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# The Territorial Limits of U.S. Patent Law – NTP, Inc. v. Research In Motion, Ltd., 418 F.3d 1282 (Fed. Cir. 2005)

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Our society has become increasingly dependent on electronic mail (“email”) and computers.<sup>1</sup> This dependence has increased the need for mobile Internet and email access.<sup>2</sup> Business travelers, in particular, require access to their email when away from their homes or offices, but have had difficulty obtaining it.<sup>3</sup> One reason for

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<sup>1</sup> NTP, Inc. v. Research In Motion, Ltd., 418 F.3d 1282, 1288 (Fed. Cir. 2005).

<sup>2</sup> *Id.*

<sup>3</sup> See U.S. Patent No. 5,436,960 col.3 l.60-col.4 l.12 (filed May 20, 1991) (“As personal computers are used more frequently by business travelers, the problem of electronic mail delivery becomes considerably more difficult. A business traveler carrying a portable PC has great difficulty in finding a telephone jack to connect the PC to fetch electronic mail . . . . The inability to find an appropriate connection to connect the PC modem when traveling has contributed to the degradation of electronic mail reception when the recipient is traveling.”); RESEARCH IN MOTION, LTD., TECHNICAL WHITE PAPER BLACKBERRY ENTERPRISE EDITION 3 (2001), <http://www.blackberry.net/support/pdfs/HandheldTechnicalWP.pdf> (“Typically, mobile professionals use a laptop when traveling and dial-in to the corporate email server from a hotel room to manage an inbox full of email. . . . Focus groups and market research on mobile email revealed common complaints with dialing-in – the inconvenience of lugging a laptop around just for email; the trouble of finding a connection and dialing-out of the hotel; the difficulty negotiating corporate dial-in security; and the cost

much of the difficulty is that traditional email systems are configured as “pull” systems, which means that the messages are stored in the recipient’s “mailbox” on his ISP<sup>4</sup> mail server, requiring a connection initiated by the recipient to download or “pull” the messages off the server and onto the recipient’s personal machine.<sup>5</sup>

Research In Motion (“RIM”)<sup>6</sup> sells the BlackBerry<sup>®</sup> system, which uses “push” email technology to send messages to the recipient’s handheld device without requiring the recipient to initiate a connection.<sup>7</sup> BlackBerry accomplishes this by utilizing email redirector software, which, upon detecting new email, retrieves the message from the mail server, copies it, and sends it to the BlackBerry “Relay,” located in Canada.<sup>8</sup> The BlackBerry Relay then routes the message to a wireless network, which delivers the message to the recipient’s BlackBerry handheld.<sup>9</sup> The end result, as explained by RIM’s technical literature, is that “time spent dialing-up and connecting to the desktop (possibly to find that there is no new email) is eliminated as users . . . are notified virtually instantly of important messages, enabling the user to respond immediately.”<sup>10</sup>

The BlackBerry system also allows users to send emails from their handheld devices in much the same manner.<sup>11</sup> After a user composes a message on his handheld device, the message is sent back to the user’s desktop machine in the reverse sequence as that described above.<sup>12</sup> “In this way, messages sent from the BlackBerry handheld are identical to messages sent from the user’s desktop email – they originate from the same address and also appear in the ‘sent mail’ folder of the user’s email client.”<sup>13</sup>

The convenience of RIM’s system has made BlackBerry a leader in the wireless email industry.<sup>14</sup> BlackBerry has also become RIM’s flagship product, and the revenues from the U.S. market in particular have become quite significant.<sup>15</sup> RIM’s revenues have recently been threatened by a patent infringement suit filed against it.<sup>16</sup> In the end, a patent infringement judgment against the BlackBerry system will be important to both Research In Motion and the wireless email industry in general.<sup>17</sup>

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of phone charges when dialing-in to the corporate server.”).

<sup>4</sup> ISP stands for “Internet service provider.” *NTP*, 418 F.3d at 1287.

<sup>5</sup> *Id.* at 1288.

<sup>6</sup> RIM is a Canadian corporation with its principal place of business in Waterloo, Ontario. *Id.* at 1289.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 1289-90.

<sup>9</sup> *NTP*, 418 F.3d at 1290.

<sup>10</sup> RESEARCH IN MOTION, *supra* note 3, at 6.

<sup>11</sup> *NTP*, 418 F.3d at 1290.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> See Press Release, BlackBerry, BlackBerry Subscribers Surge to Over Three Million (May 9, 2005), [http://www.blackberry.com/news/press/2005/pr-09\\_05\\_2005-01.shtml](http://www.blackberry.com/news/press/2005/pr-09_05_2005-01.shtml) (stating that BlackBerry has more than three million subscribers, and “continues to lead the [wireless email] industry.”).

<sup>15</sup> See Joseph Rosenbloom, *Unsettled*, IP LAW & BUS., Sept. 2005, at 28, 28 (“By early 2002, the BlackBerry accounted for 54 percent of RIM’s sales, a proportion that was rapidly increasing. And RIM’s business in the United States was then generating four-fifths of the company’s revenue . . .”).

