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EXTRATERRITORIALITY OF THE PATENT STATUTE: AN ANALYSIS OF
THE FEDERAL CIRCUIT'S DECISION IN TRANSOCEAN OFFSHORE
DEEPWATER DRILLING, INC. V. MAERSK CONTRACTORS USA, INC., 617
F.3D 1296 (FED. CIR. 2010).

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“When, as here, a court is confronted with transactions that on any view are predominantly foreign, it must seek to determine whether Congress would have wished the precious resources of United States courts and law enforcement agencies to be devoted to them rather than leave the problem to foreign countries.”

I.  INTRODUCTION

In recent history, developments in communications technology have allowed international commerce to spread in ways that were formerly impossible. Unfortunately for international businesses operating in the United States, patent laws in the United States have historically only been enforceable domestically. As a result, those businesses may need to file in foreign jurisdictions in which they want their rights to exclusivity extended. These international businesses, and the many courts that enforce the rules of commerce on them, face novel issues wherein some or all of the elements of an action—which in totality are a violation of that sovereign's laws—occur outside that sovereign's jurisdiction.

On these issues, the courts must tread a fine line. On one hand, the courts must not allow parties to circumvent the equitable purposes of the law by performing elements of an otherwise illegal action in diverse jurisdictions to avoid penalties. On the other, courts must not exceed their jurisdictional limits in the pursuit of fairness or equity. Allowing relief in any jurisdiction where any part of the act occurs would allow double (or more) jeopardy. Conversely, requiring that the whole act occur within the jurisdiction where relief is sought allows unscrupulous—or intelligent—entities to avoid any penalties for infringement whatsoever.

The main issue lies in the jurisdictional reach of the patent statute, and the interpretation of 35 U.S.C. § 271(a) in particular. The Court of Appeals for the

2 See, e.g., THOMAS FRIEDMAN, THE WORLD IS FLAT 70 (2005) (“[T]he capacity of all the already installed fiber cables just keeps growing, making it cheaper and easier to transmit voices and data every year to any part of the world. It is as though we laid down a national highway system where people were first allowed to drive 50 mph, then 60 mph, then 70 mph, then 80 mph, then eventually 150 mph on the same highways without any fear of accidents. Only this highway wasn't just national. It was international.”).
3 2 STEVEN C. ALBERTY, ADVISING SMALL BUSINESSES § 34.40 (2011) (“A foreign patent application may be filed directly in foreign countries or jurisdictions in which patent protection is desired.”).
4 35 U.S.C. § 271(a) (2006) (“Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”).
Federal Circuit recently held that negotiations between United States corporations in a foreign jurisdiction could constitute an offer for sale within the United States when delivery is to take place in the United States.\(^5\) This note analyzes this holding in light of current policy—in particular, whether it squares with the customary construction of the statute's language, international law and the World Trade Organization’s Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPs Agreement"), and the root policy justifications for the United States patent code.

II. HISTORY

A. Section 271 and Offers for Sale Within the United States

Within the United States only making, using, or selling of a patented article could constitute infringement until 1993, when the United States became a party to the TRIPs Agreement.\(^6\) After 1993, 35 U.S.C. § 271 was modified to include offers for sale.\(^7\) The reasons for this change include a desire to harmonize aspects of patent law between the United States and other members of the TRIPs Agreement,\(^8\) the majority of which already considered an offer for sale of a patented product to be infringement.\(^9\)

\(^5\) Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1296 (Fed. Cir. 2010) (holding that an “offer made in Norway by alleged infringer, a United States company, to another United States company to sell a drilling rig within the United States, for delivery and use within the United States, constituted an offer to sell within the United States under the statute defining infringing conduct as including an offer to sell a patented invention within the United States . . . .”).

\(^6\) Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1251 (Fed. Cir. 2000) (“Before the TRIPS agreements, § 271(a) granted the patent holder the right to exclude others only from ‘making, using or selling the patented invention throughout the United States.’ This court had construed this grant strictly . . . [and offers for sale did not constitute infringement].”).

\(^7\) Id.; see also H.R. REP. NO. 103–826, pt. 1, at 5 (1994) (“The patent subtitle provides NAFTA-consistent treatment of inventive activity occurring in WTO member countries for purposes of establishing the date of invention; amends the definition of infringing activity to include offers for sale and importation of a patented good; modifies the term of patent protection to 20 years from filing; and establishes a provisional patent application system and a right of internal priority for patent applications filed originally in the United States . . . .”) (emphasis added).

\(^8\) See, e.g., H.R. REP. NO. 103–826, pt. 1, at 10 (1994) (statutory alterations “[e]stablish[ ] a three-year work program to develop detailed definitions for harmonizing rules of origin among countries, the results of which will be annexed to the Agreement.”).

