the court would be able to compare the accused device to the foreign patent.

In any U.S. patent case, infringement is not the only issue — generally, the validity of the patent is also challenged as a defense to infringement. The scenario considered here raises the issue of whether an accused infringer would be able to avoid liability by demonstrating that the foreign patent is not valid.³¹⁰ The prospect of “double validity” litigation

³⁰⁸ Of course, if the patentee *had* attempted to obtain a patent in the given jurisdiction, and failed on substantive grounds, this would strongly suggest that there should be no infringement because the foreign jurisdiction considered and rejected this invention because it was not patent-worthy.

³⁰⁹ See Chisum, *supra* note 1, at 613-15.

³¹⁰ This proposition seems particularly odd given that many — if not most — foreign jurisdictions relegate assessments of patentability strictly to their patent offices and not to a court. See, e.g., *id.* at 613 (noting that patent validity in Japan can only be challenged in Japanese Patent Office). Thus, a court would be assessing the validity of a foreign patent in this context.

— assessing the validity of both the U.S. and the foreign patent — raises the specter of significantly complex litigation.³¹¹ The prospect of such complexity may make this approach difficult, but assessing the validity of a foreign patent may not be particularly challenging.³¹²

Of course, the patentee under this scenario would not need as much protection in U.S. courts. The patentee has a patent in the given country and thus could simply file an infringement suit there. The approach articulated here, though, may be more efficient in that it would not require the patentee to file suit both abroad and domestically, particularly if the given infringer also has engaged in infringing activity within the United States.

A broader version of this scenario could also be applied. Instead of requiring a foreign patent *in all circumstances* — and thereby precluding infringement under section 271(a) if the patentee does not have a patent in the relevant country — the courts could use the existence of the foreign patent as a useful tool. For example, *if* the patentee has a foreign patent, then it must be infringed in order for there to be infringement under section 271(a). Absence of a foreign patent, however, would not preclude infringement under section 271(a) and the analysis would proceed as discussed under the first scenario.³¹³ This method would better serve the interest in protecting the patentees in an increasingly global market where it may be difficult to obtain a patent in every relevant jurisdiction.

In sum, the absolute approach, requiring that the accused device would infringe in a foreign country, would balance the interests of the patentee and those of the country in which the sale will be completed. Consideration of foreign laws, while perhaps difficult for domestic courts, would afford U.S. courts the opportunity to learn about foreign approaches to patent law, hopefully adding insight to our own laws, transplanting useful policies and ideas, and helping to establish international standards in the process.

³¹¹ A court could also stay proceedings until the foreign jurisdiction's courts or patent office had ruled on the validity of the patent. *See id.* at 613.

³¹² *See id.* at 610-11. For example, the United States is the only jurisdiction that retains a "first-to-invent" system for establishing who is entitled to a patent, whereas the rest of the world uses a "first-to-file" approach. *See Seifert, supra* note 17, at 198. Accordingly, demonstrating invalidity in the United States based on inventorship would be much more factually intensive than in a foreign jurisdiction, where the issue simply is who filed first.

³¹³ *See supra* note 308 and accompanying text.

b. The Flexible Approach: Courts Should Balance Competing Interests of the United States and the Recipient Country

The flexible approach would not require infringement under the foreign law, but instead would approach the analysis more like a conflict of law issue. Instead of choosing one law or the other, the court would weigh both the U.S. law, the foreign law, international considerations, and other sources relevant in assessing whether finding infringement would be appropriate. The flexible approach more closely reflects the view espoused by Professor Dinwoodie for copyright infringement, although admittedly on a narrower scale — it would only apply in the patent context for offers to sell, not infringement generally.

The flexible approach would encourage a dialogue and discourse on international patent law and policy, similar to the absolute approach. Additionally, given the rule's flexibility, whether or not the patentee has a patent in the given jurisdiction likely would only be one consideration in determining whether there is infringement. The rule also would give the court greater flexibility to guard against seemingly unjust results. Of course, that flexibility could also be used to allow the courts to simply adhere to domestic U.S. law if the courts routinely decide that the interest in applying solely U.S. law trumps all other considerations.

An enormous problem with this approach is uncertainty. If the court is to articulate a decision based on balancing policy interests of the United States versus a variety of sources, then it would be difficult for litigants to know in advance what the outcome would be.³¹⁴ Although Professor Dinwoodie addresses this concern,³¹⁵ it is more pronounced and highly problematic in the patent context given the diversity in national patent laws across the world. In the long term, hopefully international norms would develop that would eliminate or at least mitigate this concern. In the short term (and seemingly, the short term could last a long time), the lack of certainty would seem to be a considerable obstacle to the use of this approach, particularly in light of the well-known policy interest in promoting certainty in patent law.³¹⁶

³¹⁴ See *supra* notes 301-03 and accompanying text.

³¹⁵ See *supra* note 299 and accompanying text.

³¹⁶ See, e.g., *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.* 234 F.3d 558, 575 (Fed. Cir. 2000) (en banc) (adopting absolute bar for prosecution history estoppel in interest of promoting certainty), *rev'd*, 535 U.S. 722 (2002); *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65-66 (1998) ("A rule that makes the timeliness of an application depend on the date when an invention is 'substantially complete' seriously undermines the interest in certainty."); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39 n.8 (1997) (leaving to Federal Circuit ways to improve certainty in doctrine of equivalents); *Markman v.*

The flexible approach would provide for consideration of a greater number of sources in assessing whether there should be infringement, in contrast to the absolute rule where only the law of the foreign country would be considered. As such, the flexible rule would afford a greater opportunity for analysis and dissemination of a variety of policies and theories that underlie patent law. In the end, however, it might deny consideration of the law of the foreign country in which the sale is to be completed in the name of a greater patent law "truth." Given a domestic court's predisposition to apply law and policy with which it is familiar, i.e., U.S. law, the flexible approach risks a bias skewed towards the U.S. principles of patent law. The absolute approach, in contrast, would more readily guard against such bias.

C. Evaluating the Options

The options articulated in this Article provide interesting contrasts to each other. Option One would strictly confine U.S. patent law to a harsh, territorial approach. This approach risks exposing the patentee to losses in the world market. Option Two would protect the patentee, but at the expense of extending domestic U.S. law abroad into activities occurring outside the United States. Option Three, giving consideration to the foreign jurisdiction, would seem to balance these interests. The absolute rule would provide a balance between U.S. and foreign laws without creating the uncertainty of the flexible approach. While there likely will be added complexity to litigation involving either of the approaches under Option Three, these difficulties would be a reasonable price to pay for increased dialogue on international patent standards, that could lead to more consistency in the international application of intellectual property laws. The absolute approach would provide this dialogue without undermining certainty to the extent that the flexible approach would.

CONCLUSION

There is no denying that the marketplace is increasingly global in nature. Intellectual property rights, however, remain tied to territorial views of rights that seem ever more antiquated with each passing year. Domestic patent law does take into account levels of international activity, perhaps more than most realize. With the increasing

Westview Instruments, Inc., 517 U.S. 370, 390-91 (1996) (discussing need for uniformity and certainty in claim construction).

internationalization of patent law occurring, the use of infringement via offers to sell an invention provides a unique opportunity to engage the world community. Option Three discussed above would provide the opportunity for U.S. courts to consider and weigh international patent standards. This consideration hopefully would provide new insights into domestic law and policy that will allow our system to more readily adapt to this increasingly global market. As Professor Chisum has noted, “two developments — the 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.”³¹⁷ The proposals made in this Article would help to alleviate those concerns by providing a balanced method through which to protect the interests of the affected countries.

³¹⁷ Chisum, *supra* note 1, at 616.
