

03-1615

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

NTP, INC.,

Plaintiff-Appellee,

v.

RESEARCH IN MOTION, LTD.,

Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of
Virginia in Case No. 01-CV-767,
Judge James R. Spencer

**THE CANADIAN CHAMBER OF COMMERCE'S BRIEF
AMICUS CURIAE IN SUPPORT OF COMBINED PETITION
FOR PANEL REHEARING AND REHEARING *EN BANC***

August 23, 2005

Philip C. Swain
Denise W. DeFranco
Carla Miriam Levy
FOLEY HOAG LLP
155 Seaport Blvd.
Boston, MA 02210
617-832-1000 (Telephone)
617-832-7000 (Facsimile)

Counsel for *Amicus Curiae*
Canadian Chamber of
Commerce

CERTIFICATE OF INTEREST

Counsel for *amicus curiae* CANADIAN CHAMBER OF COMMERCE certifies the following:

1. The full name of every party represented by us is: CANADIAN CHAMBER OF COMMERCE.

2. The name of the real party in interest represented by us is: CANADIAN CHAMBER OF COMMERCE.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of this *amicus curiae* represented by us is: None.

4. The names of all law firms and the partners or associates who are expected to appear for this *amicus curiae* in this court are: Foley Hoag LLP, Philip C. Swain, Denise W. DeFranco, Carla Miriam Levy.

August 23, 2005

TABLE OF CONTENTS

Certificate of Interest.....	i
Table of Contents	ii
Table of Authorities	i ii
Rule 35(b) Statement of Counsel.....	1
Statement of Interest	1
Summary of Argument.....	2
Argument.....	3
I. The Panel Decision Creates Confusion by Establishing Different Tests for Infringement of System Claims Vis-à-vis Method Claims Where Some of the Allegedly Infringing Activity Occurs Outside of the United States	3
II. The Panel Decision Inappropriately Relies on <i>Decca</i> , Which If Truly Applicable Should Be Overruled.....	7
III. The Panel Decision Ignores the Supreme Court’s Canon of Construction Respecting Comity	8
Conclusion.....	9
Certificate of Service.....	11

TABLE OF AUTHORITIES

CASES

<i>Atlantic Thermoplastics Co., Inc. v. Faytex Corp.</i> , 970 F.2d 834 (Fed. Cir. 1992).....	5
<i>Decca, Ltd. v. United States</i> , 544 F.2d 1070 (Ct. Cl. 1976).....	2, 7, 8
<i>Deepsouth Packing Co., Inc. v. Laitram Corp.</i> , 406 U.S. 518 (1972).....	2, 7, 8
<i>Eolas Techs. Inc. v. Microsoft Corp.</i> , 399 F.3d 1325 (Fed. Cir. 2005).....	4, 6
<i>F. Hoffman-La Roche Ltd. v. Empagran S.A.</i> , 542 U.S. 155, 124 S. Ct. 2359 (1994).....	3, 9
<i>Hartford Fire Ins. Co. v. Cal.</i> , 509 U.S. 764 (1993).....	8
<i>Scripps Clinic & Research Found. v. Genentech, Inc.</i> , 927 F.2d 1565 (Fed. Cir. 1991).....	5
<i>Zodiac Pool Care, Inc. v. Hoffinger Indus., Inc.</i> , 206 F.3d 1408 (Fed. Cir. 2000).....	6

STATUTES

28 U.S.C. § 1498.....	7
35 U.S.C. § 100(b).....	4
35 U.S.C. § 271(a).....	passim

OTHER AUTHORITIES

Curtis A. Bradley, <i>Extraterritorial Application of U.S. Intellectual Property Law</i> , 37 Va. J. Int'l L. 505 (1997).....	9
Donald S. Chisum, 3 <i>Chisum on Patents</i> § 8.05 (2005).....	4

Robert C. Faber, *Landis on Mechanics of Patent Claim Drafting* § 36 (4th ed. 2002)..... 4

Letter from Michael Kantor, United States Trade Representative, to Representative John D. Dingell (September 29, 1993), *reprinted in* House Energy & Commerce Committee Report *available at* <http://www.customs.ustreas.gov/nafta/hec000b.htm>..... 8

The North American Free Trade Agreement, December 17, 1992, U.S.-Can., 32 I.L.M 289, Chapter 17, Article 1703(1)..... 7

Rule 35(b) Statement Of Counsel

Based on our professional judgment, we believe this appeal requires an answer to the following precedent-setting question of exceptional importance: Whether § 271(a) of the patent statute is properly construed to have an extraterritorial effect, and whether that effect can be different for system claims and method claims.