Once § 271(a) became a part of the patent statute, the question remained how best to interpret the language. The analysis of § 271(a) is dissimilar from most statutory analysis in that international decisions may be given more deference. For example, United States courts may use foreign law as an aid in interpretation when the domestic statute in question was enacted pursuant to an international treaty designed to harmonize the laws of the signatory countries. TRIPs is such an agreement, so the decisions of foreign courts can be analyzed by our own courts; however, the courts of the United States have been inconsistent in the application of foreign law in this area.

In addition to harmonizing patent laws between countries, § 271(a) satisfies domestic goals. In particular, § 271(a) prevents a competitor from “generating interest in a potential infringing product to the commercial detriment of the rightful patentee.” Such interest can be harmful to the patentee even where infringing products are not actually sold. In passing § 271(a), Congress has decided to increase the scope of protection for patent holders.

B. Case Law Before Transocean

Analysis of § 271(a) with respect to offers for sale is somewhat inadequate due to the limited time since its enactment. Many of the cases that modern courts must rely on are rooted in a patent statute, which did not include infringing offers for sale. These cases may still be relied on to inform us about general policy
decisions. The evolution of the United States' views on extraterritoriality began before the TRIPs Agreement and continues to this day.\textsuperscript{16}

1. Case Law Before Transocean, and Before TRIPs

Extraterritoriality in the United States generally has developed in the last 100 years. The traditional view, that legislation is assumed to apply only to those acts occurring within the territorial jurisdiction of the United States, proved cumbersome to Justice Holmes as early as 1911, when his opinion expanded the scope of territorial jurisdiction to include anyone who had been within the territory sometime around the time of an alleged crime.\textsuperscript{17} The Court expanded the scope of the \textit{Strassheim} decision in 1927, adding that when “conspiring was directed to violation of the United States law within the United States, by men within and without it . . . . [A]ll are guilty of the offense of conspiring to violate the United States law whether they are in or out of the country.”\textsuperscript{18} Beginning in the 1960s, several of the courts of appeals introduced a list of five guiding principles that may be applied to exert extraterritorial jurisdiction.\textsuperscript{19}

There are two primary extraterritoriality decisions regarding the patent statute particularly prior to enactment of the § 271(a) prohibition on offers for sale. In both of these cases, the courts held that the infringing action must actually occur within the United States. However, in contrast to \textit{Transocean}, both of these actions were responses to actual sales, not just the offer; the record remains regrettably silent on which elements of an offer for sale constitute the action that must take place within the United States.

In \textit{Dowagiac}, the Supreme Court held that “[t]he right conferred by a patent under our law is confined to the United States and its territories.”\textsuperscript{20} A merchant,
Minnesota Moline Plow, unknowingly sold patented drill shoes within the United States that had been manufactured by other parties.\textsuperscript{21} The customers were in both the United States and Canada, but the Court only dealt with sales that were completed within the United States.\textsuperscript{22} The Court decided that in this case the place of sale was the controlling factor but failed to describe the process that is used to determine where that place is.\textsuperscript{23}

In \textit{Deepsouth}, the defendant Laitram Corporation produced unassembled components which, when assembled, would comprise patented machines.\textsuperscript{24} The Supreme Court held that “[o]ur patent system makes no claim to extraterritorial effect,” and furthermore advised companies whose products may be used abroad to prosecute patents in all those jurisdictions wherein their products may be used.\textsuperscript{25}

Some commentators have extrapolated from these decisions that “activities outside the United States are outside the scope of the patent.”\textsuperscript{26} As we will see later in this work, the decision in \textit{Transocean} contradicts this former understanding as well as the holdings of \textit{Dowagiac} and \textit{Deepsouth} courts.\textsuperscript{27}

2. \textit{Case Law Before Transocean, but After TRIPs}

The TRIPs Agreement sets a baseline level of harmonized patent laws between parties to the agreement, enforceable by sanctions at the WTO.\textsuperscript{28} In 1994 the United States implemented the TRIPs Agreement, in part by stating that offers

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{21} \textit{Dowagiac}, 235 U.S. at 643.
\item \textsuperscript{22} \textit{Id.} at 650 (“Some of the drills, about 261, sold by the defendants, were sold in Canada, no part of the transaction occurring within the United States, and as to them there could be no recovery of either profits or damages.”) As this decision was handed down before the TRIPs agreement and subsequent modification of § 271(a), it is unclear whether the Dowagiac court would have held that an offer, made by a party in the United States to a Canadian customer, would violate the current statute.
\item \textsuperscript{23} \textit{Id.} at 650 (“The place of sale is therefore of controlling importance here.” The Dowagiac court does not elaborate on which element of a sale is controlling.).
\item \textsuperscript{24} \textit{Deepsouth Packing Co. v. Laitram Corp.}, 406 U.S. 518, 518 (1972).
\item \textsuperscript{25} \textit{Deepsouth}, 406 U.S. at 531 (1972) (“To the degree that the inventor needs protection in markets other than those of this country, the wording of 35 U.S.C. [§§] 154 and 271 reveals a congressional intent to have him seek it abroad through patents secured in countries where his goods are being used. Respondent holds foreign patents; it does not adequately explain why it does not avail itself of them.”).
\item \textsuperscript{26} 3 R. CARL MOY, MOY’S WALKER ON PATENTS § 12:11 (4th ed. 2011).
\item \textsuperscript{27} \textit{See infra Part III.E.}
\item \textsuperscript{28} KINNEY & LANGE, PA, \textit{Copyright Protection Under the WTO Agreement, in INTELL. PROP. L. BUS. LAW.} § 14:16 (2010 ed.).
\end{itemize}
\end{footnotesize}
for sale constitute infringement in 35 U.S.C. § 271(a). This change to the statute contradicted the perception among jurists that an offer for sale could not constitute infringement.

