

# Extraterritorial reach of US patent laws

**F. Jason Far-hadian Esq., Principal of Century IP Group, maintains that patent rights covering a system are enforceable, even if parts of the system are located abroad, as long as control of the patented system remains within the US.**

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

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

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

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

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

Microsoft liable because the software code was construed to be a “component” of a patented process or computer-program product, which was not suitable for substantial non-infringing use.

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

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

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

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

The BlackBerry case is the latest among a series of recent cases and statutes. This trend suggests that US courts are extending the extraterritorial reach of US patent laws in an attempt to close the “loopholes” that allow an infringer to circumvent



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## Alex and the Angel

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first-time CEOs that is so evident with Alex is his ability to listen and understand the value of good marketing and strategic thinking. This ability led to an early decision to headquarter Nareos in Beverly Hills, California, with numerous digital music companies and suppliers nearby. Many of these firms are now Nareos customers, along with others from the US, UK and even Russia, his former homeland.

Alex and the Angel are aiming high. They point out that more than 500 million people are using p2p file sharing and counting; and that billions of files are being downloaded monthly. With these kinds of statistics, along with increased SMS usage, mobile advertising, sale of content, and other

premium services open to Nareos customers and carriers, who can blame them for having such Skype-like glints in their eyes?

Meanwhile, Alex is orbiting faster than Yuri Gagarin – between the company's modest R&D offices in Petach Tikva and Beverly Hills, London and Moscow. Right now, he is still the main salesman for the organization. The trick for his company will be to maintain focus and production success while building the company with personnel who can shoulder some of the sales and managerial burden. That will enable him to do what a great start-up CEO should be doing – concentrate on vision, strategy and plans for the next round of financing. Takers, anyone? ■

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liability. Because the law in this area is evolving, it is prudent to seek the advice of patent counsel to properly draft patent applications that adequately claim and cover the full scope of a product or process. For example, in software-related patents, practitioners often rely on method claims to protect the functionality of the invention. In light of the above cases, however, well-crafted system claims are now crucial to affording a patent holder maximum protection, because the scope of system and method claims will be probably construed differently if the infringement suit involves cross-border activities.

The current reach of US patent laws offers US patent holders opportunities to pursue infringement actions against competitors that operate inside and outside US borders. To avoid liability, clearance searches and legal opinions are necessary for evaluating potential risks and for strategic business planning. To help, patent counsel and special search firms can be hired to identify potentially infringing products or newly issued patents in the market. Staying abreast of such activities will be crucial in initiating or avoiding licensing or enforcement actions that can

be very lucrative or costly, as evident from the BlackBerry case. ■

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

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

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

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

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

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## WiMAX promises anytime, anywhere

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### Conclusions

The expectation is that WiMAX modules will be embedded into many data, CE and voice devices, including notebooks, PDAs, ultra-mobile PCs, game consoles, MP3 players, cellular phones and smart phones.

WiMAX support for QoS and low latency will translate into improved support for real-time, low latency applications like VoIP, video gaming, streaming and video conferencing, which will accelerate the adoption of personal broadband.

As a high-capacity IP-based technology based on open standards, WiMAX can be deployed as a new network installation or as an overlay to

complement existing 2G and 3G wireless technologies, thus lowering capital expenditures. In either case, WiMAX will be capable of working with cellular and wired networks and help achieve higher revenue per user, new subscribers and lower churn.

In summary, WiMAX provides a high bandwidth wireless connection within an extended area, enabling users to access the Internet at speeds similar to those they use in the office and fast enough to allow consumers to use the most data-rate intensive applications on their mobile devices. ■