Statement of Interest

The Canadian Chamber of Commerce (the “Canadian Chamber”) is a not-for-profit organization that, together with its affiliated Chambers of Commerce and Boards of Trade across the country, represents more than 170,000 members including businesses of all sizes and from all sectors and all regions of Canada. Petitioner Research in Motion, Ltd. (“RIM”) is a member of the Canadian Chamber. RIM is among many members of the Canadian Chamber in the technology sector and all members of the Canadian Chamber are engaged in or with that sector of the economy. Therefore, the questions at issue in this appeal affect the business interests of all Canadian Chamber members. The mission of the Canadian Chamber is to foster strong, competitive, and profitable economic environments that benefit its members.

Canadian businesses are increasingly global in their commercial dealings, especially in light of the explosive growth of international electronic commerce. Accordingly, the Canadian Chamber is interested, on behalf of its members, in ensuring comity and balanced treatment in the laws affecting commerce between Canada and other countries, including the United States. One area of particular

interest to the Canadian Chamber is the competition law and intellectual property laws that affect its members. The Canadian Chamber's interest in this case arises from the extraterritorial application of U.S. patent laws to hold a Canadian business liable for activities occurring at least partially within Canada.

Summary of Argument

In deciding whether an infringing use of a claimed invention can occur when a portion of the accused infringer's activity occurs outside the United States, the panel in this case established an artificial distinction between system claims and process claims: Use of a claimed process is never infringing under 35 U.S.C. § 271(a) if a single step of the process is performed outside the United States, while use of a claimed system may infringe even if an element of the system is located outside the United States, so long as "control of the system is exercised and beneficial use of the system obtained" within the United States. Slip op. at 56.

This distinction between system claims and process claims is inconsistent with the established principle of patent law that infringement must be determined on a limitation-by-limitation basis, and creates confusion for businesses attempting to comply with United States patent law. Further, the panel's decision on system claims accords extraterritorial reach to 35 U.S.C. § 271(a) for the first time, contrary to Supreme Court precedent, *Deepsouth Packing Co., Inc. v. Laitram Corp.*, 406 U.S. 518 (1972). The panel found support for its test in the Court of Claims' ruling in *Decca, Ltd. v. United States*, 544 F.2d 1070 (Ct. Cl. 1976). If *Decca* is truly controlling, this case should be taken *en banc* to reconcile it with

Deepsouth's presumption against reading the patent statute to apply extraterritorially and with canons of construction respecting comity as described in *F. Hoffman-La Roche Ltd. V. Empagran S.A.*, 542 U.S. 155, 124 S. Ct. 2359 (1994).

Argument

I. The Panel Decision Creates Confusion by Establishing Different Tests for Infringement of System Claims Vis-à-vis Method Claims Where Some of the Allegedly Infringing Activity Occurs Outside of the United States.

In its revised decision, the panel analyzed whether use of a claimed system or method occurred “within the United States” as required for a finding of infringement under 35 U.S.C. § 271(a). The panel concluded that such analysis should differ for different types of claims, and established two distinct tests, one for use of claimed systems and the other for use of claimed processes:

- **System claims:** “[T]he use of a claimed system under section 271(a) is the place at which the system as a whole is put into service, *i.e.* the place where control of the system is exercised and beneficial use of the system obtained.” Slip op. at 56.
- **Process claims:** “[A] process cannot be used ‘within’ the United States as required by section 271(a) unless each of the steps is performed within [the United States].” *Id.* at 58.

Under the panel’s decision, use of a claimed *system* can occur “within the United States” within the meaning of § 271(a), even when one or more elements of the claimed system are located outside the territorial bounds of the United States,

based on the vague standard of where the “beneficial use of the system obtained.” Slip op. at 56. For use of a claimed *process*, however, if even a single limitation occurs outside the territorial boundaries of the United States, there is no infringement “within the United States” under § 271(a).

Drawing such a distinction between system claims and process claims leads to confusing and unintended consequences. For a foreign business trying to avoid infringing United States patents, it will often be unclear which test to apply to a particular claim. Moreover, a distinction between system claims and process claims is arbitrary and inconsistent with existing patent law, as was quite recently emphasized by a different panel of this Court: “This court accords the same treatment to all forms of invention. This court cannot construct a principled reason for treating process inventions different than structural products.” *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir. 2005) (citation omitted).