Interpreting this new clause, at least with respect to offers for sale between transnational companies, requires us to determine what the elements of an offer for sale are, and which or how many of them must occur within a sovereign territory in order to satisfy that the offer for sale occurred within its jurisdiction. Requiring all the elements to occur within a jurisdiction allows for inequitable advantages, and requiring none of the elements to occur within that jurisdiction allows for double jeopardy.

a. Recent Long-Arm Decisions Support a Finding of Equivalence Between Location of Injury and Location of Infringement.

Recent decisions regarding long arm statutes, once contentious but now established law, may provide some guidance. An acutely relevant case involved Penguin Books, a New York publisher, which attempted to utilize a New York long arm statute to compel a corporation in Oregon and Arizona to New York's courts. The New York statute allowed for long-arm jurisdiction when “the defendant is alleged to have committed a tortious act outside the State that caused, and reasonably should have been expected by the putative defendant to cause, injury to a person or property within the State.” The second circuit was forced to decide, much as the Federal Circuit was in Transocean, whether the situs of the injury was (1) the situs of the infringing activity, (2) the situs of the plaintiff, or (3) the situs of the intellectual property. The court in Penguin Group adopted the first definition of the three, holding that the location of the injury is equivalent to the situs of the infringing activity.

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30 Judge Learned Hand once wrote that “If [an offer for sale] injures the plaintiff, though never performed, perhaps it is a wrong, like a slander upon his title; but certainly it is not an infringement of the patent.” Van Kannell Revolving Door Co. v. Revolving Door & Fixture Co., 293 F. 261, 262 (S.D.N.Y. 1920).
31 See supra Part I (discussing that inequitable advantages accrue to businesses who perform some steps of infringing activities overseas to avoid infringement suits, while multiple jeopardy may occur where different nations select different parts of the offer for sale as the actus reus in offer-for-sale suits).
33 Id. at 32.
34 Id.
b. Offer for Sale is Defined by Federal Law — “any communication generating interest.”

The Court of Appeals for the Federal Circuit defined the location of an offer for sale for the first time in 3D Systems, Inc. v. Aarotech Laboratories, Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998), and held that an offer for sale is defined by federal statute, rather than the laws of the jurisdiction or jurisdictions in which the offer allegedly occurred. Unfortunately the federal statute defines what conditions create an offer for sale, but is silent with respect to where that sale occurred.

Turning then to judicial interpretation of the statute, any communication “generating interest in a potential infringing product to the commercial detriment of the rightful patentee” will constitute an offer to sell under § 271(a). This language has two deficiencies. First, it is silent as to the location at which the interest is generated, and second, it creates yet another possible answer to the question of where the offer for sale occurred: any location in which such an interest is generated. The 3D Systems court had no need to resolve these issues, as all elements of that suit occurred within the United States.

c. Issue of Whether Foreign Law is Precedential Remains Unsettled.

While the Federal Circuit has ruled on a small number of § 271(a) offers for sale, foreign decisions are much more plentiful, and if precedential, provide a wealth of knowledge. Unfortunately, whether foreign cases provide persuasive precedent on this statute remains unclear—federal law, especially in the realm of intellectual property, is unsettled on this issue. The Supreme Court has further muddied the waters regarding the application of foreign jurisprudence to domestic statutes by occasionally applying foreign law, but never enunciating its criteria for doing so. As a result, litigants cannot know whether they may rely on foreign law.

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35 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998); see also Akro Corp. v. Luker, 45 F.3d 1541, 1543 (Fed. Cir. 1995) (stating that the federal circuit should use “the law of the Federal Circuit, rather than that of the regional circuit in which the case arose, when we determine whether the district court properly declined to exercise personal jurisdiction over an out-of-state accused infringer”).

36 35 U.S.C. § 271(i) (2006) (“As used in this section, an ‘offer for sale’ or an ‘offer to sell’ by a person other than the patentee or any assignee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.”).

37 3D Sys., Inc., 160 F.3d at 1379.

