No. 13-43

IN THE

Supreme Court of the United States

MAERSK DRILLING USA, INC.,
Petitioner,

—v.—

TRANSOCEAN OFFSHORE DEEPWATER DRILLING, INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF *AMICI CURIAE* FOR TEN INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

TABLE OF CITED AUTHORITIES

CASES *Page*

STATUTES

OTHER AUTHORITIES

INTEREST OF THE *AMICI CURIAE*

Amici are law professors who specialize in intellectual property law and who have previously published on, or have interest in, the issue of extraterritoriality. Amici have no personal stake in the outcome of this case,[1] but have an interest in seeing that the patent laws develop in a way that promotes rather than impedes innovation.

ARGUMENT

In order to comply with the obligations of the Uruguay Round Agreements, particularly the Agreement on the Trade Related Aspects of Intellectual Property (TRIPS), Congress amended 35 U.S.C. § 271(a) to make it an act of infringement to "offer to sell" a patented invention within the United States. *See* Uruguay Round Agreements Act, Pub. L. No. 103-465, §§ 531-533, 108 Stat. 4809 (1994).

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[1] No counsel of a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief and no person other than amici curiae, its members, or its counsel made a monetary contribution to its preparation or submission.

Petitioners and respondents both have provided written consent, on file with the clerk, to the filing of briefs in support of either, or neither, party. Amici provided notice to respondents of the intent to file this brief on July 30, 2013, at least 10 days prior to the deadline for filing this brief.

Congress provided little guidance as to the meaning of this new form of infringement, however. *See Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1250 (Fed. Cir. 2000) ("Unfortunately, other than stating that an 'offer to sell' includes only those offers 'in which the sale will occur before the expiration of the term of the patent,' Congress offered no other guidance as to the meaning of the phrase."). Commentators quickly identified potential extraterritorial consequences for this provision. *See, e.g.,* Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 608 (1997) ("Adding 'offering for sale' may have interesting implications for the territorial scope of a U.S. patent, depending on how the phrase is interpreted.... Is an offer by a person in another country to a customer in the United States an offer in the United States even though the sale will be consummated or the product delivered outside the United States?"). The district courts eventually split over the issue of whether it was an infringing act to make an offer within the United States to sell the invention abroad. *Compare Cybiotronics, Ltd. v. Golden Source Elecs., Ltd.*, 130 F. Supp. 2d 1152, 1167-71 (C.D. Cal. 2001); *Quality Tubing, Inc. v. Precision Tube Holdings Corp.,* 75 F. Supp. 2d 613, 625 (S.D. Tex. 1999) (does not apply to foreign sales) *with Wesley Jessen Corporation v. Bausch & Lomb, Inc.*, 256 F. Supp. 2d 228, 233-34 (D. Del. 2003) (applies to foreign sales).

In the present case, the Federal Circuit resolved this district court split, but it did so in a rather surprising manner. While all of the district courts, and even earlier Federal Circuit decisions, contemplated that the *offer* had to be within the United States, the court concluded that there could be infringement *regardless of where the offer took* place, so long as the contemplated completed sale would be in the United States. *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1309 (Fed. Cir. 2010) ("In order for an offer to sell to constitute infringement, the offer must be to sell a patented invention within the United States. The focus should not be on the location of the offer, but rather the location of the future sale that would occur pursuant to the offer.").

In so doing, the Federal Circuit considerably expanded the extraterritorial reach of this provision: there can be infringement if negotiations take place anywhere in the world, so long as the potential sale *may* be in the United States, even if that sale is never consummated. As a result, there can now be liability in circumstances where *no activity has ever taken place* within the United States. Such an approach is squarely contrary to the Supreme Court's articulation of a presumption against the extraterritorial application of U.S. law. This case, therefore, merits the review of this Court to correct the Federal Circuit's aggressive extraterritorial expansion of patent law and to further emphasize the importance and weight to be afforded the presumption against extraterritoriality more broadly.