<sup>16</sup> *Id.*

<sup>17</sup> On March 3, 2006, RIM and NTP finally settled out of court. Press Release, BlackBerry, Research In Motion and NTP Sign Definitive Settlement Agreement to End Litigation (Mar. 3, 2006),

## I. INTRODUCTION

In *NTP, Inc. v. Research In Motion, Ltd.*,<sup>18</sup> the Court of Appeals for the Federal Circuit (“CAFC”) held that RIM was liable for infringement of the system claims of NTP’s patent, despite an element of the BlackBerry system being located abroad, because the control and beneficial use of the system occur within the United States. The court held that BlackBerry did not infringe NTP’s method claims<sup>19</sup> because not every step of the method was performed within the U.S. This was the correct decision under the text of the infringement provision<sup>20</sup> of the Patent Act, and it followed from the prior case law interpreting that provision.

The infringement provision of the Patent Act does not require that the entire infringing device be located within the U.S., but simply that the invention be “use[d] . . . within the United States.”<sup>21</sup> The CAFC appropriately applied prior case law, which established that location of the use of a system could be found by examining several factors, including control and beneficial use. With respect to a method, however, which is not a singular object, prior case law established that infringement requires every step of the patented process to be performed. The CAFC conservatively applied precedent to conclude that each step of the process must be performed within the U.S. in order for the process to be used “within the United States.”

Though the case was correctly decided, the result is unsatisfying. Individuals who perform the steps of a patented process, but who perform at least one step outside of the United States, will consequently become impervious to the U.S.’s patent laws. The impact of the case will, therefore, be a disincentive for inventors to disclose innovative processes in exchange for a U.S. patent. To solve this problem, Congress should seek to modify current U.S. patent laws so that individuals who perform all of the steps of a patented process, despite not performing every step within the United States’s jurisdiction, can be enjoined from performing those infringing acts within the U.S.

## II. FACTS AND PROCEDURAL HISTORY

On May 20, 1991, inventors Thomas J. Campana, Jr., Michael P. Ponschke, and Gary F. Thelen filed a patent<sup>22</sup> for an electronic mail system.<sup>23</sup> The inventors subsequently filed a series of four continuation applications,<sup>24</sup> containing the same

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[http://www.blackberry.com/news/press/2006/pr-03\\_03\\_2006-01.shtml](http://www.blackberry.com/news/press/2006/pr-03_03_2006-01.shtml). As part of the settlement, RIM paid NTP \$612.5 million “in full and final settlement of all claims against RIM, as well as for a perpetual, fully-paid up license going forward.” *Id.*

<sup>18</sup> 418 F.3d 1282 (Fed. Cir. 2005).

<sup>19</sup> “Method claims” are also known as “process claims.” See 35 U.S.C. § 100(b) (2000) (“The term ‘process’ means process, art or method . . .”).

<sup>20</sup> 35 U.S.C. § 271 (2000).

<sup>21</sup> 35 U.S.C. § 271(a). That section provides: “Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, *within the United States* or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.” 35 U.S.C. § 271(a) (emphasis added).

<sup>22</sup> U.S. Patent No. 5,436,960 (filed May 20, 1991).

<sup>23</sup> *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1288 (Fed. Cir. 2005).

<sup>24</sup> U.S. Patent No. 5,625,670 (filed May 18, 1995); U.S. Patent No. 5,819,172 (filed Apr. 23, 1997); U.S. Patent No. 6,067,451 (filed Sept. 28, 1998); U.S. Patent No. 6,317,592 (filed Dec. 6, 1999).

written descriptions as the parent application.<sup>25</sup> NTP<sup>26</sup> now owns the five patents, which describe the integration of existing electronic mail systems with radio frequency (“RF”)<sup>27</sup> wireless communications networks.<sup>28</sup> The claimed invention allows a message originating in an electronic mail system, in addition to transmitting by wireline, to travel via RF to a user’s mobile RF receiver for immediate viewing.<sup>29</sup>

On November 13, 2001, NTP filed suit against RIM in the U.S. District Court for the Eastern District of Virginia, alleging that the BlackBerry system infringed over forty independent and dependent system and method claims from its five patents.<sup>30</sup> RIM’s accused BlackBerry system allows customers to send and receive email communications using a small wireless device.<sup>31</sup> In its order of August 14, 2002, the district court construed thirty-one disputed claim terms.<sup>32</sup> The district court then denied RIM’s motions for summary judgment of noninfringement and invalidity, but granted NTP’s summary judgment motion of infringement of four of the claims.<sup>33</sup> The case then proceeded to trial on fourteen claims, which were submitted to the jury.<sup>34</sup> The jury found that RIM was guilty of direct, induced, and contributory infringement on all asserted claims, and, applying a reasonable royalty rate of 5.7%, the jury awarded damages to NTP of approximately \$23 million.<sup>35</sup> Following the jury verdict, RIM moved the court for judgment as a matter of law, or, in the alternative, for a new trial.<sup>36</sup> Denying these motions, the court, on August 5, 2003, entered final judgment in favor of NTP, awarding monetary damages of \$53,704,322.69 and enjoining RIM from further manufacture, use, importation, and/or sale of all accused BlackBerry systems, software, and handhelds.<sup>37</sup>

RIM timely appealed the district court’s decision, and the injunction was stayed pending the disposition of the appeal.<sup>38</sup> On appeal, the CAFC held that the district court correctly found patent infringement pursuant to 35 U.S.C. § 271(a) and, thus, correctly denied RIM’s motion for judgment as a matter of law.<sup>39</sup> Then, in an order

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<sup>25</sup> *NTP*, 418 F.3d at 1288-89.