38 See, e.g., Lee, supra note 10, at 4. (“The legacy of the development of several hundred years of territorial IP laws is that the likelihood of a change to a uniform world IP system is virtually nil.”) However, new sections, especially those predicated on an attempt at intellectual property law harmonization such as § 271, may be more appropriate for the application of foreign persuasive precedent.

precedent, and they face substantial uncertainty in the courtroom and in their everyday business transactions.40


35 U.S.C. § 102(b) (2008), the “on sale” bar of the patent statute, uses similar terms to § 271(a), and it is tempting—though ultimately inappropriate—to apply the abundance of statutory construction that has taken place with respect to § 102(b) to the newer, less explored § 271(a).41 The Federal Circuit in 3D Systems declined to use the federal interpretation of “on sale” from 35 U.S.C. § 102(b) to define an offer for sale under 35 U.S.C. § 271(a), citing unrelated policy underlying the two sections.42 The policies underlying § 102(b) include preventing patentees from commercializ[ing] their inventions while deferring the beginning of the statutory patent term, encouraging prompt and widespread disclosure of inventions to the public, discouraging the removal of inventions from the public domain when the public has come to rely on their ready availability, and giving investors a reasonable period to discern the potential value of an invention.43

This has nothing to do with § 271(a)’s prohibitions against making, using, offering to sell, or selling.44 “Thus, 'offer to sell' under § 271 cannot be treated as equivalent to 'on sale' under § 102(b).”45

III. TRANSCOCEAN V. MAERSK SUMMARY AND HOLDINGS

Against this backdrop of uncertainty, the Federal Circuit heard Transocean. The cases discussed in detail above tell us that in order to determine the place of sale we cannot use state law, we may or may not be able to use foreign law, and federal statute does not define the location of the offer for sale.

40 See, e.g., Lee, supra note 10, at 7 (“Thus far, U.S. courts have failed to articulate any guiding principles for deciding when foreign law may be relevant to a domestic case.”).
41 Cf. 60 A.M. Jur. 2D Patents § 269 (2011). Logically, it makes sense that a patent that has been “on sale” will have been “offered for sale.” While not equivalent statements under the law of contracts, one would expect significant similarities. Ultimately, this comparison is inappropriate given the different legislative histories.
43 Id. n.4.
44 Id.
45 Id.
A. Facts

In the *Transocean* case, Transocean Offshore Deepwater Drilling (“Transocean”) was the holder of three patents with the same specification: patents 6,068,069 (“the ‘069 patent”), 6,047,781 (“the ‘781 patent”), and 6,085,851 (“the ‘851 patent”). The ‘069 patent and the ‘781 patent both protected a derrick with more than one advancing station for lowering components to the seabed and assembling the drilling string. The additional advancing station allowed Transocean’s rig to perform drilling tasks in parallel rather than in series as done by the prior art, which “significantly decrease[d] the time required to complete a borehole.”

In 2005, Maersk A/S, a Danish company, had a rig built by Keppel FELS in Singapore that fell within the scope of the ‘069 and ‘781 patents. Maersk USA, a U.S. corporation, subsequently negotiated the sale of the rig to Statoil Gulf of Mexico, LLC (“Statoil”), another U.S. corporation. The negotiations for the sale took place in Norway. The contract for sale specified that the rig’s operating area primarily included the United States owned Gulf of Mexico.

The contract between Maersk USA and Statoil allowed Maersk to modify the rig in order to comply with “court or administrative determinations throughout the world.” When a district court judge in the United States found that a Global Santa Fe ship with a similar design infringed the Transocean patents and ordered Global Santa Fe to install a casing sleeve to disable its ability to use a second drill string, Maersk modified the Statoil rig as well. The modifications were made before the rig was delivered to the United States. As a result, the Court had to determine whether the modification of the rig prior to its delivery eliminated the plaintiff’s cause of action for an offer for sale.

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46 Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1300 (Fed. Cir. 2010).
47 Id. at 1301.
48 Id. at 1301–02.
49 Id. at 1307.
50 Id.
51 Id.
52 Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296, 1307 (Fed. Cir. 2010).
53 Id.
55 Transocean, 617 F.3d at 1307.
B. Main Issue - What Actions Constitute an Offer to Sell Within the United States?