I. THE SUPREME COURT HAS CREATED A STRONG PRESUMPTION AGAINST THE EXTRATERRITORIAL APPLICATION OF UNITED STATES LAW, AND PARTICULARLY UNITED STATES PATENT LAW

The Supreme Court has established firmly that there is a strong presumption against the extraterritorial application of U.S. law. *See, e.g., Kiobel v. Royal Dutch Petroleum Co.*, 133 S. Ct. 1659 (2013) (relying on presumption to decline to extend reach of Alien Tort Statute); *Morrison v. Nat'l Australia Bank Ltd.*, 130 S. Ct. 2869 (2010) (relying on presumption to decline application of United States securities law to foreign conduct); *E.E.O.C. v. Arabian Am. Oil Co.*, 499 U.S. 244 (1991) ["Aramco"] (using presumption to decline application of Title VII to employment practices of US employers employing US citizens abroad). Although Congress undisputedly has the authority to regulate acts outside of the territorial boundary of the U.S., the Court has recognized that "legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949).

As this Court has noted, "[w]hen a statute gives no clear indication of an extraterritorial application, it has none." *Morrison v. Nat'l Australia Bank Ltd.*, 130 S. Ct. 2869 (2010). While falling short of a "clear statement rule," *see id.* at 2883, *Morrison* emphasized the importance and power of the rule: "the presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever some domestic activity is involved in the case." *Id.* at 2884; *see also* Timothy R. Holbrook, *Should Foreign Patent Law Matter?*, 34 CAMPBELL L. REV. 581, 601-07 (2012) (discussing implications of *Morrison* for patent law).

That watchdog has had particular bite in the context of patent law. *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 427, 454-55 (2007) ("The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law."). Indeed, as far back as 1856, this Court rejected the extraterritorial reach of a patent: "The power thus granted is domestic in its character, and necessarily confined within the limits of the United States." *Brown v. Duchesne*, 60 U.S. 183, 195 (1856) (holding U.S. patent rights do not extend to invention on foreign vessel in U.S. port).

More recently, the Court again rejected a party's attempt to use its patent to control extraterritorial activity. In *Deepsouth Packing Co. v. Laitram Corp.*, the Supreme Court concluded that the manufacture of all components of a patented invention in the United States, that subsequently was assembled abroad, did not constitute infringement of a U.S. patent. 406 U.S. 518, 529 (1972). The Court emphasized that "[o]ur patent system makes no claim to extraterritorial effect." *Id.* at 531. Without a clear statement from Congress that the statute was meant to apply to activity outside of the territorial limits of the U.S., the Supreme Court refused to grant the statute such an expansive scope.

Although Congress provided the "clear and certain" signal and abrogated *Deepsouth* in part by adopting 35 U.S.C. § 271(f) in 1984, the Supreme Court relied on the presumption against extraterritoriality to narrowly construe that provision. In *Microsoft Corp. v. AT&T Corp.*, the Court held (1) that only computer software, not software in the abstract, could constitute a "component" under § 271(f), 550 U.S. 437, 449-50 (2007), and (2) that such components were not "supplied" under § 271(f) when copies of the software were made outside of the United States. *Id.* at 452-54. To support its interpretation, the Court specifically noted that "[a]ny doubt that Microsoft's conduct falls outside § 271(f)'s compass would be resolved by the presumption against extraterritoriality." *Id.* at 454. Notwithstanding that Congress explicitly abrogated *Deepsouth* to afford some extraterritorial protection to U.S. patent holders, the Court rejected AT&T's argument that the presumption was inapplicable and used the presumption to construe § 271(f) narrowly. *Id.* at 454-56. *See generally* Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. & MARY L. REV. 2119, 2135-36 (2008) (discussing importance of the use of the presumption in *Microsoft*).

II. THE FEDERAL CIRCUIT'S HOLDING IMPERMISSIBLY EXPANDS THE EXTRATERRITORIAL REACH OF INFRINGING OFFERS TO SELL THE PATENTED INVENTION

The Federal Circuit in the present case ignored the Supreme Court's consistent and rigorous applications of the presumption against the extraterritorial reach of United States law, and of patent law in particular. The Federal Circuit concluded that the negotiations, taking place in Norway and Denmark regarding the sale of the patented oil rig, could nevertheless infringe a U.S. patent because ultimately the completed sale would take place within the United States.