Even if a distinction between system and process claims were supported in law, it will be unclear which of the two tests should apply for many claim types. For example, it is not uncommon for patents to include “product-by-process” claims, in which a product is defined, at least in part, in terms of a method or process by which it is made.¹ See Donald S. Chisum, 3 *Chisum on Patents* § 8.05 (2005). The Federal Circuit has held that a product-by-process claim is infringed

¹ The terms “process” and “method” are used interchangeably in this brief, and in patent law. See 35 U.S.C. § 100(b) (defining “process” to mean “process, art or method”); see generally Robert C. Faber, *Landis on Mechanics of Patent Claim Drafting* § 36 (4th ed. 2002).

only by the making, using, or selling of a product that is made by the process recited in the claims. *Atlantic Thermoplastics Co., Inc. v. Faytex Corp.*, 970 F.2d 834, 846-47 (Fed. Cir. 1992).² For a defendant accused of trans-border use of an invention claimed in product-by-process format, the panel's rule in the present case presents an insoluble conundrum. The product-by-process claim is directed to a product, so the system test may apply. But the claim necessarily incorporates a process, and likely cannot be infringed unless that process is practiced. Under that reasoning, the process test applies. This conundrum is not merely academic. Under the system test, a defendant using a product made by a process that includes steps performed outside the United States would be liable for infringement if "control" and "beneficial use" fell within the United States. Under the process test, the defendant would not be liable.

While product-by-process claims readily exemplify the problems in applying these new and different tests, other claim types also demonstrate the difficulties created by the panel's dual approach. Consider, for example, the common situation of a patent claiming both a system and a method for performing a novel function. The system claims and the method claims would cover the same uses of the system so long as every element of the system is located within the United

² One year prior to *Atlantic Thermoplastics*, a different panel of this Court held that the process recited in a product-by-process claim was *not* a limitation on the scope of the claim. *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1583 (Fed. Cir. 1991). This unresolved contradiction in the law only further adds to the uncertainty a Canadian business may face when trying to evaluate whether its conduct infringes a United States patent under the panel's decision in this case.

States. Yet if any element of the system is located outside of the United States, the system claims might be infringed, whereas the method claims certainly would not. Thus, two claims that have identical scope with respect to uses entirely within the United States will have differing scope if a portion of the system is located abroad. This incongruity between treatment of system and method claims is likely to occur more frequently in the future as computer technologies continue to advance. *See Eolas*, 299 F.3d at 1339 (“[P]rocess and product – software and hardware – are practically interchangeable in the field of computer technology.”).

Further, the panel’s system claim test is inconsistent with the bedrock principle of patent law that infringement of a claim is determined by comparing each limitation of the claim to the accused device on a limitation-by-limitation basis. *See, e.g., Zodiac Pool Care, Inc. v. Hoffinger Indus., Inc.*, 206 F.3d 1408, 1415 (Fed. Cir. 2000) (“Absent any limitation of a patent claim, an accused device cannot be held to literally infringe the claim.”). The panel’s rule creates the anomalous result that for an accused system located entirely within the United States, this traditional limitation-by-limitation rule applies, while if even a portion of the accused system crosses the territorial boundaries of the United States, a holistic “system as a whole” standard governs the analysis of infringement. The panel has not articulated a principled basis for such a distinction, and there is none. *See Eolas*, 399 F.3d at 1339.³

³ Because the panel’s “control and beneficial use” test is broader than the traditional limitation-by-limitation test for infringing uses, the panel’s test imposes greater potential liability on activities carried out partly in Canada and partly

II. The Panel Decision Inappropriately Relies on *Decca*, Which If Truly Applicable Should Be Overruled.

For the reasons articulated in the Combined Petition by Research in Motion, Ltd. for Panel Rehearing and Rehearing *En Banc*, the Court of Claims' decision in *Decca, Ltd. v. United States* is inapposite to the facts of this case. Thus, the panel inappropriately relied on *Decca* to establish its new and different test for system claims.

If considered applicable to these facts, the panel's application of *Decca* conflicts with the Supreme Court's holding in *Deepsouth*. The *Decca* court held that the government was liable under 28 U.S.C. § 1498 for use of a system that included a component in Norway because the "beneficial use" of the system occurred in the United States. 544 F.2d at 1083. To the *Decca* court, it was sufficient for a finding of infringement that *most* of the claimed elements were in the United States. *See id.* at 1075 (concluding that system was within United States because it "has planted several of its feet" in United States). If *Decca* is applied to the facts in this case, it is inconsistent with *Deepsouth*'s clear holding that § 271(a) has no extraterritorial scope at all. *Deepsouth* rejected the contention that the "substantial manufacture of the constituent parts of [a] machine" in the United States could meet the statutory requirement that the allegedly infringing

within the United States than on those carried out entirely within the United States. Such harsher treatment of Canadian activity is arbitrary and unfair. *See generally, e.g.,* The North American Free Trade Agreement, Dec. 17, 1992, U.S.-Can., 32 I.L.M. 289, Chapter 17, Article 1703(1) ("Each Party shall accord to nationals of another Party treatment no less favorable than that it accords to its own nationals with regard to the protection and enforcement of all intellectual property rights.").