The interpretation of an offer for sale, raised in Transocean, is an issue never before satisfactorily resolved.\(^\text{56}\) Section 271(a) of the patent statute reads: “Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”\(^\text{57}\)

1. Disambiguation of § 271(a)

An initial reading of § 271(a) reveals a remarkably ambiguous statute. It would be equally plausible to suggest that the statute means either (1) an offer — which occurs within the United States — for sale, or (2) an offer for sale, in which the sale itself occurs within the United States. The Transocean court decided that the former interpretation would be inconsistent with United States policies, because it would “exalt form over substance by allowing a U.S. company to travel abroad to make offers to sell back into the U.S. without any liability for infringement.”\(^\text{58}\)

2. Determination of Which Actions Constitute Offers for Sale

To interpret this section, the Federal Circuit also needed to decide which actions within the United States constitute an infringing offer for sale. It could be the nationality of either of the parties, the location of the offeror, the location of the offeree, the location of anticipated delivery, or any location where the offer “generat[ed] interest in a potential infringing product to the commercial detriment of the rightful patentee.”\(^\text{59}\)

C. Transocean v. Maersk -- Transocean's Argument and the Litecubes Case

Transocean argued that using the location of the parties at the time of the offer as the determining factor would be inconsistent with Federal Circuit precedent in Litecubes.\(^\text{60}\) In Litecubes, the alleged infringer was a Canadian company selling

\(^{56}\) See 3 MOY, supra note 26, § 12:18 (“Oddly, there are almost no reported cases that deal with the question of deciding whether the sale of an invention was inside the United States.”); see also SEB S.A. v. Montgomery Ward & Co., Inc., 594 F.3d 1360, 1375 (Fed. Cir. 2010) (“This court has yet to define the full territorial scope of the ‘offers to sell’ offense in § 271(a)”).


\(^{58}\) Transocean, 617 F.3d at 1309 (citing 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998)).

\(^{59}\) 3D Sys., Inc. 160 F.3d at 1379.

\(^{60}\) Transocean, 617 F.3d at 1308 (citing Litecubes, LLC v. N. Light Prods., Inc., 523 F.3d 1353 (Fed. Cir. 2008)).
free on board (FOB) to companies within the United States. In an FOB sale, the transfer of title takes place before the product arrives at its destination. Northern Light Products, Inc. argued that there was no subject matter jurisdiction because Litecubes had failed to show a sale or offer for sale within the United States. However, the Federal Circuit in Litecubes held that the country in which transfer of title takes place is irrelevant when a federal court is determining its own subject matter jurisdiction, so long as the seller deals with a U.S. customer.

D. Transocean v. Maersk -- Maersk's Argument/Rotec, MEMC

In Transocean, Maersk argued that the location of the parties at the time of the offer is the relevant factor, and that the court should follow the precedent set by Rotec. Rotec requires an “ordinary meaning” interpretation of the statute, and Maersk contends that the plain meaning of an offer for sale within the United States cannot include negotiations in Norway. However, the fact scenario in Rotec is dissimilar to the Transocean scenario in several respects. First, several parties were involved in the negotiation for sale, not all of whom were based in the United States. Additionally, the final use of the allegedly infringing concrete conveyance system in Rotec was to take place in the People's Republic of China. In Transocean, the final use was to be in United States controlled waters, and both parties to the negotiation were based in the United States.

In addition to Rotec, Maersk argued that the court was also bound by the precedent of MEMC Electronic Materials. In MEMC, a Japanese manufacturer sold silicon wafers to a Japanese subsidiary of a Korean company, which then sold the wafers to an American subsidiary of the same Korean company for distribution within the United States. The court in MEMC found that there was no direct infringement. Maersk argued that as it was selling to another company which would subsequently take the infringing device into United States territory,

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61 Litecubes, 523 F.3d at 1360.
62 Cf. id. at 1363.
63 Transocean, 617 F.3d at 1308 (citing Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1258 (Fed. Cir. 2000)).
64 Rotec, 215 F.3d at 1255.
65 Transocean, 617 F.3d at 1308.
66 In Rotec, the People’s Republic of China was dealing with companies from the United States, France, and Japan. Rotec, 215 F.3d at 1249.
67 See id. at 1249 (discussing bids for “a concrete placing system to be used in the Three Gorges Dam project on the Yangtze River.”).
68 Transocean, 617 F.3d at 1307, 1296.
69 Id. at 1308.
71 Id. at 1377.
it was shielded from direct liability as was the Japanese manufacturer in MEMC.

E. Holding and Reasoning of the CAFC

The Federal Circuit’s decision in favor of Transocean placed importance on the “location of the future sale that would occur pursuant to the offer,” rather than the location of any particular part of the negotiations.\(^\text{72}\) The Federal Circuit’s holding, that “a contract between two U.S. companies for performance in the U.S. may constitute an offer to sell within the U.S. under § 271(a),” required only that “[i]n order for an offer to sell to constitute infringement, the offer must be to sell a patented invention within the United States.”\(^\text{73}\) The court clarified its rule further by instructing the lower court on remand to determine infringement based on what was offered, rather than what was ultimately delivered; even though Maersk modified the rig before delivery to avoid actual infringement, it violated § 271(a) by offering an infringing rig for sale.\(^\text{74}\)

The court determined that the cases Maersk relied upon, Rotec and MEMC, did not preclude a determination that an offer by a U.S. company to sell a patented invention to another U.S. company for delivery and use in the United States constitutes an offer to sell within the United States.\(^\text{75}\) In Rotec, the court’s decision was not based upon the location of the sale but rather on a lack of evidence that the United States based defendants ever communicated an offer to sell.\(^\text{76}\) MEMC likewise lacked an offer to sell because the email exchanges between merchants lacked price terms.\(^\text{77}\) The court agreed with Transocean that considering only the location of the negotiations and contracting would run contrary to Litecubes.\(^\text{78}\)