Specifically, the Federal Circuit held that "the location of the contemplated sale controls whether there is an offer to sell within the United States." *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.* 617 F.3d 1296, 1311 (Fed. Cir. 2010). The court therefore worked a considerable and inappropriate expansion of the extraterritorial reach of this form of infringement.

A. The Federal Circuit Failed to Give Appropriate Consideration to the Presumption Against Extraterritoriality

The Federal Circuit Court's interpretation of 35 U.S.C. § 271(a)'s prohibition on offering to sell a patented invention is inconsistent with the presumption against extraterritoriality. Indeed, the entirety of the Federal Circuit's discussion of the presumption is as follows:

> We are mindful of the presumption against extraterritoriality. *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 441, 127 S.Ct. 1746, 167 L.Ed.2d 737 (2007). "It is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country." *Id.* This presumption has guided other courts to conclude that the contemplated sale would occur within the United States in order for an offer to sell to constitute infringement. *See, e.g.*, *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 531 F.Supp.2d 1084, 1110-11 (N.D.Cal.2007). We agree that the location of the contemplated sale controls whether

> there is an offer to sell within the United States.

That's it. Nothing more. The Federal Circuit never even cited this Court's decision in *Morrison*, decided more than a year before *Transocean* and which clearly contemplates a more robust application of the presumption.

Additionally, as this Court noted in *Microsoft*, the presumption should be used as a tool of statutory construction, and courts should adopt an interpretation that narrows the extraterritorial reach of a law, absent a clear expression of Congressional intent to the contrary. *Cf. Microsoft*, 550 U.S. at 458 ("Given that Congress did not home in on the loophole AT&T describes, and in view of the expanded extraterritorial thrust AT&T's reading of § 271(f) entails, our precedent leads us to leave in Congress' court the patent-protective determination AT&T seeks.").

B. The Federal Circuit Ignored Its Own Prior Precedent and the Decisions of All District Courts that Considered the Issue to Require the Offer to be Made in the United States.

Moreover, the Federal Circuit's holding is contrary to the views of every court that had previously considered this issue. Every district court—and even the Federal Circuit itself—has required that the offer itself be made within the United States. The Federal Circuit in *Transocean*, however, suggested that these panels had not squarely considered the issue, which is not the case.

To better clarify the dynamics of the territorial constraints on infringing "offers to sell," the below two-by-two matrix illustrates the possible permutations.[2] There are two elements of infringement to consider: (1) the location of the offer; and (2) the location of the contemplated sale. The locations of the offers and sales can also be classified in two broad categories: those occurring within the United States, and those occurring abroad.

	Sale Must Be in United States	*Sale May Be Outside the United States*
Offer Must Be in United States	**Offer & sale in United States**	**Offer in, sale outside United States**
Offer May Be Outside United States	**Offer outside, sale in United States**	**~~Offer & sale outside United States~~**

[2] This table is reprinted, in modified form, from Timothy R. Holbrook, *Territoriality and Tangibility after* Transocean, 61 EMORY L.J. 1087, 1101 (2012).

Uncontroversially, no court ever considered the lower right quadrant to be a legitimate interpretation of the statute. To allow infringement when both the offer and the contemplated sale take place outside of the United States would effect an extreme expansion of the exterritorial reach of U.S. patents because infringement liability would have no nexus to the United States. Allowing an infringement action in this context would write the language "within the United States" out of the statute.

Prior to *Transocean*, the district courts had split between the upper left and upper right quadrants. In other words, the district courts were divided over whether the sale contemplated by an offer in the United States could infringe a U.S. patent if the sale would be outside of the United States. For example, if a company negotiated an agreement within the United States to sell the patented invention in Hungary, then some district courts would find no infringement because the contemplated sale would happen outside of the United States. *See, e.g., Cybiotronics,* 130 F. Supp. 2d at 1167-71. Other courts, however, had found patent infringement under these circumstances. *See, e.g., Wesley Jessen Corp.*, 256 F. Supp. 2d at 233-34. Every district court, however, believed that the *offer* had to take place in the United States. *See also* MARKETA TRIMBLE, GLOBAL PATENTS: LIMITS OF TRANSNATIONAL ENFORCEMENT 105 (Oxford Univ. Press 2012) (noting German adoption of upper right quadrant and contrasting with United States' approach).

