

NOTES

COURTS AS DIPLOMATS: ENCOURAGING AN INTERNATIONAL PATENT ENFORCEMENT TREATY THROUGH EXTRATERRITORIAL CONSTRUCTIONS OF THE PATENT ACT

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INTRODUCTION

SINCE at least 1856, the Supreme Court of the United States has consistently held that the rights of a U.S. patent holder “do not, and were not intended to, operate beyond the limits of the United States.”¹ Although revisions to the Patent Act have started to erode this maxim,² it remains true today that patents are territorial in scope. Yet patents—like other types of intellectual property (“IP”) rights—are crucial to a knowledge economy, and the importance of protecting ideas has only grown with globalization.³ Inventors have increasingly sought patent protection for their inventions in multiple jurisdictions and have also sought to enforce these patents through infringement actions around the globe.⁴

While parallel patent prosecution and litigation is an effective way to protect IP rights abroad, it is also extraordinarily expensive.

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¹ *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1856).

² See, e.g., 35 U.S.C. § 271(f) (2006) (providing liability for making the components to a patented invention in the United States and shipping them elsewhere to be assembled); *id.* § 271(g) (providing liability for importing the product of a patented process into the United States).

³ See, e.g., Thomas L. Friedman, *The World Is Flat* 319 (2006).

⁴ Gerald J. Mossinghoff & Vivian S. Kuo, *World Patent System Circa 20XX, A.D.*, 38 *IDEA* 529, 530 (1998).

In a recent survey, the American Intellectual Property Law Association concluded that the median cost of legal services for an original application for a United States utility patent ranged from \$7000 to \$12,000,⁵ and the median cost for U.S. litigation involving a valuable patent was \$5.5 million.⁶ The fragmented nature of patent enforcement and the high costs of litigation within each jurisdiction have led many scholars to predict the demise of the territorial model of patent protection,⁷ and it has encouraged proposals for supranational patent enforcement bodies.⁸ At the more practical level, these costs have motivated practitioners to pursue two routes to consolidate multinational patent litigation in U.S. courts: advocating extraterritorial application of U.S. patent rights and attempting to litigate infringement of foreign patents along with infringement of U.S. patents under the federal courts' supplemental jurisdiction doctrine.⁹

These two strategies have presented courts with the opportunity to influence international patent policy through statutory interpretation. For claims that seek to apply the Patent Act extraterritorially, courts must decide whether to invoke the long-standing presumption against extraterritoriality.¹⁰ Likewise, for claims that seek to use the supplemental jurisdiction statute, 28 U.S.C. § 1367, to adjudicate foreign patents in U.S. forums, courts must decide whether to apply the comity canon¹¹ and narrowly construe Section

⁵ AIPLA, Report of the Economic Survey 2009, at 25 (2009).

⁶ Id. at 29. "Valuable," as used in the text's discussion of the survey, refers to patent litigations in which more than \$25 million is at risk.

⁷ See, e.g., Donald S. Chisum, Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law, 37 Va. J. Int'l L. 603, 617-18 (1997).

⁸ See, e.g., Mossinghoff & Kuo, *supra* note 4, at 553.

⁹ See, e.g., Kendra Robins, Note, Extraterritorial Patent Enforcement and Multinational Patent Litigation: Proposed Guidelines for U.S. Courts, 93 Va. L. Rev. 1259, 1260-61 (2007).

¹⁰ See, e.g., *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) ("It is a long-standing principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" (quoting *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949))).

¹¹ I use "comity canon" here to mean that, given two possible interpretations of a statute, the Court will choose the interpretation that is more respectful of the comity interests of foreign nations. In this Note, the comity canon comes up in adopting narrow interpretations of 28 U.S.C. § 1367 (2006) to avoid litigating claims that arise under foreign patents in U.S. courts.

1367.¹² Depending on the interpretive rule invoked in these cases, courts may encourage other governmental bodies to develop international patent law.

A recent line of statutory interpretation scholarship, pioneered by Professor Einer Elhauge of the Harvard Law School, has considered the possibility of courts using default rules of statutory interpretation to elicit political action.¹³ Professor Elhauge has identified three possible reactions to statutory default rules: a rule may encourage Congress to consider the international implications of its legislation *ex ante*;¹⁴ it may promote *ex post* revision of legislation to clarify the law's international reach;¹⁵ and it may spur the negotiation of international agreements if the court's interpretation leads to international discord.¹⁶ In the context of international patent law, most commentators have favored multinational litigation¹⁷ and strongly disfavored extraterritorial application of the Patent Act.¹⁸ This Note will argue that this conclusion is flawed because default rules that promote international discord may be used to encourage nations to negotiate an international patent law enforcement treaty—a long sought-after solution to the global infringement problem.

Part I of this Note will consider the use of statutory interpretation as a foreign policy tool. It will examine conditions under which

¹² See, e.g., *Voda v. Cordis Corp.*, 476 F.3d 887, 898 (Fed. Cir. 2007) (“The Supreme Court has noted that the ‘statute thereby reflects the understanding that, when deciding whether to exercise supplemental jurisdiction, “a federal court should consider and weigh in each case, and at every stage of the litigation, the values of judicial economy, convenience, fairness, and comity.”’” (quoting *Chicago v. Int’l Coll. of Surgeons*, 522 U.S. 156, 173 (1997))).

¹³ Professor Elhauge originally outlined his theory of statutory interpretation in a series of articles in the *Columbia Law Review*, the most relevant for this Note being Einer Elhauge, *Preference-Eliciting Statutory Default Rules*, 102 *Colum. L. Rev.* 2162 (2002) [hereinafter Elhauge, *Preference-Eliciting Statutory Default Rules*]. More recently, he has updated this theory in book form. See Einer Elhauge, *Statutory Default Rules: How to Interpret Unclear Legislation* (2008) [hereinafter Elhauge, *Statutory Default Rules*].

¹⁴ Elhauge, *Preference-Eliciting Statutory Default Rules*, *supra* note 13, at 2173–74.

¹⁵ *Id.* at 2174–77.

¹⁶ *Id.* at 2242–48.

¹⁷ See, e.g., Robins, *supra* note 9, at 1310.

¹⁸ See, e.g., Jacob A. Schroeder, *So Long as You Live Under My Roof, You’ll Live by . . . Whose Rules?: Ending the Extraterritorial Application of Patent Law*, 18 *Tex. Intell. Prop. L.J.* 55, 57 (2009).

an undesirable interpretation may provoke *ex ante* or *ex post* legislative responses and will also consider the potential for judicial interpretations to prompt international agreements. Part II will then examine the various ways in which courts can influence international patent policy, looking at the two most frequently encountered tools of statutory interpretation in this area: the presumption against extraterritorial application of the Patent Act and the comity canon, which disfavors multinational patent litigation in U.S. courts under the supplemental jurisdiction statute. Part III will then apply the ideas of Part I to the tools of Part II. It will argue that global patent infringement presents a classic collective action problem, and it will contend that the World Trade Organization (“WTO”) is a suitable forum in which to resolve this issue. The Note will conclude by advocating a treaty-eliciting default rule for international patent law questions, and it will contend that a presumption *in favor of* extraterritorial application of U.S. patent law is the most effective treaty-eliciting rule.

I. STATUTORY INTERPRETATION AS A FOREIGN POLICY TOOL

Although Congress and the Executive set foreign policy through negotiations with other nations, the treaty-making power, and legislation, it is the courts that must ultimately interpret the actions of these other branches and effectuate their intentions.¹⁹ Courts have long recognized this power,²⁰ and they have developed the doctrines that this Note will discuss—the presumption against extraterritoriality and the comity canon—to wield this power in a way that minimizes inter-branch conflicts and avoids antidemocratic results. Modern statutory interpretation scholarship, however, has called that goal into question: perhaps courts should not seek to minimize conflicts with the political branches when interpreting statutes, as such a policy will create antidemocratic outcomes.²¹

¹⁹ For a provocative discussion of the role of federal courts in foreign affairs, see Jack L. Goldsmith, *Federal Courts, Foreign Affairs, and Federalism*, 83 Va. L. Rev. 1617 (1997).

²⁰ See, e.g., *Rose v. Himely*, 8 U.S. (4 Cranch) 241, 279 (1808) (Marshall, C.J.) (interpreting foreign prize law narrowly because of the principle of territoriality).

²¹ See, e.g., Elhauge, *Preference-Eliciting Statutory Default Rules*, *supra* note 13, at 2169.

In appropriate circumstances, interpretive rules that upset legislative or executive expectations may actually increase the satisfaction of the political branches. Professor Elhauge, the chief proponent of such rules, has dubbed them “preference-eliciting” default rules, and he sets forth three conditions for when these rules should be used: the enacting legislature’s preferences must actually be ambiguous;²² there must be significant differential odds of legislative correction vis-à-vis legislative acquiescence in the court’s preference-eliciting interpretation;²³ and the interim costs of the court’s reading of the statute must be acceptably low relative to the benefits of action by the political branches.²⁴ If these conditions are met, courts should “choose the interpretations that are most likely to elicit legislative reactions, which will produce a statutory result that embodies enactable preferences more accurately than any judicial estimate could.”²⁵

To determine if a preference-eliciting interpretive rule is appropriate in the context of international patent law, we must first consider what kinds of reactions the rule may elicit. In the following Sections, I will discuss three main avenues through which the political branches may react: ex ante tailoring of statutes to account for international implications; ex post revision of statutes to correct judicial interpretations that conflict with legislative preferences; and the negotiation and execution of international agreements to mitigate international discord created by national courts legislating in their own interests.²⁶

A. Encouraging Ex Ante Consideration of International Implications

The idea of using undesirable background rules to encourage parties to consider an issue ex ante is not new. Indeed, Professors Ian Ayres and Robert Gertner expounded such a theory of con-

²² Elhauge, *Statutory Default Rules*, supra note 13, at 155–56.

²³ *Id.* at 157–65.

²⁴ *Id.* at 165.

²⁵ *Id.* at 152.

²⁶ This discussion builds largely on Professor Elhauge’s seminal work on preference-eliciting rules, and it is structured around the three categories of responses that he has discussed for the presumption against extraterritoriality. See Elhauge, *Preference-Eliciting Statutory Default Rules*, supra note 13, at 2169–81, 2235–48.

tract law over two decades ago,²⁷ suggesting that “penalty default rules” were already somewhat embodied in the common law of contracts²⁸ and dated back at least as far as the mid-nineteenth century.²⁹ Under their formulation, “penalty defaults are purposefully set at what the parties would not want—in order to encourage the parties to reveal information to each other or to third parties (especially the courts).”³⁰

This same idea has been applied to statutory interpretation.³¹ Such rules start with the assumption that Congress legislates against the backdrop of the common law, including any relevant canons of statutory interpretation. If Congress knows that the court will consistently interpret ambiguities in its enactments in a particular way—and, significantly, if it dislikes the outcome of those interpretations—it will consider and define the metes and bounds of its enactments before they become law.

The use of undesirable background rules may also lead to ex ante elaboration of statutes by provoking scrutiny and input from interest groups.³² This is particularly true in the context of commercial regulatory legislation, where the affected parties are both the consuming public—represented by powerful consumer protection and competition-promoting lobbies—and large corporations that stand to lose or gain substantial sums of money from the legislation. If courts adopt a background interpretive rule that disadvantages these groups, they will likely force Congress to consider and draft around the courts’ rules.

²⁷ Ian Ayres & Robert Gertner, *Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules*, 99 *Yale L.J.* 87 (1989).