<sup>26</sup> NTP is a patent holding company that was created by inventor Thomas Campana. Rosenbloom, *supra* note 15, at 32. A patent holding company is a company that has been formed to own and license a portfolio or pool of patents to potential licensees. Bruce T. Neel, *Patent Trolls*, ARIZ. BUS. MAG., May-June 2005, at 42, 43, available at <http://www.gtlaw.com/pub/articles/2005/neelb05a.pdf>.

<sup>27</sup> Radio frequency is the portion of the electromagnetic spectrum ranging from about 3 kilohertz (3 kHz) to about 300 gigahertz (300 GHz), which comprises radio waves and microwaves. Federal Communications Commission, OET – RF Safety FAQ’s, <http://www.fcc.gov/oet/rfsafety/rf-faqs.html> (last visited Jan. 15, 2006). The most common use of RF is in providing telecommunications services, such as: radio, television, cellular telephones, pagers, cordless telephones, and satellite communications. *Id.*

<sup>28</sup> *NTP*, 418 F.3d at 1289.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 1290.

<sup>31</sup> *Id.* at 1289.

<sup>32</sup> *Id.*

<sup>33</sup> *NTP*, 418 F.3d at 1291.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 1291-92.

<sup>37</sup> *Id.* at 1292.

<sup>38</sup> *NTP*, 418 F.3d at 1292.

<sup>39</sup> *NTP, Inc. v. Research In Motion, Ltd.*, 392 F.3d 1336, 1339 (Fed. Cir. 2004).

issued on August 2, 2005, the CAFC granted RIM's petition for panel rehearing, withdrew its December 14th opinion, and issued a substitute opinion.<sup>40</sup>

### III. PRIOR LAW

It is well settled that U.S. patent laws are territorial in nature, and thus cannot be enforced outside the jurisdiction of the United States.<sup>41</sup> Within the Patent Act, 35 U.S.C. § 271 sets forth the statutory cause of action for the “tort” of patent infringement.<sup>42</sup> Because patent infringement is like a tort, the situs of the infringement is deemed to be the location where the offending act is committed, not where the injury is felt.<sup>43</sup> This is not always easy to apply, however, because the location of the offending act can sometimes be difficult to place.<sup>44</sup>

In *Decca Ltd. v. United States*,<sup>45</sup> plaintiff brought an action under 28 U.S.C. § 1498<sup>46</sup> to recover damages against the United States, alleging that the U.S.'s world-wide Omega navigation system infringed plaintiff's patent.<sup>47</sup> The system was composed of multiple transmitting stations located around the globe, one of which was located in Norway.<sup>48</sup> The court stated that a finding of infringement could be predicated on a finding that the system had been either “made” or “used” within the United States.<sup>49</sup> The defendant asserted that a finding of infringement required the entire system to be located within the United States.<sup>50</sup> The court disagreed.<sup>51</sup> The court noted that the final steps to completing the system took place in the United States, even though the court was unable to conclude that the whole system was “made” in the United States.<sup>52</sup> Turning instead to the “used” requirement, the court found that a combination of ownership, control, and beneficial use of the system all within the United States lead to the conclusion that the defendant was liable for

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<sup>40</sup> *NTP*, 418 F.3d at 1287.

<sup>41</sup> See, e.g., *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 650 (1915) (“The right conferred by a patent under our law is confined to the United States and its territories, and infringement of this right cannot be predicated on acts wholly done in a foreign country.”); *Brown v. Duchesne*, 60 U.S. 183, 195 (1856) (“[U.S. patent laws] do not, and were not intended to, operate beyond the limits of the United States.”).

<sup>42</sup> See *N. Am. Philips Corp. v. Am. Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994) (“[W]hile it may be appropriate to speak loosely of patent infringement as a tort, more accurately the cause of action for patent infringement is created and defined by statute.”).

<sup>43</sup> *Id.*

<sup>44</sup> See, e.g., *Decca Ltd. v. United States*, 544 F.2d 1070, 1083 (Ct. Cl. 1976) (stating that a finding of infringement rested on a combination of factors).

<sup>45</sup> 544 F.2d 1070 (Ct. Cl. 1976).

<sup>46</sup> That section provides, in pertinent part:

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

28 U.S.C. § 1498 (2000).

<sup>47</sup> 544 F.2d at 1075.

<sup>48</sup> *Id.* at 1077.

<sup>49</sup> *Id.* at 1082.

<sup>50</sup> *Id.* at 1081.

<sup>51</sup> *Id.* at 1082.

<sup>52</sup> *Decca*, 544 F.2d at 1082.

patent infringement.<sup>53</sup> The court noted that the equipment in Norway was owned by the United States,<sup>54</sup> that the transmission signals from the Norwegian station were established and monitored by a “master” station in the United States,<sup>55</sup> and that a navigator employing signals from the Norwegian station was “using” that station wherever the signals were received.<sup>56</sup> Adding that “the matter is not free from doubt,” the court stated that “[t]his conclusion does not rest on any one factor but on the combination of circumstances here present, with particular emphasis on the ownership . . . control . . . and . . . beneficial use of the system within the United States.”<sup>57</sup>

In *Deepsouth Packing Co. v. Laitram Corp.*<sup>58</sup> the Supreme Court considered whether infringement could be found under 35 U.S.C. § 271(a)<sup>59</sup> when the component parts of a patented invention were manufactured in the United States and were then exported to be assembled and used abroad.<sup>60</sup> Holding that this did not constitute infringement, the court stated “we have so often held that a combination patent protects only against the operable assembly of the whole and not the manufacture of its parts.”<sup>61</sup> The rights granted by a patent are narrowly construed,<sup>62</sup> the court noted, and expansion of those rights, in order to prevent the defendant’s activities, would require an explicit indication from Congress.<sup>63</sup> The court then added that the wording of the Patent Act reveals a congressional intent to have inventors seek protection in markets outside the U.S. through patents secured in countries where the inventor’s goods are being used.<sup>64</sup>

In response to the loophole exposed by *Deepsouth*, Congress enacted 35 U.S.C. § 271(f),<sup>65</sup> which makes it an act of infringement to supply into or out of the United

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<sup>53</sup> *Id.* at 1082.