Even the Federal Circuit's own precedent required that the offer had to take place in the United States. In *Rotec Industries, Inc. v. Mitsubishi Corp.*, 215 F.3d 1246 (Fed. Cir. 2000), the Federal Circuit's analysis conclusively demonstrates that an offer made within the United States was a prerequisite to infringement. The court framed the issue as follows:

> [I]t is also undisputed that many of [the accused infringer's] activities took place outside the United States, in China and elsewhere. These extraterritorial activities however, are irrelevant to the case before us, because "[t]he 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 of acts wholly done in a foreign country." Thus, we must establish whether Defendants' activities in the United States, as would be construed by a reasonable jury, are sufficient to establish an "offer for sale," as that phrase is used in § 271(a).

Id. at 1251 (citations omitted). The analysis by the court, therefore, assumed that negotiations within the United States were relevant to determining infringement. If the Federal Circuit had contemplated the rule adopted in *Transocean*, however, this analysis would have been irrelevant because the sale would have been outside of the United States, resulting in no infringement. There would be no need to evaluate the nature of the activities taking place within the United States.

Similarly, in *MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369 (Fed. Cir. 2005), the court rejected infringement in part because "MEMC point[ed] to no evidence of negotiations occurring in the United States between SUMCO and Samsung Austin." *Id.* at 1376. Whether the negotiations took place in the United States is completely irrelevant under the *Transocean* rule. The determinative fact would have been if the contemplated sale was to occur in the United States, regardless of whether the negotiations took place in the United States.

The analysis in both *Rotec* and *MEMC* would be flatly wrong because the location of the negotiations would be utterly irrelevant under the Federal Circuit's approach in *Transocean*. *See generally* Holbrook, *Territoriality*, *supra*, at 1102-05. All that would be relevant is the location of the ultimate sale. Thus, the Federal Circuit has now rejected every single prior court decision that held that, to infringe, at least the offer had to take place within the United States.

After *Transocean*, the two left quadrants (enclosed by the double line) are what now constitute infringement. The upper-left quadrant, "Offer & sale in United States," is undeniably covered by § 271(a). Such activity would not trigger concerns of extraterritorial application of U.S. patent law. Now, however, the lower left quadrant, where an offer to sell the invention anywhere in the world that contemplates a sale within the United States can also constitute an act of infringement, even if that sale is never consummated. As such, there can be liability for infringement of a U.S. patent *even when no activity has occurred within the United States*.

Indeed, even more perplexing, is that there is no infringement when the offer is in fact made within the United States to sell a device overseas. Although it would seem appropriate under territoriality principles to regulate activity within the United States, the Federal Circuit's conclusion in *Transocean* now takes such activity outside the scope of a U.S. patent. Recent district court decisions have confirmed this view of the *Transocean* decision. *See Halo Elecs., Inc. v. Pulse Eng'g, Inc.,* 810 F. Supp. 2d 1173, 1208 (D. Nev. 2011) (finding no infringement for domestic offers to sell the invention abroad); *ION, Inc. v. Sercel, Inc.,* No. 5:06-CV-236-DF, 2010 WL 3768110, at *4 (E.D. Tex. Sept. 16, 2010) (same).

III. THE SUPREME COURT SHOULD GRANT THE WRIT OF CERTIORARI TO PROPERLY SET THE TERRITORIAL SCOPE OF INFRINGING OFFERS TO SELL.

In the present case, the Federal Circuit ignored not only Supreme Court precedent on the presumption against extraterritoriality but its own decisions and those of the district courts that require that an offer be within the United States for infringement under 35 U.S.C. § 271(a)'s "offer to sale" provision. This case is the perfect vehicle for correcting this egregious expansion of the extraterritorial reach of U.S. patents and to emphasize the importance of properly applying the presumption.

CONCLUSION

For the foregoing reasons, amicus curiae urges that the Supreme Court grant the petition for writ of certiorari in this case.

Respectfully submitted,
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