

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

BRIEF *AMICUS CURIAE* OF SEVEN NETWORKS, INC., IN SUPPORT OF
RESEARCH IN MOTION, LTD.

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UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

NTP, Inc. v. Research In Motion, Ltd.
No. 03-1615

Certificate of Interest

Counsel for *amicus curiae*, Seven Networks, Inc., certifies the following:

1. The full name of every party or *amicus curiae* represented by me is: Seven Networks, Inc.
2. The name of the real party in interest represented by me is: Seven Networks, Inc.
3. All Parent corporations and any publicly held companies that own 10 percent or more of the stock of this *amicus curiae* represented by me are: 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:
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TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES..... ii, iii

STATEMENT OF INTEREST 1

INTRODUCTION 1

ARGUMENT 3

 1. Patents are National in Scope 3

 2. Present Statutes Do Not Provide a Remedy in This Particular
 Situation 5

 3. If the Panel Ruling is to be the Law, then it should be up to
 Congress to Pass such a Law, or the Executive to Enter into an
 Appropriate Treaty Effecting such a Result 7

CONCLUSION 10

TABLE OF AUTHORITIES

FEDERAL CASES

Aramco, 499 U.S. at 249 8

Boesch v. Graff, 133 U.S. 697 3

Brown v. Dushesne, 19 How. 183 (1857)..... 3

Decca Ltd. v. United States, 544 F.2d 1070 (Ct. Cl. 1976)..... 5, 6, 7

Deepsouth Packing Co., Inc. v. Laitram Corp., 406 U.S. 518 (1972)..... 5, 6, 8

EEOC v. Arabian Amer. Oil. Co., (Aramco), 499 U.S. 244 (1991)..... 3

Hilton v. Guyot, 159 U.S. 113 (1895) 4

Subafilms, LTD. v. MGM-Pathe Communications Co., 24 F.3d 1088 (9th Cir. 1994) 4, 9

DOCKETED CASES

NTP, Inc. v. Research in Motion LTD., No. 03-1615 (Fed. Cir. August 2, 2005)..... 5

FEDERAL STATUTES

17 U.S.C. 9

28 U.S.C. §1498 5

35 U.S.C. §100(c)..... 4

35 U.S.C. §271 Passim

MISCELLANEOUS

5 Chisum on Patents §16.05[1][a] 3

Harold G. Maier, 76 A.J.I.L. 280, 283 (1982) 4

Paris Convention For The Protection of Industrial Property, § 4bis(1) 3, 8

Patent Cooperation Treaty, Art. I (February 3, 1984)..... 8

Process Patent Amendment Act 9

Restatement of the Law (Third) The Foreign Relations Law of the United
States 403(a) (1986) 4

Trade-Related Aspects of Intellectual Property Rights (1994) Part II..... 4

U.S. Constitution. Const. Art. I § 8 Cl. 8 8

STATEMENT OF INTEREST

Based on our professional judgment, we believe this appeal requires an answer to the following precedent-setting question of exceptional importance: Whether 35 U.S.C. § 271(a) can be construed to have extraterritorial effect.



INTRODUCTION

Amicus curiae Seven Networks, Inc., is a global provider of software that enables mobile operators, Internet email providers and service providers to offer their subscribers secure, low-cost, real-time access to business and personal email applications. Seven Networks, Inc., has no stake in the parties to this case or the result of this case. It is concerned, however, with the application of United States patent laws to find direct infringement in the United States under 35 U.S.C. §271(a) when a key component of a patented system is located outside of the United States.

Seven Networks, Inc. is concerned that upholding the Panel's ruling that direct infringement under 35 U.S.C. §271(a) exists, even when a necessary component of a claim resides outside of the United States, will make the application of United States patent laws unpredictable. If the Panel's ruling stands, entities such as Seven Networks, Inc., can never be certain that their services and technologies will not run afoul of United States patent laws. The test used by the

Panel -- “control and beneficial use” in the United States -- will be especially difficult to apply in the context of a complex network system or infrastructure. What part of a system must be “controlled”? What constitutes a “beneficial use”? Without clear definitions, liability for using a system will be indeterminate, resulting in a finding of infringement under United States patent law for activities or components that lie outside of the United States and are lawful in the countries in which they are located.