²⁸ Professors Ayres and Gertner give the example of the zero-quantity default rule in the Uniform Commercial Code (“U.C.C.”). *Id.* at 95–98. The U.C.C. uses a reasonable-price standard to fill in missing price terms in a contract. U.C.C. § 2-305(1) (2010). It refuses, however, to enforce the contract if the quantity is not stated. U.C.C. § 2-201(1) (2010).

²⁹ Ayres & Gertner, *supra* note 27, at 101–04. Here the authors discuss the classic English case of *Hadley v. Baxendale*, (1854) 156 Eng. Rep. 145, 9 Exch. 341, in which the Court of Exchequer declined to include lost profits in a miller’s consequential damages for the delayed delivery of a crankshaft. The rule served a preference-eliciting function because it encouraged contracting parties to explicitly discuss damages in negotiating contracts. *Id.*

³⁰ Ayres & Gertner, *supra* note 27, at 91.

³¹ See Elhauge, *Preference-Eliciting Statutory Default Rules*, *supra* note 13, at 2168–84.

³² *Id.* at 2174.

Of course, it is impossible for a legislature to consider, *ex ante*, all of the possible ambiguities that may arise in its statutes. Technology, politics, and social mores change over time, and it is quite possible that a meticulously drafted statute will be rife with ambiguities after only a few years. Furthermore, even if the legislature could consider all of the possible ambiguities in its statutes before enacting them, the administrative and political costs of doing so may simply be too high. Congress frequently paints in broad strokes, simply outlining policy goals for the executive and the courts to interpret and implement. Failing to legislate in excruciating detail may itself be a duly arrived at decision of the legislature.

While it is difficult to observe the *ex ante* effect of default rules directly—if the rule works as expected, ambiguities should not arise in the first place—it is possible to infer the effectiveness of the rule by looking to whether courts do indeed include provisions that the rules are designed to provoke. In the context of extraterritoriality, for example, the Supreme Court has observed that “Congress’ awareness of the need to make a clear statement that a statute applies overseas is amply demonstrated by the numerous occasions on which it has expressly legislated the extraterritorial application of a statute.”³³ Examples of explicit legislation on extraterritorial application can be found in the Export Administration Act of 1979,³⁴ the Coast Guard Act,³⁵ the United States Criminal Code,³⁶ the Logan Act,³⁷ the Age Discrimination in Employment Act of 1967,³⁸ and importantly, the Patent Act.³⁹

B. Encouraging Ex Post Revision of Legislation to Clarify International Implications

If courts adopt an interpretation of a statute that is sufficiently far removed from Congress’s intentions, Congress may also amend the statute to more clearly express its intentions. In the context of extraterritoriality, for example, this has happened at least three

³³ *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 258 (1991).

³⁴ 50 U.S.C. app. § 2415(2) (2006).

³⁵ 14 U.S.C. § 89(a) (2006).

³⁶ 18 U.S.C. § 7 (2006).

³⁷ 18 U.S.C. § 953 (2006).

³⁸ 29 U.S.C. § 630(f) (2006).

³⁹ 35 U.S.C. § 271(f).

times—for the Civil Rights Act of 1964, the Securities and Exchange Act of 1934, and the Patent Act.

In *EEOC v. Arabian American Oil Co.* (“Aramco”),⁴⁰ the Supreme Court was confronted with deciding whether Title VII of the Civil Rights Act of 1964, which regulates employment discrimination, applied extraterritorially to U.S. employers who employ U.S. citizens in a foreign country.⁴¹ This question turned on the Court’s interpretation of both “employer” and “commerce” in the statute, and as between an interpretation that included the alleged conduct and an interpretation that did not, the Court conceded that “[e]ach is plausible, but no more persuasive than that.”⁴² The Court thus applied the presumption against extraterritoriality,⁴³ concluding that Title VII did not apply in this case.⁴⁴

Congress, however, was not pleased with this result. A few months after *Aramco* was decided, Congress passed the Civil Rights Act of 1991.⁴⁵ Among other things, this statute altered the definition of “employee” in Title VII to read: “With respect to employment in a foreign country, such term includes an individual who is a citizen of the United States.”⁴⁶ It also made U.S. employers liable for employment discrimination against both American citizens that they employed abroad and American citizens that were employed by their subsidiaries abroad,⁴⁷ effectively nullifying the Supreme Court’s ruling in *Aramco*.

This was not, however, the first time that Congress reacted to one of the Supreme Court’s rulings on extraterritorial application of a law by revising the underlying statute. In *Deepsouth Packing Co. v. Laitram Corp.*,⁴⁸ the Court considered whether a U.S. manufacturer that sold individual components of a patented shrimp-deveining machine to a foreign buyer for assembly abroad violated the U.S. patent for the machine.⁴⁹ The Court construed this as two

⁴⁰ 499 U.S. 244 (1991).

⁴¹ *Id.* at 246.

⁴² *Id.* at 250.

⁴³ *Id.* at 248.

⁴⁴ *Id.* at 259.

⁴⁵ Pub. L. No. 102-166, 105 Stat. 1071 (codified in scattered sections of 42 U.S.C.).

⁴⁶ *Id.* § 109(a) (codified at 42 U.S.C. § 2000e(f) (2006)).

⁴⁷ *Id.* § 109(b) (codified at 42 U.S.C. § 2000e-1 (2006)).

⁴⁸ 406 U.S. 518 (1972).

⁴⁹ *Id.* at 523.

questions: first, whether sale of the components within the United States constituted infringement under 35 U.S.C. § 271(a),⁵⁰ and second, whether the patent prohibited assembly of the machine abroad so that the component manufacturer could be held liable for contributory infringement under 35 U.S.C. § 271(c).⁵¹ Because the components themselves were not a single machine and could not literally infringe the patent under the all-elements rule, the Court made quick work of the first question—it held that the patent protected “only against the operable assembly of the whole and not the manufacture of its parts.”⁵² As for the contributory liability question, the Court first looked to the language of 35 U.S.C. § 271(c), which imposes contributory liability if the defendant sells or offers to sell a component of a patented invention “for use in an infringement of [the] patent.”⁵³ The Court then reasoned that, because the machine was being built from its components outside of the United States and 35 U.S.C. § 271(a)—the general patent infringement provision—only applies within the United States, selling components for assembly abroad could not constitute contributory infringement.⁵⁴ In other words, the Court “refused to apply U.S. patent laws extraterritorially to make the foreign assembly an act of infringement in the United States.”⁵⁵

The Court recognized that “what [was] at stake [in *Deepsouth* was] the right of American companies to compete with an American patent holder in foreign markets”⁵⁶—a substantial interest that Congress could conceivably legislate to protect. Congress did just that twelve years later when it passed the Patent Law Amendments Act of 1984,⁵⁷ which created liability for acts that are completed outside of the United States that would be deemed infringement if done inside its borders and that were begun by contributory activity within the United States.⁵⁸

⁵⁰ Id. at 527–28.

⁵¹ Id. at 526–27.

⁵² Id. at 528.

⁵³ 35 U.S.C. § 271(c) (2006).

⁵⁴ *Deepsouth*, 406 U.S. at 531.

⁵⁵ Janice M. Mueller, *An Introduction to Patent Law* 265–66 (2003).

⁵⁶ *Deepsouth*, 406 U.S. at 531.

⁵⁷ Pub. L. No. 98-622, 98 Stat. 3383 (1984) (codified in scattered sections of 35 U.S.C.).

⁵⁸ Id. § 101 (codified as amended at 35 U.S.C. § 271(f) (2006)).

The Patent Law Amendments Act of 1984 was undoubtedly a response to the Court's narrow interpretation of the extraterritorial scope of the Patent Act. Indeed, Judge Pauline Newman of the U.S. Court of Appeals for the Federal Circuit concluded as much when interpreting Section 271(f), writing "Congress enacted 35 U.S.C. § 271(f), 'respond[ing] to the United States Supreme Court decision in [*Deepsouth*], concerning the need for a legislative solution to close a loophole in patent law.' 130 Cong. Rec. 28,069 (1984). See also S. Rep. No. 98-663 at 2 (1984) (describing the legislation as 'reversal of *Deepsouth* [sic] decision')." ⁵⁹

Thus, even in the context of patent law, an undesirable interpretation of a statute—that is, an interpretation that disadvantages American businesses—was capable of provoking a response from Congress. Importantly, this response was narrowly tailored to achieve Congress's goals: instead of applying Section 271(a) extraterritorially, as the Supreme Court would have had to do to find contributory infringement in *Deepsouth*, Congress was able to craft a statute that respected both the traditional territoriality of patent rights and the interests of American manufacturers.

Most recently, Congress responded to the Supreme Court's June 2010 decision in *Morrison v. National Australia Bank Ltd.*, ⁶⁰ which held that Section 10(b) of the Exchange Act of 1934 does not apply to securities transactions in foreign countries, by passing two provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act. ⁶¹ Section 929P(b) of that Act extends the jurisdiction of U.S. district courts to include, among other things, alleged violations of the Exchange Act's antifraud provisions involving substantial extraterritorial elements, ⁶² and Section 929Y directs the Securi-

⁵⁹ *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1260 (Fed. Cir. 2000) (Newman, J., concurring).

⁶⁰ 130 S. Ct. 2869 (2010).

⁶¹ Pub. L. No. 111-203, 124 Stat. 1376 (2010).

⁶² *Id.* at § 929P(b). As George Conway—who argued on behalf of National Australia Bank Ltd. before the Supreme Court in *Morrison*—has pointed out, Section 929P(b) may simply extend the jurisdiction of federal district courts and not extend the substantive reach of the Exchange Act. See George T. Conway, *Extraterritoriality After Dodd-Frank*, Harvard Law School Forum on Corporate Governance and Financial Regulation (Aug. 5, 2010, 8:58 AM), <http://blogs.law.harvard.edu/corpgov/2010/08/05/extraterritoriality-after-dodd-frank/>. This provision of the statute nonetheless reflects Congress's desire to respond to *Morrison*, as the following statement from Representative Paul Kanjorski—a member of the House Committee on Financial Services and

ties and Exchange Commission to “conduct a study to determine the extent to which private rights of action under the antifraud provisions of the Securities and Exchange Act of 1934 should be extended to cover” extraterritorial conduct.⁶³ These provisions demonstrate that court rulings can provoke ex post clarification of a statute, and indeed, that they can do so in short order.

While these examples clearly illustrate that Congress is *capable* of ex post reactions to undesirable statutory interpretation decisions, they by no means prove that Congress monitors *all* court decisions. This is a valid objection that skeptics may raise, but it is flawed for two reasons: first, empirical evidence suggests that Congress *does* react to court decisions—particularly Supreme Court decisions⁶⁴—and second, Congress need not monitor these decisions itself because the affected interests groups will likely force Congress to consider the undesirable judicial gloss on its statutes.⁶⁵ In what is now a classic study on the dynamic between the Supreme Court and Congress, Professor William Eskridge, Jr. found that almost half of the Supreme Court’s recent statutory interpretation decisions are the “specific focus” of congressional hearings, and each Congress overrides, on average, about twelve of these rulings.⁶⁶ Thus, the old adage that Congress is an inattentive parent to its enactments⁶⁷ is simply not consistent with observed trends.

drafter of the bill—implies: “[T]he purpose of the language of section 929P(b) of the bill is to make clear that in actions and proceedings brought by the SEC or the Justice Department, the specified provisions of the Securities Act, the Exchange Act and the Investment Advisers Act may have extraterritorial application, and that extraterritorial application is appropriate, irrespective of whether the securities are traded on a domestic exchange or the transactions occur in the United States, when the conduct within the United States is significant or when conduct outside the United States has a foreseeable substantial effect within the United States.” 156 Cong. Rec. H5237 (daily ed. June 30, 2010) (statement of Rep. Kanjorski).