<sup>54</sup> *Id.* at 1081.

<sup>55</sup> *Id.* at 1074, 1082.

<sup>56</sup> *Id.* at 1083.

<sup>57</sup> *Decca*, 544 F.2d at 1083.

<sup>58</sup> 406 U.S. 518 (1972).

<sup>59</sup> *See supra* note 21.

<sup>60</sup> *Deepsouth*, 406 U.S. at 522-23.

<sup>61</sup> *Id.* at 528.

<sup>62</sup> “[W]e must consider petitioner’s claim in light of the Nation’s historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition.” *Id.* at 530 (footnote omitted). “[T]he prerequisites to obtaining a patent are strictly observed, and when the patent has issued the limitations on its exercise are equally strictly enforced.” *Id.* at 531 (quoting *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964)).

<sup>63</sup> *Id.* at 530-31. “We would require a clear and certain signal from Congress before approving the position of a litigant who, as respondent here, argues that the beachhead of privilege is wider, and the area of public use narrower, than courts had previously thought.” *Deepsouth*, 406 U.S. at 531.

<sup>64</sup> *Id.*

<sup>65</sup> Section 271(f) of the Patent Act provides:

(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such a manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial non-infringing use, where

States the uncombined components of a patented invention.<sup>66</sup> The definition of “components of a patented invention” in section 271(f) is very broad and inclusive.<sup>67</sup> In *Eolas Technologies Inc. v. Microsoft Corp.*,<sup>68</sup> the court stated that “every component of every form of invention deserves the protection of section 271(f).”<sup>69</sup> In that case, software code on golden master disks was found to be a component of a patented product within the meaning of the statute.<sup>70</sup>

Congress closed another loophole when it enacted 35 U.S.C. § 271(g).<sup>71</sup> This section creates a cause of action against persons who use a patented process abroad to make a product, which is then imported, used, or sold in the United States.<sup>72</sup> In *Bayer AG v. Housey Pharmaceuticals, Inc.*,<sup>73</sup> the Federal Circuit was asked to determine whether “a product which is made by a [patented] process” in section 271(g) is limited to physical products which have been manufactured by that process.<sup>74</sup> In that case, Bayer argued that Housey was liable as an infringer when it imported into the United States research data obtained by using Bayer’s patented method for determining whether a substance is an inhibitor or activator of a target protein.<sup>75</sup> After finding the statutory word “made” to be ambiguous, the court looked beyond the specific language of the provision.<sup>76</sup> The court discovered that the word “made” is used in other provisions of the statute as a synonym for “manufactured.”<sup>77</sup> In addition, the court found that the legislative history of the statute points to Congress’ concern with the manufacture of physical goods.<sup>78</sup> Thus,

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such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

35 U.S.C. § 271(f) (2000).

<sup>66</sup> *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1252 n. 2 (Fed. Cir. 2000).

<sup>67</sup> *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338 (Fed. Cir. 2005).

<sup>68</sup> 399 F.3d 1325 (Fed. Cir. 2005).

<sup>69</sup> *Id.* at 1339.

<sup>70</sup> *Id.* at 1341.

<sup>71</sup> *Eli Lilly & Co. v. Am. Cyanamid Co.*, 82 F.3d 1568, 1571 (Fed. Cir. 1996). Section 271(g) of the Patent Act provides:

Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell or sale of that product. A product which is made by a patented process will, for the purposes of this title, not be considered to be so made after--

(1) it is materially changed by a subsequent process; or

(2) it becomes a trivial and nonessential component of another product.

35 U.S.C. § 271(g) (2000).

<sup>72</sup> 35 U.S.C. § 271(g); *Eli Lilly*, 82 F.3d at 1571.

<sup>73</sup> 340 F.3d 1367 (Fed. Cir. 2003).

<sup>74</sup> *Id.* at 1371-72.

<sup>75</sup> *Id.* at 1370.

<sup>76</sup> *Id.* at 1372.

<sup>77</sup> *Id.*

<sup>78</sup> *Bayer AG*, 340 F.3d at 1373.