In other cases, when Congress has wanted patent laws to reach beyond the borders of the United States, it has acted with specificity.¹ Had Congress intended 35 U.S.C. §271(a) to reach activities and components of a system that lie outside of the United States, it would have amended 35 U.S.C. §271(a) accordingly.

This indeterminate liability will make it difficult for companies, such as Seven Networks, Inc., to expand globally; without being able to determine when and where U.S. courts will find “control” and “beneficial use,” companies will never be able to be certain that their systems located partially in countries other than the U.S. will not be subject to liability in U.S. courts. Therefore, for the reasons set out in this brief, Seven Networks, Inc. respectfully requests that this Court should rehear the case or grant a rehearing *en banc* to determine whether 35

¹ For example, when Congress wanted to amend 35 U.S.C. §271 to cover the export of all component parts of a patented product for assembly and use overseas, it acted by amending the law (now embodied in 35 U.S.C. §271(f)).

U.S.C. § 271(a) of the patent statute can be construed to have extraterritorial effect.

ARGUMENT

1. Patents are National in Scope

The national scope of United States patent laws has long been recognized. The U.S. Supreme Court has consistently limited U.S. patent laws to the territorial boundaries of the U.S.,² and has rejected the use of foreign patent laws to limit activities within the United States.³ The national scope of patent laws has also been recognized by the World Community.⁴

On its face, 35 U.S.C. §271(a) is national in scope, and the statute has no extraterritorial reach. It applies to “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States”.⁵ When a statute is silent as to its extraterritorial application, the presumption is that the statute does not have extraterritorial effect. *EEOC v. Arabian Amer. Oil. Co. (Aramco)*, 499 U.S. 244 (1991) (Courts must “assume that Congress legislates against the backdrop of the presumption against territoriality”). Since 35 U.S.C. §271(a) does

² *Brown v. Dushesne*, 19 How. 183, 195(1857) (“these acts of Congress do not, and were not intended to, operate beyond the limits of the United States.”).

³ *Boesch v. Graff*, 133 U.S. 697, 703 (“The sale of articles in the United States under a United States patent cannot be controlled by foreign laws.”).

⁴ Paris Convention For The Protection of Industrial Property, § 4bis(1) (Stockholm, July 14, 1967) (“Patents applied for in the various countries of the Union ... shall be independent of patents obtained for the same invention in other countries.”).

⁵ The term “United States” is defined as the United States, its territories and possessions. 35 U.S.C. §100(c); 5 Chisum on Patents §16.05[1][a].

not state that it is to apply outside the national boundaries of the United States, the presumption must be that Congress did not intend for 35 U.S.C. §271(a) to apply extraterritorially.

The principle of comity⁶ limits the exercise of jurisdiction by a U.S. court over the actions of a foreign national occurring in a foreign country.⁷ It is a “standard” for ensuring “amicable external relations with other nationstates.” Harold G. Maier, 76 A.J.I.L. 280, 283 (1982). When the United States became a signatory to the Paris Convention, it agreed to the principle of national treatment, which principle implicates a rule of territoriality in which the patent laws of one state are not applied extra-territorially. *Subafilms, LTD. v. MGM-Pathe Communications Co.*, 24 F.3d. 1088 (9th Cir. 1994).⁸ Comity requires adherence to this multi-lateral treaty. Should the United States *not* show “deference and mutual respect” to the laws of other countries and instead seek to enforce its patent laws extraterritorially, the United States faces the possibility that other countries may expand the reach of *their* patent laws to reach companies within the United States’

⁶Comity “is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws...” *Hilton v. Guyot*, 159 U.S. 113 (1895)

⁷ See, e.g., Restatement of the Law (Third) The Foreign Relations Law of the United States 403(a) (1986).