⁶³ Pub. L. No. 111-203, § 929Y, 124 Stat. 1376, 1871 (citation omitted).

⁶⁴ See William N. Eskridge, Jr., *Overriding Supreme Court Statutory Interpretation Decisions*, 101 *Yale L.J.* 331, 415–16 (1991); see also Elhauge, *Preference-Eliciting Statutory Default Rules*, *supra* note 13, at 2174–77.

⁶⁵ Eskridge, *supra* note 64, at 359–72.

⁶⁶ *Id.* at 335–36.

⁶⁷ See, e.g., Abner J. Mikva, *How Well Does Congress Support and Defend the Constitution?*, 61 *N.C. L. Rev.* 587, 609 (1983) (“[M]ost Supreme Court opinions never come to the attention of Congress.”). Note that Judge Mikva wrote this while a circuit judge on the U.S. Court of Appeals for the District of Columbia Circuit and after serving four terms in the United States House of Representatives.

Moreover, if the group that is adversely affected by a statutory interpretation decision is sufficiently powerful, it will likely be able to direct Congress's agenda and draw attention to the need for ex post correction of the legislation. Public choice theory suggests that business lobbies will be particularly powerful and that these special interest groups will be particularly adept at manipulating political agendas.⁶⁸

This Section and the last have demonstrated that statutory interpretation decisions may provoke a response from the enacting legislature, either *ex ante* or *ex post*, provided that the adopted interpretation is sufficiently disfavored by a particular interest group or constituency. Yet these Sections have only focused on reactions within a *single* legislature—they have not considered the additional possibility of correction at the international level. The next Section will explore this alternative.

C. Encouraging International Agreements by Creating International Discord

A fundamental idea from the previous two Sections is that adverse statutory interpretation decisions may provoke the affected interest group to negotiate with Congress to enact a clearer statute that more accurately reflects the legislature's intentions. While those Sections focused on private parties lobbying Congress for a solution, it is also possible for statutory interpretation decisions that burden *other governments* to provoke treaty negotiations with the offending nation to alleviate international discord.⁶⁹ Professor Elhauge has explained that two conditions must be met for this "treaty-eliciting" approach to be effective: the cases must involve

⁶⁸ See, e.g., Mancur Olson, Jr., *The Logic of Collective Action* 143 (1971) (positing that "industries will normally be small enough to organize voluntarily to provide themselves with an active lobby—with the political power that 'naturally and necessarily' flows to those that control the business and property of the country"); *id.* at 144 ("Often a relatively small group or industry will win a tariff, or a tax loophole, at the expense of millions of consumers or taxpayers in spite of the ostensible rule of the majority."); Eskridge, *supra* note 64, at 359–67 (identifying three roles for interest groups in the legislative-correction process: agenda-setting, maintaining issues on the legislative agenda, and preventing passage of legislation without consensus among important interest groups).

⁶⁹ See Elhauge, *Preference-Eliciting Statutory Default Rules*, *supra* note 13, at 2242–48.

collective-action problems that require international agreements to be resolved and a forum must be available to negotiate such an international agreement.⁷⁰ The classic problem implicating this approach to date has been international antitrust law.⁷¹

International antitrust law meets both the collective-action problem and forum criteria for a treaty-eliciting interpretive approach.⁷² First, it presents a classic collective action problem because every country wishes to prevent harms within its domestic markets while keeping all foreign markets as open as possible. Left to their own devices, all countries would apply their antitrust laws as broadly as possible to prevent domestic harms, but the net result would be a race to the bottom where all markets would be closed to foreign companies.⁷³ Second, antitrust is at the heart of international trade, and trade negotiations make up a substantial portion of international discourse. Indeed, a dedicated forum exists for negotiation of trade-related treaties—the World Trade Organization.

When viewed with this treaty-eliciting approach in mind, the Supreme Court's decisions that carve out an exception from the presumption against extraterritoriality for antitrust law⁷⁴ can be reconciled with the larger policy goals for the general presumption against extraterritoriality. Consider, for instance, the Court's decision in *Hartford Fire Insurance Co. v. California*.⁷⁵ In that case, the Court considered whether decisions of reinsurers in London that limited "coverage of seepage, pollution, and property contamination risks in North America, thereby eliminating such coverage in the State of California"⁷⁶ fell within the scope of Section 1 of the Sherman Act.⁷⁷ The Court explained that "it is well established . . . that the Sherman Act applies to foreign conduct that was

⁷⁰ Id. at 2243.

⁷¹ For simplicity of discussion in the U.S. legal education system, I use the term "international antitrust law" to refer to what most nations would simply term "competition law."

⁷² For a more detailed discussion of these points, see Elhauge, Preference-Eliciting Statutory Default Rules, *supra* note 13, at 2243–44. This paragraph draws largely from Professor Elhauge's discussion.

⁷³ Id. at 2242.

⁷⁴ See, e.g., Restatement (Third) of the Foreign Relations Law of the United States § 415 & reporters' note 3 (1987).

⁷⁵ 509 U.S. 764 (1993).

⁷⁶ Id. at 795.

⁷⁷ 15 U.S.C. § 1 (2006).

meant to produce and did in fact produce some substantial effect in the United States,”⁷⁸ and it concluded that liability under the Sherman Act was appropriate because “the London reinsurers engaged in unlawful conspiracies to affect the market for insurance in the United States and that their conduct in fact produced substantial effect.”⁷⁹

But not all foreign conduct harms U.S. markets, and the courts do not apply the Sherman Act abroad unless such an effect can be shown.⁸⁰ For example, in *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*,⁸¹ the Supreme Court held that a group of American electronics manufacturers could not rely on the Sherman Act to recover for the cartelization of the Japanese television market.⁸² The Court explained that the American plaintiffs “cannot recover antitrust damages based solely on an alleged cartelization of the Japanese market, because American antitrust laws do not regulate the competitive conditions of other nations’ economies.”⁸³

The reason for the territorial outcome in *Matsushita Electrical*, as opposed to the extraterritorial interpretation in *Hartford Fire*, can be resolved by considering treaty-eliciting interpretive rules. As Professor Elhauge has explained,

[t]he key is that the former case inflicts any net costs outside the nation that allows the conduct (typically on foreign buyers), whereas the latter case imposes any net costs within the nation allowing the conduct (typically on domestic consumers). In the former case, then, allowing the conduct might reflect an international collective action dilemma, where each nation individually has incentives to permit anticompetitive practices that enrich it at the expense of other nations, but if every nation allows such anticompetitive practices the collective result is to impoverish the world. In that case, international agreement might resolve the problem, for each foreign nation would be motivated to reach

⁷⁸ *Hartford Fire*, 509 U.S. at 796.

⁷⁹ *Id.*

⁸⁰ See, e.g., Restatement (Third) of the Foreign Relations Law of the United States § 415 reporters’ note 3 (1987); see also *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 443–44 (2d Cir. 1945).

⁸¹ 475 U.S. 574 (1986).

⁸² *Id.* at 582–83.

⁸³ *Id.* at 582.

agreement to avoid the imposition of net costs on itself by other nations. A preference-eliciting default rule provoking international agreement here might thus do some good.⁸⁴

Indeed, the preference-eliciting, protectionist rule that has been adopted by U.S. courts has spurred responses from other countries. Some have reacted by enacting statutes that block discovery for U.S. antitrust cases within their borders,⁸⁵ and others have adopted “clawback” provisions that allow their corporations to recover part of any treble damages awarded in U.S. antitrust judgments.⁸⁶ Significantly, courts in other countries have also responded to U.S. assertions of extraterritorial antitrust jurisdiction in kind.⁸⁷ The international discourse that has resulted from the extraterritorial application of the Sherman Act has prompted a number of proposals for an international antitrust treaty.⁸⁸ While this process has faced a number of problems—perhaps because of the limitations of the current forum for the negotiations⁸⁹—the initial steps toward an international agreement evidence the power of treaty-eliciting statutory interpretations.

The three possible political responses to statutory interpretations of extraterritoriality discussed above demonstrate the power

⁸⁴ Elhaage, Preference-Eliciting Statutory Default Rules, *supra* note 13, at 2244.

⁸⁵ For a discussion of such statutes, see Roger P. Alford, The Extraterritorial Application of Antitrust Laws: The United States and European Community Approaches, 33 *Va. J. Int'l L.* 1, 10 & nn.51–52 (1992) (quoting foreign officials referring to extraterritorial application of U.S. antitrust law as “Yankee ‘jurisdictional jingoism’”).

⁸⁶ For a discussion and list of provisions, see Erika Nijenhuis, Comment, Antitrust Suits Involving Foreign Commerce: Suggestions for Procedural Reform, 135 *U. Pa. L. Rev.* 1003, 1007 & n.23 (1987).

⁸⁷ For an example from the European Commission, see Alford, *supra* note 85, at 28–30 (discussing Grosfillex-Fillistorf, 1964 *J.O.* (58) 915, 3 *C.M.L.R.* 237 (1964) and Mertens & Straet-Bendix, 1964 *J.O.* (92) 1426).

⁸⁸ See, e.g., Anu Bradford, International Antitrust Negotiations and the False Hope of the WTO, 48 *Harv. Int'l L.J.* 383 (2007); Andrew T. Guzman, International Antitrust and the WTO: The Lesson from Intellectual Property, 43 *Va. J. Int'l L.* 933 (2003) [hereinafter Guzman, WTO]; Andrew T. Guzman, Is International Antitrust Possible?, 73 *N.Y.U. L. Rev.* 1501 (1998).

⁸⁹ See generally Anu Bradford, When the WTO Works, and How It Fails, 51 *Va. J. Int'l L.* 1, 1 (2010) (arguing that the WTO works best “when states need to rely on cross-issue linkages to overcome existing distributional conflicts, when the underlying issue calls for an enforcement mechanism, or when both the net benefits of the agreement and the opportunity costs of non-agreement are high”—conditions that are not met for an antitrust agreement).

of court decisions to influence foreign affairs. The next Section will examine the two routes in which courts may specifically influence international patent law policy—the presumption against extraterritorial application of the Patent Act and the comity canon as applied to the supplemental jurisdiction statute at 28 U.S.C. § 1367. The final Section will conclude by applying the insights of this first Section to the tools discussed next.

II. INTERNATIONAL PATENT LAW POLICY TOOLS

A. *Extraterritorial Application of U.S. Patent Law*

It is well settled in international law that states may prohibit conduct abroad, provided that they can assert jurisdiction over violators within their territory.⁹⁰ Nonetheless, U.S. courts have generally presumed that acts of Congress do not regulate conduct abroad,⁹¹ at least absent a clear statement to the contrary.⁹² In recent years, however, this presumption has been eroding. Beginning in 1945, circuit courts and even the Supreme Court began to warm to the idea of U.S. antitrust law applying abroad, reasoning that “any state may impose liabilities, even upon persons not within its allegiance, for conduct outside its borders that has consequences within its borders which the state reprehends.”⁹³

⁹⁰ See, e.g., *The S.S. “Lotus” (Fr. v. Turk.)*, 1927 P.C.I.J. (ser. A) No. 10, at 19 (Sept. 7) (“It does not, however, follow that international law prohibits a State from exercising jurisdiction in its own territory, in respect of any case which relates to acts which have taken place abroad . . .”); Restatement (Third) of the Foreign Relations Law of the United States § 402 (1987) (explaining bases of United States jurisdiction to prescribe).