While practitioners of international patent law likely appreciate the Federal Circuit’s attempt to clarify this area of law, the holding referenced specific facts, which may allow courts to distinguish future litigations from the Transocean decision. Rotec’s holding was written narrowly to the facts, which means it will be weak precedent and may not clarify the area of law. There are a multitude of factors that could affect the outcomes of § 271(a) cases, including the nationality of the contracting parties or the patentee, the location of the offer, the location of the performance, and the location of the use. Transocean stands for the

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\(^\text{72}\) Transocean, 617 F.3d at 1309.

\(^\text{73}\) Id. at 1309 (“We agree that the location of the contemplated sale controls whether there is an offer to sell within the United States.”).

\(^\text{74}\) Id. at 1310 n.4 (“[I]n this analysis, the district court must determine what was offered for sale, not what was ultimately delivered.”).

\(^\text{75}\) Id. at 1309.

\(^\text{76}\) Rotec Indus., Inc. v. Mitsubishi Corp., 215 F.3d 1246, 1255 (Fed. Cir. 2000).


\(^\text{78}\) Transocean, 617 F.3d at 1310.
proposition that the location of the offeror and offeree are not relevant where delivery and use are to be within the United States and both contracting parties are based in the United States.\(^\text{79}\)

IV. EFFECT OF THE TRANSOCEAN DECISION

There are many theories and policies regarding the best way to write and maintain a system of patent laws. This case implicates several such policies, including harmonization or convergence of patent laws,\(^\text{80}\) reducing conflicts of laws with other nations,\(^\text{81}\) the national treatment of foreign nationals,\(^\text{82}\) a desire to limit the extraterritorial effect of federal statutes,\(^\text{83}\) reducing the market for illicit patented goods and price erosion,\(^\text{84}\) consistency of interpretation of the terms of the patent statute,\(^\text{85}\) and the optimum strength of patents.\(^\text{86}\) Transocean provides some guidance regarding which policies are given the most weight at the Federal Circuit.

A. The International Effects of the Transocean Decision

The first few of these policies—harmonization and convergence, conflicts of law, and national treatment—are inherently international law problems. Harmonization and convergence are public policies affecting how well the laws of one nation mesh with those of all other nations. Conflicts of law affect comity between nations, and negatively affect global commerce.\(^\text{87}\) National treatment, an ancient concept, has played an increasingly large role in international commerce

\(^{79}\) See id. at 1310 (holding that an offer made in a foreign country, by one United States company to another, to sell goods within the United States, for delivery and use within the United States, constituted an offer to sell within the United States under § 271(a)).


\(^{81}\) 44B AM. JUR. 2D International Law § 71 (2011) (“[T]he presumption against extraterritoriality of federal law is important to protect against unintended clashes between United States laws and those of other nations that could result in international discord.”).


\(^{83}\) 44B AM. JUR. 2D International Law § 71 (2011).

\(^{84}\) Holbrook, supra note 80, at 791.

\(^{85}\) 3D Sys., Inc. v. Aarotech Labs., Inc., 160 F.3d 1373, 1379 n.4 (Fed. Cir. 1998) (finding that the “on sale” bar from § 102(b) has a different meaning of sale than “offer to sell” from § 271(a), so the terms are defined differently).


since the end of World War II.\textsuperscript{88}

1. \textit{Harmonization and Convergence of Patent Laws}

While related, harmonization of patent laws and convergence of patent laws have two distinct meanings and goals.\textsuperscript{89} In order to accurately analyze this issue, both must be considered.

\textit{a. Harmonization}

\textit{TRIPs} is basically a baseline level of IP protection to which the signatories agree to harmonize.\textsuperscript{90} Harmonization provides obvious advantages to inventors,\textsuperscript{91} but United States courts have been reluctant to harmonize directly because harmonization requires the “substantive policy choice that harmonization of IP laws is the preferred goal among countries.”\textsuperscript{92} That policy choice comes with distinct disadvantages as well; harmonization eliminates the ability to enact laws that effect societal and cultural values, or to enact laws that are beneficial for the signatory nation depending on its status as a net importer or exporter of intellectual property.\textsuperscript{93} Accordingly, harmonization is a policy that can only be effectuated by the President or Congress.\textsuperscript{94}

\begin{footnotesize}


\textsuperscript{90} See, e.g., Alan R. Kabat, \textit{Proposal for a Worldwide Internet Collecting Society: Mark Twain and Samuel Johnson Licenses}, 45 J. COPYRIGHT SOC’Y U.S.A. 329, 337–338 (1998); see also Lee, \textit{supra} note 10, at 7 (TRIPs effectively sets a baseline for patent law harmonization); Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 art. 28:1 (1994) [hereinafter TRIPs] (requiring patents to provide exclusive rights to the owner such that “(a) [W]here the subject matter of a patent is a product, to prevent third parties not having the owner’s consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product; (b) where the subject matter of a patent is a process, to prevent third parties not having the owner’s consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.”) (footnote omitted).