*Bayer* held that, absent clear indication from Congress that the provision is to be interpreted more broadly, “in order for a product to have been ‘made by a process patented in the United States’ it must have been a physical article that was ‘manufactured’ and that the production of information is not covered.”<sup>79</sup>

#### IV. COURT’S ANALYSIS

On appeal, RIM challenged the district court’s claim construction and argued that, under the correct construction, its products do not infringe.<sup>80</sup> The CAFC reviewed the district court’s claim construction and found that the court erred in construing one claim term,<sup>81</sup> but did not err in construing any of the other claim terms.<sup>82</sup> The CAFC then remanded to the district court the issue of whether the erroneous claim construction prejudiced the jury’s verdict of infringement as to the affected claims.<sup>83</sup> Next, the court analyzed RIM’s argument that, because the BlackBerry Relay is located in Canada, RIM cannot be held liable for infringement under 35 U.S.C. § 271.<sup>84</sup>

Section 271(a)<sup>85</sup> of the Patent Act sets forth the requirements for a claim of direct infringement of a patent.<sup>86</sup> Under that section, at least one of the following actions with respect to the patented invention must occur in the United States’s jurisdiction: (1) make; (2) use; (3) offer to sell; (4) sell; or (5) import. One of the disputed patent claim terms was “interface” or “interface switch.”<sup>87</sup> NTP alleged that the BlackBerry Relay component satisfies the “interface” or the “interface switch” limitation in the NTP patents.<sup>88</sup> RIM argued that it and its customers could not be guilty of direct infringement “within the United States” because the BlackBerry Relay component, which was described as the “control point” of the accused system, is located in Canada.<sup>89</sup>

In analyzing the issue, the Federal Circuit discussed *Decca Ltd. v. United States*,<sup>90</sup> which involved a patented system of transmitting stations, one of which was located in Norway.<sup>91</sup> The *Decca* court had difficulty finding that the accused system had been “made” in the United States, but it did conclude that the system had been “used” within the United States, based on the ownership, control, and beneficial use of the system components.<sup>92</sup> The *NTP* court concluded from *Decca*’s distinction between “made” and “used” that infringement analysis would be different for

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<sup>79</sup> *Id.* at 1376-77.

<sup>80</sup> *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1311 (Fed. Cir. 2005).

<sup>81</sup> The CAFC found that the district court erred in construing the claim term “originating processor.” *Id.* at 1287.

<sup>82</sup> *Id.*

<sup>83</sup> *Id.* at 1312-13.

<sup>84</sup> *Id.* at 1311.

<sup>85</sup> *See supra* note 21.

<sup>86</sup> *NTP*, 418 F.3d at 1311.

<sup>87</sup> *Id.* at 1313.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.* at 1314.

<sup>90</sup> 544 F.2d 1070 (Ct. Cl. 1976).

<sup>91</sup> *NTP*, 418 F.3d at 1315.

<sup>92</sup> *Id.* at 1316.

different types of infringing acts.<sup>93</sup> The court added that infringement analysis would also differ for different types of claims, and, therefore, the system claims would be analyzed separately from the method claims.<sup>94</sup>

Turning to the “uses . . . within the United States” requirement of 35 U.S.C. § 271(a), the court referred to the *Decca* factors for determining the location of the use.<sup>95</sup> The court noted that RIM’s customers were located within the United States, that they controlled the transmission of the information, and that they benefited from that exchange of information.<sup>96</sup> The court, therefore, held that the jury properly found that RIM’s use of its product occurred within the United States.<sup>97</sup>

The panel, however, analyzed the method claims differently.<sup>98</sup> Unlike a system, where the components are used collectively, the court found that a process is just a sequence of individual steps.<sup>99</sup> Additionally, “[i]t is well established that a patent for a method or process is not infringed unless all steps or stages of the claimed process are utilized.”<sup>100</sup> Therefore, the court held that a process cannot be considered to be used within the United States under § 271(a) unless each of the steps is performed within the country.<sup>101</sup> In so holding, the court referred to *Zoltek Corp. v. United States*,<sup>102</sup> which stated that “if a private party practiced even one step of a patented process outside the United States, it avoided infringement liability, as [§ 271(a)] was limited to acts committed *within* the United States.”<sup>103</sup> In this case, because the “interface” or “interface switch” step of each of the method claims was only satisfied by the use of the Relay in Canada, the Federal Circuit found that these claims could not be infringed by the use of RIM’s system.<sup>104</sup>

Next, since the court found that RIM had not infringed the asserted method claims under the “use” prong of § 271(a), the court analyzed whether RIM had infringed the method claims under the “offers to sell, or sells” prong.<sup>105</sup> Noting that this was an issue of first impression, the court began by defining the ordinary meaning of the term “sale” as a transfer of property or “a thing capable of being transferred.”<sup>106</sup> Because the court found it difficult to apply this definition to method

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<sup>93</sup> *Id.*

<sup>94</sup> *Id.* (citing *Minton v. Nat’l Ass’n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1378 (Fed. Cir. 2003) (“It is not correct that nothing in § 102(b) compels different treatment between an invention that is a tangible item and an invention that describes a series of steps in a process. The very nature of the invention may compel a difference.” (internal quotation marks omitted))).

<sup>95</sup> *Id.* at 1316-17. However, the *NTP* court only mentioned the control and beneficial use factors, while apparently disregarding the ownership factor discussed in *Decca*. See *NTP*, 418 F.3d at 1317 (“The 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.” (citing *Decca Ltd. v. United States*, 544 F.2d 1070, 1083 (Ct. Cl. 1976))).

<sup>96</sup> *Id.*

<sup>97</sup> *Id.*

<sup>98</sup> *Id.*

<sup>99</sup> *Id.* at 1318.

<sup>100</sup> *NTP*, 418 F.3d at 1318 (quoting *Roberts Dairy Co. v. United States*, 530 F.2d 1342, 1354 (1976)).

<sup>101</sup> *Id.*

<sup>102</sup> 51 Fed. Cl. 829 (2002).

<sup>103</sup> *Id.* at 836.

<sup>104</sup> *NTP*, 418 F.3d at 1318.