⁹¹ See, e.g., *Am. Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909) (“[T]he character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.”); *The Apollon*, 22 U.S. (9 Wheat.) 362, 370 (1824) (“[H]owever general and comprehensive the phrases used in our municipal laws may be, they must always be restricted in construction, to places and persons, upon whom the Legislature have authority and jurisdiction.”).

⁹² *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (“It is a longstanding principle of American law ‘that legislation of Congress, *unless a contrary intent appears*, is meant to apply only within the territorial jurisdiction of the United States.’” (emphasis added) (quoting *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949))).

⁹³ *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 796 (1993) (adopting effects test for extraterritorial application of the Sherman Act); *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 443 (2d Cir. 1945) (sitting as a court of final appeal pursuant to 15 U.S.C. § 29(b) because the Supreme Court lacked a quorum); see also *Timberlane*

Scholars have articulated a number of critiques of the extraterritorial application of domestic law. Professor J.L. Brierly articulated an early criticism of the practice, attempting to undercut the very authority of states to regulate conduct beyond their territorial borders:

[I]t was only the rise of the modern territorial State that subjected aliens—even when they happened to be resident in a State not their own—to the law of that State. International law did not start as the law of a society of States each of omniscient jurisdiction, but of States possessing a personal jurisdiction over their own nationals and later acquiring a territorial jurisdiction over resident non-nationals.⁹⁴

Yet Professor Brierly's critique has largely been ignored, and most scholars today recognize that states do possess jurisdiction to prescribe beyond their territorial borders.⁹⁵ Today, the critiques of extraterritoriality come in three main varieties: economic, foreign affairs, and separation of powers.⁹⁶

The economic critique is consequentialist: if the United States applies its laws extraterritorially, foreign nations will do the same. This will create barriers to free trade, thus shrinking the economic pie for all nations. At its heart, this is a prisoner's dilemma without cooperation—while all nations could be better off if they did not apply their laws extraterritorially, it is in the short-term interest of each nation to protect its domestic industries.⁹⁷

The foreign affairs critique, however, sounds in the language of comity. Regulation of conduct abroad necessarily encroaches on the sovereignty of another nation, as it creates “clashes between our laws and those of other nations which could result in international discord.”⁹⁸ Indeed, in cases where U.S. courts have consid-

Lumber Co. v. Bank of Am., 549 F.2d 597, 613 (9th Cir. 1976) (setting forth a three-part test to determine if U.S. antitrust laws apply abroad).

⁹⁴ J.L. Brierly, *The Lotus Case*, 44 L.Q. Rev. 154, 156 (1928).

⁹⁵ See, e.g., Restatement (Third) of the Foreign Relations Law of the United States § 402 (1987).

⁹⁶ See Robins, *supra* note 9, at 1274–78.

⁹⁷ For a complete discussion of the role of the prisoner's dilemma model in international law, see Joel P. Trachtman, *The Economic Structure of International Law* 72–118 (2008).

⁹⁸ *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991).

ered applying U.S. law extraterritorially, it has not been uncommon for foreign governments to file amicus briefs discouraging such a course.⁹⁹

Similarly, the separation-of-powers critique recognizes that the regulation of foreign affairs has traditionally been understood as belonging to the political branches. The Constitution grants Congress the power to declare war;¹⁰⁰ grant letters of marque and reprisal;¹⁰¹ regulate commerce with foreign nations;¹⁰² define and punish offenses against the law of nations;¹⁰³ and consent to treaties.¹⁰⁴ It similarly grants the President the power to receive ambassadors;¹⁰⁵ make treaties;¹⁰⁶ act as commander-in-chief of the armed forces;¹⁰⁷ and exercise the executive power of the United States.¹⁰⁸ Yet the Constitution only empowers the courts to hear cases arising under treaties¹⁰⁹ and adjudicate disputes involving ambassadors.¹¹⁰ Scholars have highlighted this asymmetric distribution of powers to explain why, in foreign affairs, “courts are less willing than elsewhere to curb the federal political branches.”¹¹¹ Indeed, the Supreme Court itself has questioned “the competency of dissimilar institutions to make and implement particular kinds of decisions in the area of international relations,”¹¹² and it has frequently cited foreign affairs as a canonical case for application of the political questions doctrine.¹¹³

⁹⁹ See, e.g., Brief for the Government of Canada as Amicus Curiae Supporting the Request for Rehearing En Banc at 3, *NTP, Inc. v. Research in Motion*, 418 F.3d 1282 (Fed. Cir. 2005) (No. 03-1615) (urging rehearing to prevent extraterritorial application of the Patent Act).

¹⁰⁰ U.S. Const. art. I, § 8, cl. 11.

¹⁰¹ *Id.*

¹⁰² *Id.* art. I, § 8, cl. 3.

¹⁰³ *Id.* art. I, § 8, cl. 10.

¹⁰⁴ *Id.* art. II, § 2, cl. 2.

¹⁰⁵ *Id.* art. II, § 3.

¹⁰⁶ *Id.* art. II, § 2, cl. 2.

¹⁰⁷ *Id.* art. II, § 2, cl. 1.

¹⁰⁸ *Id.* art. II, § 1, cl. 1.

¹⁰⁹ *Id.* art. III, § 2, cl. 1.

¹¹⁰ *Id.* art. III, § 2, cl. 2.

¹¹¹ Louis Henkin, *Foreign Affairs and the United States Constitution* 132 (2d ed. 1996).

¹¹² *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 423 (1964) (justifying the act of state doctrine).

¹¹³ See, e.g., *Baker v. Carr*, 369 U.S. 186, 211–13 & n.31 (1962) (“The conduct of the foreign relations of our government is committed by the Constitution to the executive

Although advocates have sought to extend U.S. patent rights abroad for over a century,¹¹⁴ they face a simple textual problem: the Patent Act, as currently written, is territorial. Section 271(a), the general patent infringement provision, states that “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 therefor, infringes the patent,”¹¹⁵ and such a provision was even included in the first Patent Act of 1790.¹¹⁶ Nonetheless, as discussed *infra*, it is not entirely clear whether this language prohibits *all* extraterritorial application of U.S. patent law.

The Supreme Court has always taken a strict territorial approach to patent rights. In a series of four cases stretching from 1856 to

and legislative—‘the political’—departments of the government, and the propriety of what may be done in the exercise of this political power is not subject to judicial inquiry or decision.”) (citing *Oetjen v. Cent. Leather Co.*, 246 U.S. 297, 302 (1918)).

¹¹⁴For a comprehensive survey of cases involving the extraterritorial assertion of patent rights, see generally Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 Wm. & Mary L. Rev. 2119 (2008).

¹¹⁵35 U.S.C. § 271(a) (2006) (emphasis added).

¹¹⁶See Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 109, 111 (1790) (repealed 1793) (“[I]f any person or persons shall devise, make, construct, use, employ, or vend *within these United States*, any art, manufacture, engine, machine or device, . . . the sole and exclusive right of which shall be so as aforesaid granted by patent to any person or persons, by virtue and in pursuance of this act, without the consent of the patentee or patentees, their executors, administrators or assigns, first had and obtained in writing, every person so offending, shall forfeit and pay to the said patentee or patentees, his, her or their executors, administrators or assigns such damages as shall be assessed by a jury, and moreover shall forfeit to the person aggrieved, the thing or things so devised, made, constructed, used, employed or vended, contrary to the true intent of this act, which may be recovered in an action on the case founded on this act.” (emphasis added)).

Interestingly, no territorial limitation was included in the Patent Act of 1793. See Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322 (1793) (repealed 1836). The Patent Act of 1836 similarly did not limit the territorial scope of patents in its grant-of-rights section, but it did assume that the exclusive rights of the patent could only be assigned within the United States. See Act of July 4, 1836, ch. 357, § 5, 5 Stat. 117, 118–19 (1836) (repealed 1870) (grant of rights); *id.* §§ 11, 14, 5 Stat. at 121, 123 (limiting grants of the “exclusive right within and throughout a specified Part of the United States”). The Patent Act of 1870 explicitly limited the patent right to the “exclusive right to make, use, and vend the said invention or discovery throughout the United States and the Territories thereof,” and all subsequent Patent Acts have done the same. Act of July 8, 1870, ch. 230, § 22, 16 Stat. 198, 201 (1870) (repealed 1952); see also Act of July 19, 1952, ch. 950, § 1, 66 Stat. 792, 811 (1952) (codified as amended at 35 U.S.C. §§ 1–376 (2006)).

2007, the Court held that U.S. patent laws “do not, and were not intended to, operate beyond the limits of the United States; and as the patentee’s right of property and exclusive use is derived from them, they cannot extend beyond the limits to which the law itself is confined.”¹¹⁷ In the first such decision, *Brown v. Duchesne*, the Court considered whether to find infringement from a foreign ship’s use of a U.S.-patented gaff while the ship was in Boston Harbor.¹¹⁸ Despite no clear guidance on the scope of the U.S. patent right in the existing patent statutes,¹¹⁹ the Court distinguished between use of the patented invention and its construction and sale.¹²⁰ It reasoned that, if broadly interpreted to apply to devices on foreign ships visiting the United States, the Patent Act “would confer on patentees not only rights of property, but also political power, and enable them to embarrass the treaty-making power in its negotiations with foreign nations, and also to interfere with the legislation of Congress when exercising its constitutional power to regulate commerce.”¹²¹ The Court held that, in light of these extreme consequences and the low probability that Congress actually considered the issue when drafting the Patent Act,¹²² it was obliged to read an implicit territorial limitation into the statute. “[U]nless plain and express words indicated that such was the intention of the Legislature,” the U.S. patent laws would only be read to apply domestically.¹²³

Brown, however, is distinguishable in many ways. First, it arose from a patent statute that did not explicitly discuss the question of territoriality. Second, because the alleged infringer was a ship docked in an American harbor pursuant to maritime treaties with France, one could argue that the Court’s narrow reading of the Patent Act was prompted merely by its conflict with the treaty

¹¹⁷ *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1856).

¹¹⁸ *Id.* at 188.

¹¹⁹ See *supra* note 116; see also *Brown*, 60 U.S. (19 How.) at 194 (“The general words used in the clause of the patent laws granting the exclusive right to the patentee to use the improvement, taken by themselves, and literally construed, without regard to the object in view, would seem to sanction the claim of the plaintiff.”).

¹²⁰ *Brown*, 60 U.S. (19 How.) at 196.

¹²¹ *Id.* at 197.

¹²² *Id.* at 195.

¹²³ *Id.*

power in this case. A more complete exposition of the Court's view of the treaty power would have to wait fifty-eight years.

In *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*,¹²⁴ the defendant purchased drills that infringed the plaintiff's patent from a third party and sold them in both the United States and Canada.¹²⁵ In determining how damages should be calculated, the Court excluded the Canadian sales, concluding that "[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."¹²⁶ The Court was interpreting Section 22 of the Patent Act of 1870,¹²⁷ which limits the territorial scope of patents using much of the same language as the current Patent Act.