\textsuperscript{91} Id. at 20 (discussing the advantages of diversity in IP law).

\textsuperscript{92} Id. at 23 (“If a domestic court were to embrace the goal of harmonization with foreign IP laws, that decision would involve matters of politics, international relations, and economic and...”)
\end{footnotesize}
b. Convergence

Convergence, on the other hand, consists of “judicial dialogue” and “cross-fertilization” of ideas; the courts may and do freely pursue judicial convergence. In fact, judicial convergence is a priority of the current Chief Judge of the Court of Appeals for the Federal Circuit, Randall Rader. It is worth noting that the Transocean court did not cite any foreign law in its decision. This could be an unintentional omission, or a deliberate cold shoulder. A plethora of cases and secondary sources dealing with foreign interpretations exists which could have guided the court in its decision in Transocean. In fact, whether intentionally or serendipitously, the Federal Circuit followed the recent interpretation of the law in Germany. Unfortunately, the opinion in Transocean does not supply enough tea leaves to determine whether the Federal Circuit is influenced by the decisions of other TRIPs member states in its analysis of § 271(a).

c. The Worldwide Patent Court

Consideration of the decisions of the decisions of other nations would be unnecessary if a unitary enforcement scheme existed. Attempts have been made to create such a single, uniform patent enforcement system. In the United States, the Federal Circuit has declined to exercise jurisdiction over foreign patent claims involved in the same controversy. Interestingly, this refusal was discretionary based on judicial efficiency, and the Voda Court seems to retain the power to adjudicate those claims if it chooses. “The sort of worldwide patent court that Voda wanted is an end goal for many involved in substantive patent harmonization.” Subsequently, the Leahy-Smith America Invents Act social policy more suited to the legislature’s and Executive’s competence.”

95 Id. at 14–15.

96 Rader, supra note 89, at 7 (“I seek judicial convergence. I seek awareness where judges making decisions on similar issues, maybe even with similar patents and similar parties around the world can consult, learn, and, to the extent possible, reach results that are consistent with each other.”).

97 See generally Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d 1296 (Fed. Cir. 2010).


99 Id. at 8 n.37 (stating that offers to sell can be infringing in Germany).

100 Voda v. Cordis Corp., 476 F.3d 887, 903 (Fed. Cir. 2007) (holding that the court should decline § 1367(c)(2) jurisdiction when the foreign claims “predominate” over the claims which give the court original jurisdiction).

101 Id.

102 Dennis Crouch, The Court’s Future Role in the International Harmonization of Patent Laws, PATENTLY-O (Sept. 13, 2011, 11:00 PM),
expressed Congress’ intent to “promote harmonization of the United States patent system with the patent systems commonly used in nearly all other countries throughout the world with whom the United States conducts trade.”

Europe has been somewhat successful in its harmonization efforts; there is a unitary European Patent Office but patents are still granted by national patent offices, and efforts to create a European Patent Court, while perennially suggested, have so far been stymied.

2. **Conflicts of Laws with Other Nations.**

Sovereigns enact and enforce their own laws with varying levels of extraterritorial scope. For example, there are five recognized principles that guide nations in proper assertions of extraterritorial jurisdiction in criminal cases. These principles allow for extraterritorial reach for events which occur in their territory, events in which their citizens were the actors, events in which their citizens were the victims, events which affect the independence or security of the nation, and when the nation has custody of the offender. If these principles are applied inconsistently or illogically, biases will emerge wherein it may be possible to avoid consequences for one’s actions through forum shopping.

The *Transocean* decision creates the potential that United States patent law will come into conflict with the laws of foreign jurisdictions. “One of the main purposes of the presumption against the extraterritorial application of laws absent congressional direction is to prevent discord between the laws of different nations.” Of course, almost all commerce in the world takes place in TRIPs signatories and countries that are in negotiations to become TRIPs members. Since TRIPs requires that member countries prohibit offers for sale, the laws of foreign nations should be generally the same as § 271(a). Problems may arise if a nation exceeds the baseline set by TRIPs, or if nations adopt broad extraterritorial
For example, a nation may implement the TRIPs agreement in such a way that an offer for sale occurs when the offeror or offeree are present in that jurisdiction. In that case, a single offer for sale (wherein delivery is to take place within the United States) could constitute infringement in both the United States and in the country where the negotiations took place. Additionally, since the TRIPs agreement sets a baseline that is ambiguous as to what constitutes an offer for sale, a foreign court may interpret the provision differently, limiting its own statute to its own boundaries. This would mean that an offer for sale negotiated in the United States for delivery in such foreign country would expose the contracting parties to no repercussions. The Transocean decision effectively forces every other jurisdiction to define offers for sale based on the location of delivery, or face the possibility of international actors arranging for delivery in foreign jurisdictions to avoid any liability for offer-for-sale infringement. After all, there is no recovery under Transocean for offers for sale made from within the United States to be delivered in that other jurisdiction.