⁸ Although *Subafilms* dealt with copyrights, both copyrights and patents are subject to the same national scope under the current international agreements. Trade-Related Aspects of Intellectual Property Rights (1994) Part II.

borders, acting lawfully under the laws of the United States.

2. Present Statutes Do Not Provide a Remedy in This Particular Situation

The Panel found Research in Motion (“RIM”) liable for direct infringement under 35 U.S.C. §271(a) because “control” and “beneficial use” of the system occurred within the United States. *NTP, Inc. v. Research in Motion LTD.*, No. 03-1615 (Fed. Cir. August 2, 2005) P. 56. Relying on *Decca Ltd. v. United States*, 544 F.2d 1070 (Ct. Cl. 1976), the Panel noted that the use of a claimed system under 35 U.S.C. §271(a) is “the place where control of the system is exercised and beneficial use of the system obtained.” *NTP* at 56.

The Court was mistaken to have applied *Decca*. *Decca* was decided based on a statute specific to the U.S. government, 28 U.S.C. §1498, not to the patent laws in general. *Decca*, 544 F.2d at 1075.⁹ Further, the *Decca* Court improperly attempted to find where a “use” was occurring by characterizing the system in issue in that case as a “unity” and by ascertaining where its “home territory” was. *Id* at 1074. This analysis failed to recognize that a patented invention is the complete “assembled or functioning whole,” not merely some, or substantially all, of its claimed parts. *Deepsouth Packing Co., Inc. v. Laitram Corp.*, 406 U.S. 518,

⁹ *Decca* was construing 35 U.S.C. § 1498, an eminent domain statute. The extraterritorial implications of this statute are different for government activities as such activities are implicitly sanctioned by the government of the country permitting the activity on its soil. Caution must be taken in applying a case regarding an eminent domain statute to 35 U.S.C. § 271(a).

528 (1972). Moreover, the Panel misinterpreted *Decca*. *Decca* did not find that “use” of an invention in the United States can be established by control and beneficial use in the United States. The factors considered important in *Decca* included: (1) the location of the master station of the invention in the U.S. (*Decca*, 544 F.2d at 1074), (2) the territory of the United States being indispensable to the use of the master station (*Id* at 1074), (3) that the whole operable assembly is owned, operated and controlled by the United States or owned by the United States and operated for the United States by another entity at the direction and control of the United States (*Id* at 1081), (4) that the whole operable assembly is beneficially used in the United States (*Id* at 1081), and (5) that the point of novelty of the invention (“the patentees’ true contribution”) was not outside of the United States (*Id* at 1083). The Court conflated the factors enumerated by the *Decca* Court into a “control and beneficial” use test. That test applies only to the particular situation in *Decca* and was not intended to greatly expand the reach of 35 U.S.C. §271(a).

The Panel noted that U.S. customers send and receive emails by manipulating handheld devices in the U.S. When a customer in the U.S. sends an email message from his or her BlackBerry handheld device, the email must travel through the RIM Relay; however, this does not imply that the customer “operates” or has “control” over the RIM Relay, any more than the user of a telephone “operates” or exercises “control” over the wires, switches, satellite uplinks, etc.,

that his or her telephone message travels through on the way to its destination.

Control over a handset is not control over all systems with which it may interact or interconnect. The customers do not operate or control the RIM Relay -- RIM does -- and that operation and control takes place in Canada.

Further, BlackBerry users are not "beneficial users" of the RIM Relay. The requirement for "beneficial use" in *Decca* was closely tied to the requirement that the government owned and controlled the system there in issue. Accordingly, the test formulated in *Decca* only applies to an entity that owns, operates and controls a system and directly benefits from such ownership, operation and control by its use. The *Decca* rule never contemplated that there could be a different entity owning, independently controlling and operating, and benefiting from the use of a patented invention. Returning to the telephone analogy, when people place telephone calls, the messages they transmit are carried by the lines, switches, satellites of other entities. The rule in *Decca* cannot and should not be stretched to make a user a "beneficial user" of a plethora of other's equipment simply because a message is transmitted over that equipment, which the user does not own, operate, or control.