Aside from its decision in *Deepsouth Packing Co. v. Laitram Corp.*,¹²⁸ discussed at Part I, *supra*, the Court did not consider extra-territorial application of U.S. patent law again until 2007. In *Microsoft Corp. v. AT&T Corp.*,¹²⁹ the scope of Section 271(f)¹³⁰—the provision regarding divided infringement¹³¹ that was passed in response to *Deepsouth*—was at issue.¹³² Though Section 271(f) prohibits supplying "components" of patented inventions for assembly abroad, the question in this case was whether Microsoft was liable for infringing AT&T's U.S. "patent on an apparatus for digitally encoding and compressing recorded speech" when Microsoft shipped its Windows operating system abroad for installation on foreign-built computers.¹³³ The parties agreed that Windows itself did not infringe the patent, but they also agreed that installing Windows on a computer within the United States would be in-

¹²⁴ 235 U.S. 641 (1915).

¹²⁵ *Id.* at 643–44.

¹²⁶ *Id.* at 650.

¹²⁷ Act of July 8, 1870, ch. 230, § 22, 16 Stat. 198, 201 (1870) (repealed 1952); see also *Dowagiac*, 235 U.S. at 650 (citing Rev. Stat. § 4884).

¹²⁸ 406 U.S. 518 (1972). For a discussion of this decision, see *supra* notes 48–59 and accompanying text.

¹²⁹ 550 U.S. 437 (2007).

¹³⁰ 35 U.S.C. § 271(f) (2006).

¹³¹ This term—divided infringement—is borrowed from Melissa Feeney Wasserman, Note, Divided Infringement: Expanding the Extraterritorial Scope of Patent Law, 82 N.Y.U. L. Rev. 281, 281 (2007).

¹³² *Microsoft*, 550 U.S. at 441.

¹³³ *Id.* at 441–42.

fringement.¹³⁴ The issue, therefore, was whether copies of Windows derived from the master disk that Microsoft sent abroad would constitute infringement under Section 271(f) when installed on foreign computers. The Court broke this down into two further questions: “First, when, or in what form, does software qualify as a ‘component’ under § 271(f)? Second, were ‘components’ of the foreign-made computers involved in this case ‘supplie[d]’ by Microsoft ‘from the United States?’”¹³⁵

As to the first question, the Court applied the ordinary meaning canon and concluded that “component” must be a tangible embodiment amenable to physical “combination.”¹³⁶ It further likened software to a blueprint, concluding that, while software in the abstract could enable infringement, it could not be a *component* of the infringing device.¹³⁷ To be a component, the software program must be “expressed as a computer-readable ‘copy,’ for example, on a CD-ROM.”¹³⁸ Based on the finding that Microsoft merely supplied a master disk to foreign manufacturers and that these manufacturers later made the physical copies that were loaded onto the allegedly infringing computers, the Court concluded that Microsoft did not supply a component abroad in such a way as to merit Section 271(f) liability.¹³⁹

But such an interpretation of “supplying” is not necessarily obvious. Indeed, the Federal Circuit, in considering the same question below, concluded that “the act of copying is subsumed in the act of ‘supplying,’ such that sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies.”¹⁴⁰ To dismiss this construction, the Court turned to the presumption against extraterritoriality:

Applied to this case, the presumption [against extraterritoriality] tugs strongly against construction of § 271(f) to encompass as a “component” not only a physical copy of software, but also soft-

¹³⁴ Id. at 446.

¹³⁵ Id. at 447 (alteration in original) (citing 35 U.S.C. § 271(f) (2006)).

¹³⁶ Id. at 449.

¹³⁷ Id. at 449–50.

¹³⁸ Id. at 449.

¹³⁹ Id. at 453–54.

¹⁴⁰ AT&T Corp. v. Microsoft Corp., 414 F.3d 1366, 1370 (Fed. Cir. 2005), rev’d 550 U.S. 437 (2007).

ware's intangible code, and to render "supplie[d] . . . from the United States" not only exported copies of software, but also duplicates made abroad.¹⁴¹

Thus, the presumption against extraterritoriality is alive and well in the Supreme Court's patent-law jurisprudence. Even when interpreting Section 271(f)—a provision of the Patent Act that was a direct legislative response to the Court's narrow construction of the territorial scope of U.S. patent law in *Deepsouth*¹⁴²—the Court stood by the territorial nature of patent rights. With regard to infringement abroad, the Supreme Court summed up its stance at the end of *Microsoft*: "If AT&T desires to prevent copying in foreign countries, its remedy today lies in obtaining and enforcing foreign patents."¹⁴³

B. Litigation of Foreign Patents in U.S. Courts

But what exactly does "enforcing foreign patents" mean? Some plaintiffs have eagerly accepted this invitation from the Court, and they have attempted to use the U.S. supplemental jurisdiction statute, 28 U.S.C. § 1367, to tack claims for the infringement of foreign patents onto U.S. patent infringement actions.¹⁴⁴

Supplemental jurisdiction, long recognized but only recently codified,¹⁴⁵ confers on U.S. district courts that have original jurisdiction over a case the discretion to adjudicate "all other claims" that "form part of the same case or controversy under Article III of the United States Constitution."¹⁴⁶ This broad authority is limited where the district court's jurisdiction is premised exclusively on diversity of citizenship,¹⁴⁷ and it is limited in the district court's discre-

¹⁴¹ *Microsoft*, 550 U.S. at 454–55 (second alteration in original).

¹⁴² See *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1360 (Fed. Cir. 2009) ("In response to *Deepsouth*, Congress enacted Section 271(f).").

¹⁴³ *Microsoft*, 550 U.S. at 456.

¹⁴⁴ See, e.g., *Voda v. Cordis Corp.*, 476 F.3d 887, 893 (Fed. Cir. 2007). For scholarly commentary, see Chisum, *supra* note 7, at 610–14; Robins, *supra* note 9, at 1278–1302.

¹⁴⁵ "Supplemental jurisdiction" is the legislatively defined term contained in 28 U.S.C. § 1367 (2006) that encompasses the former doctrines of pendent, ancillary, and "tag-along" jurisdiction. See Richard H. Fallon, Jr., et al., *Hart and Wechsler's The Federal Courts and the Federal System* 831 (6th ed. 2009).

¹⁴⁶ 28 U.S.C. § 1367(a) (2006).

¹⁴⁷ See *id.* § 1367(b).

tion if the court finds certain factors to be involved.¹⁴⁸ Such factors include whether the case “raises a novel or complex issue of State law,”¹⁴⁹ “the [foreign] claim substantially predominates over the claim or claims over which the district court has original jurisdiction,”¹⁵⁰ and “other compelling reasons.”¹⁵¹

In the patent context, plaintiffs holding both U.S. and foreign patents for the same invention have brought suit in U.S. district courts for infringement of the U.S. patent, invoking the district court’s original jurisdiction under 28 U.S.C. § 1338(a). They have then asked the courts to adjudicate claims for similar infringement of a parallel foreign patent under Section 1367(a) or its judicially created predecessor, pendant jurisdiction.

The first modern case involving the adjudication of foreign patents in U.S. courts was *Ortman v. Stanray Corp.*,¹⁵² in which the plaintiff sued for infringement of its American, Canadian, Mexican, and Brazilian patents.¹⁵³ The district court initially concluded that it possessed jurisdiction,¹⁵⁴ but the plaintiff appealed that decision to the U.S. Court of Appeals for the Seventh Circuit.¹⁵⁵ The Seventh Circuit affirmed the district court, concluding that pendant jurisdiction was proper because all of the claims—foreign and domestic—were “the result of defendant doing similar acts both in and out of the United States.”¹⁵⁶ Based on the common-nucleus-of-operative-fact test for pendant jurisdiction from the Supreme Court’s decision in *United Mine Workers of America v. Gibbs*,¹⁵⁷ the Seventh Circuit concluded that “the same reasoning as in *Gibbs* would seem to apply in determining the existence of federal court jurisdiction” over foreign patent claims.¹⁵⁸

¹⁴⁸ See *id.* § 1367(c).

¹⁴⁹ *Id.* § 1367(c)(1).

¹⁵⁰ *Id.* § 1367(c)(2).

¹⁵¹ *Id.* § 1367(c)(4).

¹⁵² 371 F.2d 154 (7th Cir. 1967).

¹⁵³ *Id.* at 155.

¹⁵⁴ *Id.* at 156.

¹⁵⁵ Note that this decision predates the consolidation of patent infringement actions in the U.S. Court of Appeals for the Federal Circuit in 1982. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 165, 96 Stat. 50 (1982) (codified as amended at 28 U.S.C. § 1295 (2006)).

¹⁵⁶ *Ortman*, 371 F.2d at 158.

¹⁵⁷ 383 U.S. 715 (1966).

¹⁵⁸ *Ortman*, 371 F.2d at 158.

Five years later, however, the U.S. District Court for the Northern District of Illinois dismissed several infringement claims for lack of jurisdiction when the plaintiff alleged parallel violations of one U.S. patent and nine foreign patents.¹⁵⁹ The court concluded that the possibility of an invalidity defense as to the foreign patents would raise “serious questions of comity,”¹⁶⁰ and it further feared that the proper interpretation of foreign patent laws may turn on “economic and social policies” that it could not be expected to understand.¹⁶¹ The court was also concerned that the costs of applying so many different laws in so many different languages would greatly tax the capacity of the court to perform its function, and because there was a narrower ground that would allow the case to be resolved using domestic law, it declined to hear the foreign patent infringement claims.¹⁶²

Neither of these cases, however, involved a foreign defendant who manufactured a product abroad but distributed it both in the United States and elsewhere.¹⁶³ Such a case represents a canonical example of relying on supplemental jurisdiction to adjudicate a foreign patent, yet it did not arise until *Mars, Inc. v. Kabushiki-Kaisha Nippon Conlux*¹⁶⁴ in 1993. In that case, the plaintiff claimed infringement of both a U.S. patent and a Japanese patent both in the United States and abroad.¹⁶⁵ Although the district court concluded that it possessed the discretion to hear the foreign patent infringement claims under the supplemental jurisdiction doctrine, it declined to exercise that authority on both judicial economy and comity grounds.¹⁶⁶ On appeal, however, the Federal Circuit disagreed with the district court’s interpretation of Section 1367.¹⁶⁷ It held that the foreign patent claim did not arise from a common nucleus of operative fact—as required by *Gibbs*—and it therefore

¹⁵⁹ *Packard Instrument Co. v. Beckman Instruments, Inc.*, 346 F. Supp. 408, 410–11 (N.D. Ill. 1972). For an excellent analysis of this case, see Chisum, *supra* note 7, at 611–12.

¹⁶⁰ *Packard Instrument*, 346 F. Supp. at 410.

¹⁶¹ *Id.* at 410–11.

¹⁶² *Id.*

¹⁶³ See Chisum, *supra* note 7, at 612.

¹⁶⁴ 24 F.3d 1368 (Fed. Cir. 1994).

¹⁶⁵ *Id.* at 1370.

¹⁶⁶ *Id.* at 1370–71.