<sup>105</sup> *Id.* at 1318.

<sup>106</sup> *Id.* at 1318-19.

claims, it looked to the legislative history of the statute.<sup>107</sup> After reading the Senate Report and the House Report, the court determined that Congress's understanding was that method claims could only be directly infringed by use.<sup>108</sup> Therefore, the court concluded that neither RIM's performance of some of the steps of the patented method as a service for its customers nor RIM's sale or offer to sell the handheld devices amounted to selling or offering to sell within the United States the invention covered by NTP's method claims.<sup>109</sup>

The court then looked at the "imports into the United States" prong of § 271(a).<sup>110</sup> The court quickly disposed of this issue by holding that, for the same reasons that RIM did not infringe the method claims under the "offers to sell, or sells" prong, the jury could not have found infringement of the method claims by importation.<sup>111</sup>

Next, the court turned to § 271(f)<sup>112</sup> of the Patent Act.<sup>113</sup> The court stated that this section was Congress's response to *Deepsouth Packing Co. v. Laitram Corp.*,<sup>114</sup> which involved a product and not a process.<sup>115</sup> Likewise, the legislative debates centered on the product's components and not on the components of a process.<sup>116</sup> Accordingly, the court held that RIM, by supplying handheld devices and software to customers in the United States, was not supplying or causing to be supplied any steps of a patented method in the sense contemplated by section 271(f).<sup>117</sup> In so ruling, the court referred to *Standard Havens Products, Inc. v. Gencor Industries, Inc.*,<sup>118</sup> which held that the sale in the United States of an apparatus for carrying out a patented process did not result in infringement of the process where there was no evidence that the process was practiced within the United States.<sup>119</sup>

Finally, the court considered whether 35 U.S.C. § 271(g) applied to the case.<sup>120</sup> The question is whether RIM has a product which has been created by a process covered by NTP's patents.<sup>121</sup> The court referred to its decision in *Bayer AG v. Housey Pharmaceuticals, Inc.*,<sup>122</sup> in which it considered whether research data from

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<sup>107</sup> *Id.* at 1319-20. The Senate Report states: "Under our current patent laws, a patent on a process gives the patentholder the right to exclude others from using that process in the United States without authorization from the patentholder. The other two standard aspects of the patent right—the exclusive right to make or sell the invention—are not directly applicable to a patented process." S. REP. NO. 100-83, at 30 (1987). The House Report similarly states: "With respect to process patents, courts have reasoned that the only act of infringement is the act of making through the use of a patented process . . . ." H.R. REP. NO. 99-807, at 5 (1986).

<sup>108</sup> *NTP*, 418 F.3d at 1320.

<sup>109</sup> *Id.* at 1320-21.

<sup>110</sup> *Id.* at 1321.

<sup>111</sup> *Id.*

<sup>112</sup> *See supra* note 65.

<sup>113</sup> *NTP*, 418 F.3d at 1321.

<sup>114</sup> 406 U.S. 518 (1972).

<sup>115</sup> *NTP*, 418 F.3d at 1322.

<sup>116</sup> *Id.*

<sup>117</sup> *Id.* at 1322-23.

<sup>118</sup> 953 F.2d 1360 (Fed. Cir. 1991).

<sup>119</sup> *Id.* at 1374.

<sup>120</sup> *NTP*, 418 F.3d at 1323. RIM can infringe under § 271(g) if they are found to "import[ ] into . . . or offer[ ] to sell, sell[ ], or use[ ] within the United States a product which is made by a process patented in the United States." *Id.*

<sup>121</sup> *Id.*

<sup>122</sup> 340 F.3d 1367 (Fed. Cir. 2003).

the performance of a method was a “product” made by a “process.”<sup>123</sup> The court in that case held that the production of information is not covered, and the process must create a physical article.<sup>124</sup> Therefore, since the transmission of email messages, like the production of information, does not entail the manufacturing of a physical product, the court found that § 271(g) does not apply to the asserted method claims.<sup>125</sup>

#### V. PERSONAL ANALYSIS

In *NTP, Inc. v. Research In Motion, Ltd.*,<sup>126</sup> based on the current statutory framework and prior case law, the CAFC properly held that RIM was not liable for infringement of NTP’s method claims, but was liable for infringement of the system claims, despite the location of the relay in Canada. However, the holding with respect to the method claims is unsatisfactory, and Congress should seek to modify and clarify this application of the law through statutory amendment. As modern inventions become even more complicated and the components become easier to separate into different jurisdictions, the application of U.S. patent laws will become even more significant. If individuals are able to bypass patent laws by locating one step of a patented process abroad, the major policy behind U.S. patent law of encouraging disclosure will be disturbed for inventions such as those involved in this case.

It is important to remember the concept emphasized in *Deepsouth Packing Co. v. Laitram Corp.*,<sup>127</sup> that, in light of our country’s “historical antipathy to monopoly,” the rights granted by a U.S. patent should be construed narrowly.<sup>128</sup> In addition, when extraterritorial activities are implicated, potential conflicts arise as the United States attempts to enforce its laws in other sovereign countries. Patent rights are territorial in nature.<sup>129</sup> Therefore, as mentioned by *Deepsouth*, if inventors wish to enforce their patent rights abroad, they should secure patents in those particular countries.<sup>130</sup>

Nevertheless, the statutory definition of patent infringement is given by 35 U.S.C. § 271. Under § 271(a), “whoever without authority . . . uses . . . within the United States . . . any patented invention . . . infringes the patent.”<sup>131</sup> The statute does not explicitly state that every component of the invention must be located within the U.S. Instead, the invention must be “used” within the U.S. Under the plain text of the statute, RIM would infringe NTP’s patents if they “use” BlackBerry within the United States. To help analyze this issue the CAFC appropriately looked to applied precedent.