- 3. If the Panel Ruling is to be the Law, then it should be up to Congress to Pass such a Law, or the Executive to Enter into an Appropriate Treaty Effecting such a Result**

As noted previously, the plain language of 35 U.S.C. §271(a) is national in

scope, and the presumption is against extraterritoriality when the statute is silent on extraterritorial application. *Aramco*, 499 U.S. at 249. Therefore, the extension of 35 U.S.C. §271(a) to hold a Canadian company directly liable for infringement in the United States when use of a patented system does not occur within the national borders of United States must be authorized, if at all, by Congress.

Congress is granted the authority to pass laws pertaining to patents by the U.S. Constitution. Const. Art. I § 8 Cl. 8. Because of the presumption against extraterritoriality, the “affirmative intention of the Congress” to so legislate must be “clearly expressed.” *Aramco*, 499 U.S. at 249. The U.S. Supreme Court has held that the wording of the patent laws “reveals a congressional intent” that, to the extent an inventor needs protection in countries other than the U.S., the inventor should seek the protection abroad through patents secured from those other countries. *Deepsouth*, 406 U.S. at 531.¹⁰ In *Deepsouth*, the court held that a “clear and certain” signal from Congress would be required before “expanding” the rights of a patentholder. *Id.* In response to the *Deepsouth* decision, Congress sent the courts a “clear and certain” signal by signing into law the Process Patent Amendment Act, which expressly overturned the decision in *Deepsouth* and provided for enforcement of U.S. patents under certain specific circumstances,

¹⁰ Such a system is in fact in place, via such mechanisms as the Paris Conventions and the Patent Cooperation Treaty. Paris Convention For The Protection of Industrial Property, § 4bis(1); Patent Cooperation Treaty, Art. I (February 3, 1984).

when the “use” occurred in another country, but the parts were shipped from the U.S. Process Patent Amendment Act (1988); 35 U.S.C. §271(f). Congress similarly sent a “clear and certain” signal that it intended a particular copyright statute to apply to extraterritorial activities when it implemented 17 U.S.C. §106(a) to make illegal the importation of copyrighted goods that were created lawfully in another country. Had Congress been inclined to make other extraterritorial activities unlawful, it would have done so explicitly because “it knew how to do so.” *Subafilms* 24 F.3d. at 1096.

In the case of 35 U.S.C. §271(a), Congress has sent no “clear and certain” signal. The RIM BlackBerry system does not create any new issues that could not have been addressed by Congress prior to this case, had Congress actually intended for 35 U.S.C. §271(a) to apply to extraterritorial acts. Because Congress has had ample opportunity to respond, and because Congress has sent no “clear and certain” signals that it intended for 35 U.S.C. §271(a) to apply to extraterritorial conduct, the presumption must be that Congress did not, and does not, intend for 35 U.S.C. §271(a) to apply to cases where parts of the infringing system are located outside of the United States. Therefore, it should be up to Congress, and not the courts, to determine whether 35 U.S.C. §271(a) should apply to extraterritorial systems, components and activities.

Further, principles of comity suggest that attempts to apply U.S. patent law

extraterritorially should be done with “deference and mutual respect” and only after careful consideration of the benefits and risks, including public international law considerations such as comity, reciprocity, the patent treaties and conventions to which the United States is a party and other long-range interests of the United States and its trading partners.¹¹

CONCLUSION

For the foregoing reasons, this court should rehear the case or grant a rehearing *en banc* and should reverse the Panel’s decision that direct infringement exists in the United States under 35 U.S.C. §271(a) when a necessary component of a patented system resides wholly outside of the United States.

Respectfully submitted,



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¹¹ See, e.g., *Lauritzen v. Larsen*, 345 U.S. 571 (1953) (“International ... law... aims at stability and order through usages which considerations of comity, reciprocity and long-range interest have developed to define the domain which each nation will claim as its own.”)