conduct be “within the United States.” 406 U.S. at 527-28. The panel’s “control and beneficial use” (or “substantial use”) theory is almost the same as the “substantial manufacture” argument rejected by the Supreme Court in *Deepsouth*. Thus, *Decca* cannot be reconciled with *Deepsouth*. If applicable to these facts, this Court should take this case *en banc* to overrule *Decca*.

III. The Panel Decision Ignores the Supreme Court’s Canon of Construction Respecting Comity.

The panel’s holding that § 271(a) may have extraterritorial effect in some circumstances is inconsistent with the fundamental principle of comity between nations. Comity is “the respect sovereign nations afford each other by limiting the reach of their laws.” *Hartford Fire Ins. Co. v. Cal.*, 509 U.S. 764, 817 (1993) (Scalia, J., dissenting). It is “exercised by legislatures when they enact laws, and courts assume it has been exercised when they come to interpreting the scope of laws their legislatures have enacted.” *Id.* Concern for the principles of comity reverberates through the U.S. government’s discussion of its international negotiations. The North American Free Trade Agreement (“NAFTA”), for example, depends on “the fundamental premise of . . . national enforcement of national laws, not supranational enforcement nor one country’s enforcement of its laws within another country’s borders.”⁴

⁴ Letter from Michael Kantor, United States Trade Representative, to Representative John D. Dingell (September 29, 1993), reprinted in House Energy & Commerce Committee Report *available at* <http://www.customs.ustreas.gov/nafta/hec000b.htm>.

Judicial expansion of the reach of the United States patent statute to encompass the use of technology in Canada runs counter to these principles. As the Supreme Court recently stated, courts “ordinarily construe[] ambiguous statutes to avoid unreasonable interference with the sovereign authority of other nations.” *F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 124 S. Ct. 2359, 2366 (1994). The Supreme Court continued:

This rule of statutory construction cautions courts to assume that legislators take account of the legitimate sovereign interests of other nations when they write American laws. It thereby helps the potentially conflicting laws of different nations work together in harmony – a harmony particularly needed in today’s highly interdependent commercial world.

Id. As the Supreme Court cautioned in *Hoffman-LaRoche*, this Court should take this case *en banc* to consider whether these principles of comity preclude a holding that infringing uses under § 271(a) can occur “within the United States” through activity taking place in Canada.⁵

Conclusion

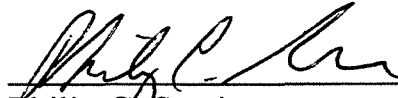
The Canadian Chamber of Commerce respectfully urges this Court to rehear this case *en banc* to resolve the uncertainty it has created for Canadian businesses

⁵ See generally Curtis A. Bradley, *Extraterritorial Application of U.S. Intellectual Property Law*, 37 Va. J. Int’l L. 505, 514 (1997) (identifying five justifications articulated by the Supreme Court for the presumption against extraterritoriality, including international law, international comity, and separation-of-powers considerations).

and others in attempting to shape their conduct so as not to run afoul of United States patent law.

Respectfully submitted,

August 23, 2005



Philip C. Swain

Denise W. DeFranco

Carla Miriam Levy

FOLEY HOAG LLP

155 Seaport Blvd.

Boston, MA 02210

617-832-1000 (Telephone)

617-832-7000 (Facsimile)

Counsel for *Amicus Curiae*

Canadian Chamber of Commerce

CERTIFICATE OF SERVICE

I certify that I caused two copies of this Brief of the Canadian Chamber of Commerce as Amicus Curiae Supporting Petition By Research In Motion Ltd. For Rehearing *En Banc* to be served via Federal Express overnight delivery this 23rd day of August, 2005 on the following:

James H. Wallace, Jr.
WILEY, REIN & FIELDING, LLP
1776 K Street, NW
Washington, DC 20006
(202) 719-7000

Henry C. Bunsow
HOWREY SIMON
ARNOLD & WHITE, LLP
525 Market Street
San Francisco, CA 94105
(415) 848-4900

A handwritten signature in cursive script, appearing to read "Henry C. Bunsow", is written over a horizontal line.