¹⁶⁷ *Id.* at 1374–75.

held that the district court would have abused its discretion had it opted to hear the foreign patent claim under Section 1367.¹⁶⁸ According to the Federal Circuit, the foreign patent claims were unrelated to the U.S. patent claims because “[t]he respective patents are different, the accused devices are different, the alleged acts are different, and the governing laws are different.”¹⁶⁹

But *Mars* was, in many ways, limited to its facts. As the Federal Circuit noted, the foreign patent claimed an apparatus, while the U.S. patent claimed only a method.¹⁷⁰ The foreign patent was also being asserted against a broader range of allegedly infringing devices, which would have caused the U.S. court to engage in more infringement analyses.¹⁷¹ The *Mars* court therefore left the door open for using supplemental jurisdiction to adjudicate foreign patents that are essentially identical to an asserted U.S. patent, particularly if the infringing device was the same in both the United States and abroad.¹⁷²

This opening was tested when the Federal Circuit considered *Voda v. Cordis Corp.*,¹⁷³ a case in which both the asserted foreign patents and the U.S. patent arose from a common Patent Cooperation Treaty application.¹⁷⁴ After initially pleading infringement of a U.S. patent, Voda amended his complaint to add claims of infringement of British, Canadian, French, and German patents.¹⁷⁵ The district court allowed the amendment, holding that supplemental jurisdiction was appropriate because the facts of this case were more similar to *Ortman*, the case in which the Seventh Circuit adjudicated a foreign infringement claim, than *Mars*.¹⁷⁶

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at 1375.

¹⁷⁰ *Id.* at 1375.

¹⁷¹ *Id.*

¹⁷² See Mossinghoff & Kuo, *supra* note 4, at 540 (“This seems to leave open, however, the possibility that there may be cases where a claim of foreign patent infringement may be so related under Article III as to be heard and decided in the United States.”); see also Robins, *supra* note 9, at 1285.

¹⁷³ 476 F.3d 887 (Fed. Cir. 2007).

¹⁷⁴ *Id.* at 889–90.

¹⁷⁵ *Id.* at 890–91. Voda also included a claim for infringement of a “European” patent, though such an infringement claim does not exist. *Id.*

¹⁷⁶ *Voda v. Cordis Corp.*, No. 03-1512, 2004 WL 3392022, at *1 (W.D. Okla. Aug. 2, 2004).

The Federal Circuit held that the district court abused its discretion in exercising supplemental jurisdiction, primarily because the district court failed to explicitly consider the factors listed in 28 U.S.C. § 1367.¹⁷⁷ Although the court declined to reach the question of whether the case arose from a “common nucleus of operative fact,” as required by *Gibbs*,¹⁷⁸ it did conclude that “considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances constitute compelling reasons to decline jurisdiction under § 1367(c).”¹⁷⁹

In its comity analysis, the Federal Circuit cited four concerns:

First, Voda has *not identified any international duty*, and we have found none, that would require our judicial system to adjudicate foreign patent infringement claims. . . . Second, . . . Voda has *not shown that it would be more convenient* for our courts to assume the supplemental jurisdiction at issue. Third, with respect to the rights of our citizens, Voda has *not shown that foreign courts will inadequately protect his foreign patent rights*. Indeed, we see no reason why American courts should supplant British, Canadian, French, or German courts in interpreting and enforcing British, Canadian, European, French, or German patents. . . .

Fourth, assuming jurisdiction over Voda’s foreign patent infringement claims could *prejudice the rights of the foreign governments*. None of the parties or amicus curiae have demonstrated that the British, Canadian, French, or German governments are willing to have our courts exercise jurisdiction over infringement claims based on their patents.¹⁸⁰

This analysis echoed an earlier analysis that the Supreme Court articulated in *F. Hoffman-La Roche Ltd. v. Empagran, S.A.*¹⁸¹ In interpreting the Sherman Act, the Court invoked what some have called a “comity canon,”¹⁸² holding that the “Court ordinarily construes ambiguous statutes to avoid unreasonable interference with

¹⁷⁷ *Voda*, 476 F.3d at 896.

¹⁷⁸ *Id.* at 896.

¹⁷⁹ *Id.* at 898.

¹⁸⁰ *Id.* at 901 (emphases added).

¹⁸¹ 542 U.S. 155 (2004).

¹⁸² See Elhauge, *Statutory Default Rules*, *supra* note 13, at 207–08.

the sovereign authority of other nations.”¹⁸³ It explained that this canon “reflects principles of customary international law,”¹⁸⁴ citing a longstanding canon that statutes will not be presumed to conflict with international law.¹⁸⁵ According to the court’s analysis, the comity canon will counsel against interpretations that interfere with substantial foreign interests, particularly if the U.S. interest is small.¹⁸⁶

Voda, however, did not completely rule out the possibility of multinational litigation in U.S. courts. Because it rested on the comity canon, it necessarily involved a balancing of U.S. and foreign interests. As the Federal Circuit explained,

because the exercise of supplemental jurisdiction under § 1367(c) is an area of discretion, the district courts should examine these reasons along with others that are relevant in every case, especially if circumstances change, such as if the United States were to enter into a new international patent treaty or if events during litigation alter a district court’s conclusions regarding comity, judicial economy, convenience, or fairness.¹⁸⁷

One district court has recently seized on this flexibility, distinguishing *Voda* and finding jurisdiction over foreign patent claims. In *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.*,¹⁸⁸ the U.S. District Court for the District of Maine confronted a case where two American businesses entered into an agreement, complete with a forum-selection clause electing the District of Maine, for their worldwide commercial dealings.¹⁸⁹ The agreement included a worldwide patent license for patents issued by both the United States and China, and the parties were disputing the scope of the patents to determine if certain activities should give rise to royalty obligations.¹⁹⁰ While the court concluded that *Voda* “seems vehement that a United States court should almost

¹⁸³ *Empagran*, 542 U.S. at 164.

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*; see also *Murray v. Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804).

¹⁸⁶ See Elhauge, *Statutory Default Rules*, supra note 13, at 208.

¹⁸⁷ *Voda*, 476 F.3d at 905.

¹⁸⁸ 589 F. Supp. 2d 84 (D. Me. 2008).

¹⁸⁹ *Id.* at 85–86.

¹⁹⁰ *Id.* at 85.

always decline to hear a dispute about foreign patents,” it distinguished *Voda* because the claims in this dispute arose under diversity of citizenship, not supplemental jurisdiction.¹⁹¹ Because the claim involved a license dispute over which the district court had diversity jurisdiction and did not require the discretionary analysis of supplemental jurisdiction, the court reasoned that it should adjudicate the Chinese patent issues. Furthermore, it concluded that it should not exercise its discretion to decline to decide the Chinese patent law issue under the *forum non conveniens* doctrine—despite the Federal Circuit’s suggestion to the contrary¹⁹²—because “any balancing of the factors must be ‘heavily weighted in favor of the exercise of jurisdiction.’”¹⁹³

Thus, despite a conflicted history, current law seems to indicate that adjudication of foreign patent infringement claims in U.S. courts will rarely be permitted. While some special circumstances may exist—as in *Fairchild Semiconductor*—such cases are exceptional. Comity concerns generally guide courts to interpret Section 1367 narrowly in the international patent law context, thus closing a second door to multinational patent litigation in the United States. The next Part will argue that, while perhaps these interpretations are consistent with legislative intent, they are flawed because they miss an ideal opportunity to spur the political branches to solve a global collective action problem.

III. EXTRATERRITORIALITY IS A SUPERIOR POLICY TOOL TO PROMOTE INTERNATIONAL PATENT LAW HARMONIZATION

The world community has long attempted to harmonize global patent laws¹⁹⁴ as the need for global IP protection is becoming increasingly important¹⁹⁵ and the cost of parallel patent litigation is

¹⁹¹ *Id.* at 85, 91.

¹⁹² See *Mars*, 24 F.3d at 1376 (“[A]ny attempt to replead jurisdiction based on diversity of citizenship at this point would seem ill-founded.”).

¹⁹³ *Fairchild Semiconductor*, 589 F. Supp. 2d at 99 (quoting *Moses H. Cone Mem’l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 16 (1983)).

¹⁹⁴ See, e.g., Patent Law Treaty, June 1, 2000, 2340 U.N.T.S. 3; see also Substantive Patent Law Harmonization, World Intellectual Property Organization, <http://www.wipo.int/patent-law/en/harmonization.htm> (last visited Apr. 4, 2011).

¹⁹⁵ See, e.g., Friedman, *supra* note 3, at 319 (suggesting that strong intellectual property protection can incentivize innovation).

rising rapidly.¹⁹⁶ Despite these concerns, no progress has been made. The Substantive Patent Law Treaty (“SPLT”), a major first step toward a global patent system, has been stalled in the World Intellectual Property Organization (“WIPO”) since its first draft in April 2001.¹⁹⁷

This Note argues that the current approach of U.S. courts—rejecting both extraterritorial application of U.S. law and multinational litigation—is flawed. By adopting a treaty-eliciting default rule for issues involving global patent infringement, courts may be able to prompt the negotiation and ratification of an international patent law enforcement treaty that reduces the costs of multinational infringement litigation. As the next two Sections explain, global patent infringement is ripe for resolution by a treaty-eliciting default rule.

A. Global Patent Infringement Is a Classic Collective Action Problem

One of the primary reasons development of a global patent enforcement system has stalled is that territoriality creates advantages for the states. Chief among these is keeping foreign plaintiffs from litigating patent infringement claims against domestic defendants. By erecting high barriers to suing domestic defendants, each nation reaps a net benefit, while a net harm—unchecked global infringement—is felt throughout the rest of the world (at least where the potential plaintiff holds a patent). Thus, each nation has incentives to maintain the territorial system, even though it may not produce the most efficient outcomes.¹⁹⁸

The collective action problem can best be conceived in terms of a repeated prisoner’s dilemma.¹⁹⁹ Countries have two options available to solve the problem of global infringement—enter into a

¹⁹⁶ See Mossinghoff & Kuo, *supra* note 4, at 530 (“Once granted, a patent must be enforced individually in each individual jurisdiction. This unnecessary redundancy drives up the costs of obtaining and enforcing worldwide patent protection to a level that can only be afforded by the largest multinational corporations.”).

¹⁹⁷ World Intellectual Property Organization [WIPO], Draft Substantive Patent Law Treaty, WIPO Doc. SCP/5/2 (Apr. 4, 2001), available at http://www.wipo.int/edocs/mdocs/scp/en/scp_5/scp_5_2.pdf.

¹⁹⁸ See Olson, *supra* note 68, at 2, 11–16, 21.

¹⁹⁹ For an application of game theory to treaty-making incentives, see, for example, Jack L. Goldsmith & Eric A. Posner, *The Limits of International Law* 29–32 (2005).

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treaty to provide a multinational enforcement mechanism or maintain the strict territorial system of patent rights that requires enforcement in each individual country. With the strict territorial approach, the costs for a domestic business to remedy global infringement are astronomical. Under a global enforcement treaty, however, the costs are drastically reduced. Domestic plaintiffs would only need to litigate their infringement claims once, and they would receive a judgment that could be enforced in all states that were party to the treaty. Thus, all countries are better off under a treaty system than a strict territorial regime.

The costs of a multilateral enforcement treaty, however, are not insignificant. They come in two forms: exposing domestic companies to infringement litigation that may not have occurred absent the treaty (due to prohibitive litigation costs for foreign plaintiffs) and the loss of sovereignty that would accompany ceding jurisdiction over patent disputes to the treaty's dispute resolution body. A comprehensive analysis of the problem must consider these costs, and in order for a cooperative outcome to be possible, they must be surmountable.

For the sake of clarity, this analysis can be exemplified in simple numerical terms. Assume that each nation gains four utility points for having a comprehensive global patent enforcement mechanism at its disposal. Further assume that the cost of such a system—the adverse effects that increased litigation would have on domestic industries—is three utility points. Under a completely cooperative solution, all nations would improve by one utility point. If there are defectors, however, the analysis changes. If State *A* is a party to a global patent enforcement treaty but State *B* is not, State *A*'s companies must still face the costs of litigating in both State *B*'s courts and the treaty-created forum. This will decrease the value of the treaty's dispute resolution forum, perhaps to two utility points for each country.²⁰⁰ Table 1 shows the results of this example.