*Decca Ltd. v. United States*<sup>132</sup> is clearly the most analogous case, as it involved a

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<sup>123</sup> *NTP*, 418 F.3d at 1323.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

<sup>126</sup> 418 F.3d 1282 (Fed. Cir. 2005).

<sup>127</sup> 406 U.S. 518 (1972).

<sup>128</sup> *Id.* at 530-31.

<sup>129</sup> *See supra* note 41.

<sup>130</sup> *Deepsouth*, 406 U.S. at 531.

<sup>131</sup> 35 U.S.C. § 271(a) (2000).

<sup>132</sup> 544 F.2d 1070 (Ct. Cl. 1976).

system with individual components located in different sovereign territories. However, the *NTP* court did not fully explain how it applied the *Decca* factors for determining the location of “use,” which include ownership, control, and beneficial use. In applying *Decca*, the court in *NTP* simply stated that “RIM’s customers located within the United States controlled the transmission of the originated information and also benefited from such an exchange of information.”<sup>133</sup> The court appears to completely disregard the “ownership” factor considered by *Decca*. This is important in light of *Decca*’s statement that “the matter is not free from doubt” and that “[t]his conclusion does not rest on any one factor but on the combination of circumstances here present.”<sup>134</sup> Therefore, by considering only two of the *Decca* factors and still finding infringement through “use,” the *NTP* court is necessarily broadening the protections of U.S. patent law as established by prior case law. This would seem to conflict with the urging of *Deepsouth* that U.S. patent law be construed narrowly.

Had the court addressed *Decca*’s “ownership” factor, it likely would have found it very difficult to apply, as individual components of the BlackBerry system are owned by different entities. The relay component is likely owned by RIM, while the handheld devices and email boxes are owned by RIM’s customers, and the RF transmission systems are owned by additional third parties. This situation is very different from that in *Decca*, where the entire claimed system was owned by the United States.

In the end, however, the court properly considered RIM liable for infringement of NTP’s system claims because, even under the control and beneficial use factors, it is clear that RIM has satisfied the statutory language of § 271(a). The amount of control exercised by the U.S. customers and the extent of the beneficial use of the BlackBerry system within the U.S. satisfies even the most conservative definition of “use[] . . . within the United States.”<sup>135</sup> This holding does not conflict with *Deepsouth*, because, in that case, the “use” of the fully assembled invention was outside of the United States.<sup>136</sup>

The CAFC’s holding with respect to the system claims was appropriate under the text of § 271(a).<sup>137</sup> Though *Deepsouth* counseled that inventors should seek foreign patents if they wish to enforce their patent rights abroad,<sup>138</sup> that advice would not have helped NTP in this case, had the CAFC found RIM not liable for infringement of NTP’s system claims. Assuming that all countries’ patent rights operate in a similar territorial fashion as U.S. patent rights, any individual could become impervious to patent laws by simply locating one element of an infringing system in another sovereign country. In this case, had NTP gained and asserted Canadian patent rights, RIM could have argued that all but one component of the claimed system was located outside of Canada. This is certainly an undesirable situation, and U.S. patent laws should not be interpreted to encourage this sort of behavior.

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<sup>133</sup> *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005).

<sup>134</sup> *Decca*, 544 F.2d at 1083.

<sup>135</sup> 35 U.S.C. § 271(a).

<sup>136</sup> Therefore, in order to define that situation as infringement, Congress had to amend the Patent Act by adding section 271(f). See *supra* note 65 and accompanying text.

<sup>137</sup> See *supra* note 21.

<sup>138</sup> *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972).

Additionally, one of the major policies behind U.S. patent law is to encourage disclosure of new and useful inventions by offering inventors limited monopolies over their inventions in exchange for such disclosure. Therefore, a contrary holding would frustrate this policy with respect to inventions like those claimed by NTP in this case. If a competitor could easily escape infringement by locating one component of a claimed system abroad, it would encourage inventors of large-scale systems to keep their inventions secret.

Since extraterritorial activities are involved in this case, a judgment against RIM may create sovereignty issues. Specifically, the United States seeking judgments against foreign actors or foreign activities may create enforcement issues as well as issues about encroaching on another country's authority. These problems are not unique to patent law, however, and one of the protections against this is the requirement of personal jurisdiction as a prerequisite to obtaining a judgment.<sup>139</sup> Nevertheless, patent law is a particularly tricky area because patent rights are not considered "natural" rights, so different countries tend to have different ways of protecting intellectual property, if they protect it at all.<sup>140</sup> U.S. patent laws grant rights to U.S. patent holders within the U.S. Therefore, whenever the United States seeks a patent infringement judgment abroad, it may be seen as an unwelcome attempt on the part of the United States to establish its notion of intellectual property law in other parts of the world. As a result, any attempts at extraterritorial application of U.S. patent laws should be carefully considered.

In analyzing the method claims, the CAFC appropriately focused the analysis on the difference between a system, which is a unitary combination of components, and a method, which is a sequence of individual steps. Because a process or method claim can only be infringed by practicing each of the steps of the process, the CAFC correctly found that a claimed process cannot be "used" within the United States unless each of the steps is performed within the country. It follows from the court's finding that a process is "used" by performing all of the steps of the process, and that the location of the use is wherever all of the steps are performed. This conclusion comports with *Deepsouth's* declaration that patent rights should be construed narrowly. It is unsatisfying, however, that RIM should be able to escape liability under the method claims, when the identical invention infringes NTP's system claims. Clearly, this is not as disappointing as it would have been had RIM not been liable at all, but the future application of this decision will be troubling, especially when the case involves only process claims. This result presents the same policy issues that would have been implicated had RIM avoided infringement under the system claims. In particular, the consequence is that RIM (or anyone else) can escape liability under any patent system by simply performing one step of a claimed process abroad.

An appropriate response to this frustration of U.S. patent law would be "a clear

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<sup>139</sup> See FED. R. CIV. P. 12(b)(2) ("the following defenses may . . . be made by motion: . . . (2) lack of jurisdiction over the person").

<sup>140</sup> See, e.g., PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 17 (Foundation Press rev. 5th ed. 2004) (1973) ("Inventions . . . cannot, in nature, be a subject of property. Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from any body." (quoting Letter from Thomas Jefferson to Isaac McPherson (Aug. 13, 1813))).

and certain signal from Congress,”<sup>141</sup> through an amendment to 35 U.S.C. § 271, similar to those amendments promulgated by Congress in response to other aforementioned loopholes. One potential concern, however, in formulating a new act of infringement would be how many of the claimed steps of a process an individual would be required to perform within the country before becoming liable for infringement. For instance, many might agree that RIM is thwarting U.S. patent law when it escapes liability by performing one step of a claimed process outside of the United States, but what if two steps of the claimed process were performed outside of the United States? Or, what if all but one of the claimed steps were performed outside of the jurisdiction of the United States? Clearly, if none of the steps of a patented process are performed within the country, but a product made by the claimed process is imported into the United States, there will be liability under § 271(g).<sup>142</sup> But without an accompanying product, how many steps of a patented process must individuals perform within the United States before we consider them to be thwarting U.S. patent laws? While it is not clear how many steps in the U.S. would constitute infringement, it is clear, as § 271(g) shows, that Congress is concerned with individuals frustrating U.S. patent laws by performing the steps of a patented process abroad.<sup>143</sup>

A conservative solution to this problem would be to tailor the remedies available to a patentee to the infringement being committed. Remedies available to a patentee under the Patent Act include an injunction<sup>144</sup> and damages.<sup>145</sup> It is clear that, at the very least, the United States should be permitted to prevent activities within its own jurisdiction that frustrate its patent laws. So, in a case where activities occurring in multiple jurisdictions are implicated, the most conservative remedy may actually be an injunction against any infringing activities that occur within the United States. Normally damages are seen as the more conservative remedy, but, in a case such as this, the assessment of damages would implicate extraterritorial activities. An injunction against only those infringing activities within the jurisdiction of the United States, on the other hand, would not implicate any extraterritorial activities. Therefore, from an international comity standpoint, an injunction is actually the more conservative remedy.

Therefore, Congress should seek to prevent the result of this case through a statutory amendment, which limits the available remedies to an injunction against any step of the process performed within the United States, while denying damages unless the entire process is performed within the country. In that way, U.S. patent rights and remedies would remain narrowly tailored and would present less of an affront to the laws of other sovereign nations. One downside to this solution is that it would further complicate U.S. patent laws by adding a “special case” to the remedies

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<sup>141</sup> *Deepsouth*, 406 U.S. at 531.

<sup>142</sup> See *supra* note 71.

<sup>143</sup> Indeed, the legislative history of § 271(g) makes this concern explicit. See H.R. REP. NO. 100-60, at 13 (1987) (“The Committee intends to provide protection to process patent owners which is meaningful and not easily evaded.”).

<sup>144</sup> 35 U.S.C. § 283. Section 283 states: “The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” *Id.*

<sup>145</sup> 35 U.S.C. § 284. Section 284 states, in pertinent part: “Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement . . .” *Id.*

sections. On the other hand, this solution would probably serve as a very effective remedy, since the threat of an injunction will force the infringer either to move entirely outside of the United States or to seek a monetary resolution with the patent owner.

#### VI. CONCLUSION

In *NTP, Inc. v. Research In Motion, Ltd.*,<sup>146</sup> the Court of Appeals for the Federal Circuit held that a system can infringe a U.S. patent, despite an element of that system being located abroad, as long as the control and beneficial use of the system occur within the United States, but that a process cannot infringe unless each step of the process is performed within the U.S. This was the correct decision, as it followed from the text of the infringement provision of the Patent Act and prior case law interpreting that provision. However, the result of the case is unsatisfactory, because the consequence of the decision is that anyone can become impervious to U.S. patent laws by simply performing one step of a patented process outside of the country. Therefore, Congress should seek to modify current U.S. patent laws so that individuals who perform all of the steps of a patented process, but who do not perform every step within the jurisdiction of the United States, will nevertheless be liable as infringers. By limiting the remedies available in this situation to an injunction against any of the activities occurring within the United States, U.S. patent laws will remain narrowly tailored and will present less of an affront to the laws of other countries, while still providing the patent owner with sufficient recourse.

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<sup>146</sup> 418 F.3d 1282 (Fed. Cir. 2005).