²⁰⁰ State *B*'s domestic companies must also engage in dual litigation for global infringement, both in State *B*'s courts and in the treaty forum.

Table 1: Simplified Illustration of the Prisoner's Dilemma Facing Global Patent Enforcement

		State A	
		Treaty (Cooperate)	Territorial (Defect)
State B	Treaty (Cooperate)	1, 1	-1, 2
	Territorial (Defect)	2, -1	0, 0

These data show that, despite being a Pareto-suboptimal outcome,²⁰¹ the territorial solution strictly dominates the treaty strategy for both countries. Absent cooperation—a binding international agreement—there is no incentive for countries to agree to resolve patent law disputes in a supranational forum. Resolution in such a forum, however, is the Pareto-optimal outcome, and moving toward that solution should be a desirable policy goal.²⁰²

This cooperation element is where treaty-eliciting rules may play a role. Each national legislature will adopt interpretations of laws that support the territorial system, simply because that system leads to the most efficient outcome under current circumstances (that is, no cooperation). Treaty-eliciting rules, such as extraterritorial application of U.S. patent law, will change the cost-benefit analysis. Such rules will raise the cost of not engaging in negotiations—or to put it another way, reduce the costs associated with entering into a treaty—thus encouraging states to negotiate toward a cooperative solution.

²⁰¹ A Pareto-efficient outcome is an outcome in which at least one player is better-off and no players are worse-off. 3 *The New Palgrave: A Dictionary of Economics* 811 (John Eatwell et al. eds., 1987). A Pareto-optimal state is one in which no individual may be made better off. *Id.*

²⁰² This illustration is not meant to provide an accurate relative valuation of the costs and benefits of entering into a patent enforcement treaty. For the sake of simplicity, I have arbitrarily chosen utility values that correspond to an easily solvable game. It is possible to imagine a situation, however, where the costs of entering into a multilateral agreement greatly exceed the benefits. For example, if the multilateral agreement were not comprehensive and only had the support of a small subset of nations, savings on litigation expenses abroad would not offset the domestic costs. Thus, this would only exacerbate the prisoner's dilemma scenario shown above.

B. The WTO Is an Ideal Forum to Negotiate Multinational Solutions

A second fundamental condition for a treaty-eliciting default rule is the existence of a suitable international forum in which to solve the underlying problem.²⁰³ As Professor Elhauge explained in 2002, global trade talks were such a forum for the negotiation of an international antitrust agreement.²⁰⁴ While Professor Elhauge has retreated from that position in light of the collapsed Doha negotiations in 2004,²⁰⁵ the WTO indeed may provide a suitable forum for the negotiation of an international patent law agreement.²⁰⁶

The most obvious argument in support of negotiating an international patent agreement in the WTO is simply historical: the only successful substantive patent law treaty, the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), was negotiated in what would later become the WTO.²⁰⁷ TRIPS provided for both a baseline level of patent protection²⁰⁸ and an enforcement mechanism through which countries could resolve intellectual property disputes.²⁰⁹ Many scholars have cited the linkage of trade with intellectual property protection as the primary reason that the negotiations were successful,²¹⁰ and some have suggested expanding the scope of the WTO to permit further exploitation of such linkages.²¹¹

In the case of TRIPS, the linkages that were possible within the WTO made up for the zero-sum nature of global intellectual property rights—that is, they made possible an agreement in which the

²⁰³ See Elhauge, *Statutory Default Rules*, supra note 13, at 209.

²⁰⁴ See Elhauge, *Preference-Eliciting Statutory Default Rules*, supra note 13, at 2243.

²⁰⁵ See Elhauge, *Statutory Default Rules*, supra note 13, at 210.

²⁰⁶ For an excellent analysis of why the WTO is a better forum for the negotiation of intellectual property agreements than antitrust agreements, see generally Bradford, supra note 89.

²⁰⁷ See *Agreement Establishing the World Trade Organization* art. II(2), Apr. 15, 1994, 1867 U.N.T.S. 15.

²⁰⁸ *Agreement on Trade-Related Aspects of Intellectual Property Rights* arts. 27–34, Apr. 15, 1994, *Agreement Establishing the World Trade Organization*, Annex 1C, 1869 U.N.T.S. 299.

²⁰⁹ *Id.* art. 64.

²¹⁰ See, e.g., John Braithwaite & Peter Drahos, *Global Business Regulation* 61–62 (2000); José E. Alvarez, *The WTO as Linkage Machine*, 96 *Am. J. Int'l L.* 146, 146–47 (2002).

²¹¹ See Bradford, supra note 89, at 15 n.60.

“distributional consequences . . . create winners and losers.”²¹² As Professor Guzman explained,

[t]he ultimate decision by developing countries to consent to TRIPS was not motivated by a belief that greater protection for IP was in the interest of those countries; but rather by a desire to obtain concessions in other areas. In particular, developing countries wanted and received trade concessions on agricultural subsidies, market access for their own agricultural goods, and protection against unilateral sanctions by developed countries, especially the United States. The decision to place the negotiations within the Uruguay Round, therefore, proved critical. Had IP negotiations remained within the WIPO, negotiators would have been unable to exchange IP concessions by developing countries for trade concessions by developed countries.²¹³

It is these linkages that have so far been missing in the negotiations of the SPLT, which has been debated within WIPO. WIPO is, by its charter, limited to solely intellectual property.²¹⁴ Yet not all countries value intellectual property protection in the same way. The knowledge economies of the West rely on intellectual property rights to ensure revenue for their research and discovery industries, but the manufacturing and agricultural economies of the developing world disfavor such protections because they neither benefit from nor wish to be the victims of intellectual property rights enforcement. For an agreement to be reached, each party must experience Pareto gains, which is simply not possible if the negotiations are limited to intellectual property.

The preceding discussion, of course, has not answered whether the fundamental condition for using a treaty-eliciting default rule is met—it has simply demonstrated that the General Agreement on Tariffs and Trade/WTO worked for the TRIPS agreement and that WIPO will *not* be an acceptable forum. Furthermore, it has not addressed the failings of the WTO in providing a forum for the negotiation of an international antitrust agreement.

²¹² *Id.* at 17.

²¹³ Guzman, WTO, *supra* note 88, at 950–51 (footnotes omitted).

²¹⁴ Convention Establishing the World Intellectual Property Organization art. 3, July 14, 1967, as amended on Sept. 28, 1979 (WIPO Convention), 21 U.S.T. 1749, 828 U.N.T.S. 3.

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As to the first issue, this Note submits that the WTO will continue to serve as an excellent forum for the negotiation of international intellectual property agreements. In a recent article exploring the WTO's failure to negotiate an international antitrust agreement, Professor Anu Bradford set forth several "fundamental differences" to explain the success of TRIPS vis-à-vis the antitrust proposal.²¹⁵ These factors include the support of the world's great economic powers for the TRIPS agreement; the unequivocal endorsement of the TRIPS agreement by powerful interest groups within the great economic powers; the straightforward trade linkages that the TRIPS agreement prompted; the substantial need for a global dispute settlement mechanism to resolve conflicts under TRIPS; and the significant opportunity cost of not reaching an agreement with respect to global intellectual property rights.²¹⁶ All of these conditions exist, and a treaty-eliciting default rule for global patent enforcement could only serve to enhance several of these factors.

Since TRIPS, the interests of the states party to an intellectual property treaty have not changed: the great economic powers demand greater intellectual property protection, and the interest groups within these countries demand a less costly and more effective way to enforce their global rights. Similarly, the developing world still seeks trade concessions in a number of important non-IP areas. Unlike the antitrust negotiations in which it was unclear who the "winner" would have been if an international agreement had been reached,²¹⁷ in the intellectual property context, the countries that rely on intellectual property protection—the knowledge economies—will be the clear winners from a more streamlined global enforcement mechanism. This will make it clearer that linkages should run in favor of the developing world, as there will be no debate over who will benefit from the IP concessions.

Finally, while the opportunity cost of failing to reach an agreement may be less substantial now that the baseline TRIPS agreement is in place, it is this factor that can be most influenced by a treaty-eliciting default rule. Patent rights are, predominantly, a

²¹⁵ See Bradford, *supra* note 89, at 5–6.

²¹⁶ *Id.*

²¹⁷ *Id.* at 35.

creation of the major world economies. If U.S. courts interpret U.S. patent law to create international discord, the discord will be among the major players. The current need for a more efficient global patent enforcement mechanism stems from the divergent laws and interpretive approaches of the major world economies, and interpretive rules that exacerbate this conflict will only serve to bolster the call for an international agreement. Put simply, the opportunity cost of failing to reach an agreement will depend on the amount of discord that exists between the patent law regimes of the major economic powers. Courts may play a substantial role in creating this discord, thus allowing them to promote an international patent law agreement.

This discussion has shown that the WTO remains a fertile ground in which to cultivate a global patent law harmonization treaty. Unlike WIPO, the WTO will allow the beneficiaries of such a treaty to compensate the developing world via trade concessions. Significantly, the state players have a great deal to gain from pursuing harmonization—unlike the international antitrust agreement that failed at Doha.

One further alternative remains, however. Since TRIPS became effective, many nations have entered into bilateral or plurilateral free-trade agreements (“FTAs”) that contain enhanced IP protection measures (also known as “TRIPS-plus” measures).²¹⁸ The United States alone has entered into twenty FTAs over the past few decades—all of which contain enhanced IP protection provisions.²¹⁹ Because trade negotiations occur so frequently, these bilat-

²¹⁸ See, e.g., Margo A. Bagley, *Legal Movements in Intellectual Property: TRIPS, Unilateral Action, Bilateral Agreements, and HIV/AIDS*, 17 *Emory Int'l L. Rev.* 781, 791–97 (2003); Ruth L. Okediji, *Back to Bilateralism? Pendulum Swings in International Intellectual Property Protection*, 1 *U. Ottawa L. & Tech. J.* 125, 128–29 (2004); Matthew Turk, Note, *Bargaining and Intellectual Property Treaties: The Case for a Pro-Development Interpretation of TRIPS but not TRIPS Plus*, 42 *N.Y.U. J. Int'l L. & Pol.* 981, 988–89 (2010).

²¹⁹ The United States has FTAs in force with seventeen countries: Australia (2005); Bahrain (2006); Canada and Mexico (NAFTA) (1994); Chile (2004); Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua (CAFTA) (2004); Israel (1985); Jordan (2001); Morocco (2006); Oman (2009); Peru (2009); and Singapore (2004). The United States has signed FTAs with three other countries—Colombia, Panama, and South Korea—but they are awaiting congressional action. Finally, the United States is also engaged in negotiating a Trans-Pacific Partnership Agreement, which includes Australia, Brunei Darussalam, Chile, Malaysia, New Zea-

eral and plurilateral negotiations provide another opportunity to solve the problem of global infringement.

Of course, bilateral solutions are hardly as effective as a global solution. One prerequisite to a treaty-eliciting default rule is that there be a suitable forum in which to resolve the discord created by court decisions—bilateral negotiations provide little more than a pressure release valve between two nations. Even if FTAs can be used to mitigate the effects of an extraterritorial interpretation between the United States and twenty other nations, U.S. patent law will still be in conflict with the law of over 170 other nations. While bilateral agreements for resolving multinational infringement disputes would certainly be a step forward, these agreements are not substitutes for a comprehensive, multilateral treaty.

The discussion so far has demonstrated that a treaty-eliciting default rule makes sense in the context of patent law, but it has not yet addressed the question of implementation: whether extraterritorial application of the Patent Act or litigation of foreign patent infringement claims in U.S. courts will be more likely to provoke an international patent law enforcement agreement. The next Section concludes that extraterritoriality holds more promise for creating international discord and thus, for promoting such a treaty.

C. Favoring Multinational Litigation Is Unlikely to Produce Sufficient Discord to Promote International Agreements

Extraterritorial enforcement of U.S. patent law is more likely to place pressure on the political branches to negotiate and reach an international agreement for global patent enforcement. First, and most significantly, statutory interpretations that construe U.S. patent law extraterritorially apply to all parties—not simply the parties in the litigation. For example, if U.S. courts move toward the adjudication of foreign patent claims, foreign defendants will only be subject to U.S. jurisdiction in limited circumstances. They must be infringing a U.S. patent within the United States as well as a foreign patent in a foreign jurisdiction, and they must be infringing patents that are substantially similar. On the other hand, anyone

land, Peru, Singapore, and Vietnam. For text of the agreements, see Office of the United States Trade Representative, Free Trade Agreements, <http://www.ustr.gov/trade-agreements/free-trade-agreements> (last visited Apr. 4, 2011).

may potentially infringe a U.S. patent that is applied extraterritorially. As long as the U.S. court has personal jurisdiction (and traditional jurisdictional exceptions, such as *forum non conveniens* do not apply), there is at least some risk that any foreign conduct is infringing a U.S. patent. Unlike the possibility of multinational litigation, extraterritorial application of U.S. patent law will force foreign parties to consider U.S. law in *all* cases, not just those in which they have made an affirmative decision to enter the U.S. market.

The potential for extraterritorial application of U.S. law has already provoked responses from foreign governments, thus demonstrating its potential for creating international discord. In *NTP, Inc. v. Research in Motion, Ltd.*,²²⁰ the Canadian Government expressed its concerns about the potential effects of an extraterritorial construction in an amicus brief.²²¹ The Canadian Government contended that an extraterritorial interpretation of Section 271(a), the general infringement provision of the Patent Act, would be “contrary to basic principles of comity affecting Canada and the United States.”²²²

Similarly, foreign governments have filed amicus briefs urging the Supreme Court to interpret the territorial scope of other laws narrowly. In last term’s *Morrison v. National Australia Bank Ltd.*,²²³ both the governments of France and the United Kingdom filed amicus briefs urging the Court to “set forth a clear rule restraining the extraterritorial application of the implied private right of action under § 10(b) of the Exchange Act and Rule 10b-5.”²²⁴ Fearing the

²²⁰ 418 F.3d 1282 (Fed. Cir. 2005).

²²¹ Brief for the Government of Canada as Amicus Curiae Supporting the Request for Rehearing En Banc at 3–4, *NTP, Inc. v. Research in Motion*, 418 F.3d 1282 (Fed. Cir. 2005) (No. 03-1615).

²²² *Id.* at 3.

²²³ 130 S. Ct. 2869 (2010).

²²⁴ Brief of the United Kingdom of Great Britain and Northern Ireland as Amicus Curiae in Support of Respondents at 40, *Morrison v. Nat’l Austl. Bank, Ltd.*, 130 S. Ct. 2869 (2010) (No. 08-1191) [hereinafter U.K. *Morrison* Brief]; see also Brief for the Republic of France as Amicus Curiae in Support of Respondents at 3, *Morrison v. Nat’l Austl. Bank, Ltd.*, 130 S. Ct. 2869 (2010) (No. 08-1191) [hereinafter France *Morrison* Brief] (“Section 10(b) of the Securities Exchange Act of 1934 . . . should not be applied to alleged frauds perpetrated by foreign defendants against foreign plaintiffs on foreign securities exchanges, as a matter of comity to the laws and public policies of the foreign nations in which those parties reside and under whose laws those securities exchanges are regulated.”).

universal applicability of an extraterritorial construction, the United Kingdom argued that extraterritorial extension of the private right of action under Rule 10b-5 could impair cross-border cooperation, “impede open capital markets,”²²⁵ and risk “multiple litigations and inconsistent determinations.”²²⁶ The French government similarly raised concerns that an extraterritorial construction would “conflict with the regulatory policies of foreign countries”²²⁷ and “the specific legal rules of foreign countries,”²²⁸ and both governments—as with Canada in *NTP, Inc. v. Research in Motion*—reiterated that “U.S. judicial interference in [the securities fraud] decisions [of other states] risks damaging the mutual respect that comity is meant to protect and could be perceived as an attempt to impose American economic, social and judicial values.”²²⁹

While foreign governments have been quite hostile to extraterritorial application of U.S. law because of its potential for far-reaching effects, such effects have not been observed where a foreign court has litigated infringement of foreign patents. Although the United States took a firm stance against multinational litigation in *Voda v. Cordis*, Japan has followed a different path.²³⁰ In *K.K.*

²²⁵ U.K. *Morrison* Brief, supra note 224, at 25 (“It substantially raises the risk of exposing foreign issuers to unforeseen class actions, thereby discouraging foreign investment in United States businesses and inhibiting cross-border capital flows.”).

²²⁶ *Id.* at 28.

²²⁷ France *Morrison* Brief, supra note 224, at 20.

²²⁸ *Id.* at 23.

²²⁹ U.K. *Morrison* Brief, supra note 224, at 22–23.

²³⁰ Dutch courts have also shown a willingness to rectify multinational infringement, relying on cross-border injunctions. For example, in *Applied Research Systems v. Organon*, Hof ’s-Gravenhage [Hof][Court of Appeals of the Hague], 3 februari 1994, IER 1994, 57, 63 m.nt. (Neth.), the Court of Appeals in the Hague found that the defendant had infringed a Dutch patent and issued an injunction in all other EU states where the plaintiff had patent protection. Other Dutch courts have even moved beyond the EU, issuing injunctions in Argentina, Australia, and Brazil. See Philips/Hemogram, Rb.’s-Gravenhage [Rb.][Court of First Instance] 30 december 1991, IER 1991, 76 m.nt. (Neth.). Although the European Court of Justice has held that Article 22(4) of the Brussels Convention, Council Regulation 44/2001, art. 22(4), 2001 O.J. (L 12) 1, 8 (EC), prohibits courts from adjudicating the validity of patents issued by other states, the ECJ’s ruling does not categorically eliminate a member state’s power to issue cross-border injunctions. See Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs KG*, 2006 E.C.R. I-6523.

Coral Corp. v. Marin Bio K.K.,²³¹ a Japanese plaintiff sued another Japanese company seeking a declaratory judgment that, among other things, the plaintiff was not infringing the defendant's U.S. patent. The court accepted jurisdiction over the U.S. patent claim, applied the doctrine of prosecution history estoppel and found no infringement under U.S. law. In deciding to adjudicate the U.S. claims, the court looked to the principles of fairness between the parties and the right to a proper and speedy trial. If exercising jurisdiction would be neither unfair nor result in unreasonable delay, the court concluded that Japanese courts could hear claims arising under foreign patents.²³²

Yet since its *K.K. Coral* decision, Japan has not become a hotbed of multinational infringement litigation. The two courts of first instance for patent cases in Japan—the Tokyo and Osaka District Courts—heard 39, 50, and 36 patent infringement cases in 2006, 2007, and 2008, respectively.²³³ For comparison, the number of filings in U.S. district courts ranged from roughly 2600 to 2900 cases over the same period.²³⁴ This suggests that multinational litigation does not have the potential to provoke international discord—at least to the same extent that extraterritorial application of a nation's patent law would—thus rendering multinational litigation a poor treaty-eliciting option.

To place this conclusion in more formal terms, recall the three conditions that must be met for a preference-eliciting default rule to be effective: “(1) estimated enacted preferences are unclear, (2) significant differential odds of legislative correction exist, and (3) any interim costs from lowering immediate expected political satisfaction are acceptable.”²³⁵ Using extraterritorial application of U.S.

²³¹ Tōkyō Chihō Saibansho [Tōkyō Dist. Ct.] Oct. 16, 2003, 1151 Hanrei Taimuzu [Hanta] 109, *discussed in* Jinzo Fujino & Shoichi Okuyama, Latest Developments in Japanese IP Cases, 29 AIPPI J. 68, 72–75 (2004).

²³² *Id.*

²³³ See Tom Jenkins, Partner, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Presentation to International Patent Law and Policy Class at the University of Virginia School of Law: Global Patent Litigation (Sept. 23, 2010). Similarly, only 780 patent suits were filed in the Netherlands between 1997 and 2009, as compared with 34,214 in the United States over the same period. *Id.*

²³⁴ See Amanda Bronstad, Patent Infringement Filings Take a Nosedive, Nat'l L.J., Jan. 19, 2009, at 1.

²³⁵ See Elhauge, Statutory Default Rules, *supra* note 13, at 155.

patent law as a treaty-eliciting rule is more effective than multinational litigation for each of these three points.

First, the only ambiguity at issue in the multinational litigation question is the scope of 28 U.S.C. § 1367—essentially, when a court should exercise its discretion to decline supplemental jurisdiction. With extraterritorial application of U.S. patent law, however, many questions remain. Both the Supreme Court and the Federal Circuit have grappled with the unclear language of Section 271(f) in recent years, addressing issues ranging from whether software copies created outside the United States are “components,”²³⁶ to whether the statute includes method claims,²³⁷ to whether mere design instructions constitute “components.”²³⁸ Because there are more ambiguities in the infringement sections of the Patent Act, extraterritorial construction of these provisions will have broader effects than extraterritorial construction of the single, discretionary section of the supplemental jurisdiction statute.

Second, as the level of international discord increases, the odds of legislative (or in the treaty case, both legislative and executive) correction will increase. As the preceding discussion has shown, foreign states have expressed much greater apprehension about extraterritorial application of U.S. law than about multinational litigation. This apprehension stems from the general applicability of extraterritorial constructions—as opposed to the case-specific nature of resolving foreign patent disputes in U.S. courts—and the effect that these constructions may have on global commerce will make them key points in trade negotiations. The odds of correction are therefore much greater if courts adopt extraterritoriality as a treaty-eliciting rule.

Finally, the domestic interim costs associated with extraterritoriality will be substantially less than the costs associated with litigating foreign patent claims. While extraterritorial applications of U.S. law will create substantial international discord, its primary effect will be on foreign companies and individuals, not Americans. Multinational litigation in U.S. courts, however, would have substantial domestic costs in the form of translation expenses, time for

²³⁶ *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 442 (2007).

²³⁷ *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1359 (Fed. Cir. 2009).

²³⁸ *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113, 1115–16 (Fed. Cir. 2004).

American judges and lawyers to learn foreign patent law, and further clogs in U.S. district court dockets.

CONCLUSION

Global patent infringement and the costs associated with global patent enforcement are an increasingly salient problem, particularly as borders are opened to trade and transportation costs decline. While this issue's resolution will rest in the hands of diplomats, this Note has argued that courts should not stand idly by as patent holders face insurmountable litigation costs to protect their intellectual property rights. By adopting a treaty-eliciting default rule—a presumption *in favor of* extraterritoriality—for interpreting the Patent Act, courts can highlight the problems facing patent holders and bring the issue of global infringement to the top of diplomats' agendas.