The Transocean court faced the question of how to construe the statutory language of § 271(a); it could prohibit an offer for sale when the offer occurs within the United States, or it could prohibit an offer for sale wherein the sale occurs within the United States. In opting for the latter interpretation, the Federal Circuit ignored prescient language of Judge Dawson when he asserted in 1955 that:

We in this Country undoubtedly would be outraged if American companies having branches in foreign lands were faced with the possibility that the Courts of all these lands would assume jurisdiction to determine the rights of the American company in its home land to trademarks, copyrights, or patents granted or registered under the laws of the United States.110

The decision to expand or reduce the extraterritorial jurisdiction of the patent statute, with its profound effects beyond United States borders, should be the purview of the executive and legislative branches, which can and have provided for extraterritorial scope of a statute when they believed it was appropriate.111

109 TRIPs, supra note 90.
The Transocean decision could conceivably create conflicts of laws with other nations, but the treaty obligations placed on TRIPs members mitigate that possibility. However, international patent law is still far from uniform.\footnote{See supra Part IV.a.1-2.}

\textit{a. Transocean Creates the Potential for Overlapping Jurisdiction with Japan.}

In Japan, a court should exercise jurisdiction unless “there exist special circumstances that would make court proceedings in Japan violate fairness between parties and the idea of proper and expeditious court proceedings.”\footnote{Tōkyō Chihō Saibansho [Tōkyō Dist. Ct.] Oct. 16, 2003, Hei 14 (wa) no. 1943, 1151 HANREI TAIMUZU [HANTA] 109 (Japan).} In 2003, the Tokyo District Court heard \textit{K.K. Coral Corp. v. Marine Bio K.K.} \footnote{Id.} K.K. Coral Corp. [hereinafter “Coral”], a Japanese company, was exporting coral powder to dealers in the United States as dietary supplements.\footnote{Id.} Marine Bio K.K. [hereinafter “Marine”], another Japanese company, held a United States patent on coral powder and sent warning letters to K.K. Coral’s distributors. Coral sued Marine under Japan’s Unfair Competition Prevention Act, alleging that Marine is not entitled to injunctions on Coral or its distributors, and that the U.S. patent Marine owned was invalid. Marine argued that the Japanese courts have no jurisdiction to issue the requested injunctions, and that even if the Japanese court has jurisdiction, those injunctions would not be enforceable in the United States. The Japanese court held that, out of respect for the convenience of the litigants, Japanese courts should assume jurisdiction.\footnote{“Whether or not our country has international jurisdiction over a given case should be determined logically in light of fairness between parties and for the idea of proper and expeditious court proceedings . . . . Unless there exist special circumstances that would make court proceedings in Japan violate fairness between parties and the idea of proper and expeditious court proceedings, our country should accept international jurisdiction over such a case.”} As Coral and Marine were both Japanese companies, the court held that it would be fair to exert control over the controversy.

Clearly, patentee Marine may sue the United States dealers in United States courts. As the United States courts are under no obligation to follow the decision of the Japanese courts, they will likely arrive at different results in the two jurisdictions. In that case the dealers, Coral, and Marine would face contradictory, binding orders from two court systems.

Additionally, this expansive interpretation of a sovereign’s jurisdiction, in which the convenience of the parties is rated higher than the right of each nation’s control over its own laws, stands in direct contradiction to United States
precedent. In 1918, the second circuit heard a case involving application of the laws of Ecuador and held that it was “incontrovertible . . . that our courts . . . will not adjudicate upon the validity of the acts of a foreign nation performed in its sovereign capacity . . . .”[116] This creates an enormous discrepancy between the strength of Japanese and American patent law.

b. Transocean Creates the Potential for Overlapping Jurisdiction with the Netherlands.

The Netherlands has a uniquely belligerent attitude towards the principle of extraterritorial restraint, perhaps as a result of its extraordinarily open economy.[117] The Netherlands adjudicated intellectual property claims, issuing judgments it claims to be valid in Belgium and Luxembourg, since 1992.[118] Its holdings have grown in scope, and it now asserts the right to be the patent enforcement court for all EPC patents,[119] and in fact foreign patents generally.[120] In Lincoln v. Interlas,[121] the Court stated that its assertion of rights to adjudicate foreign patents is based on concern for its own nationals—if a Dutch patent were infringed abroad, “the Dutch injured party would be compelled to go to court in every country concerned.”[122] Unwilling to allow Dutch companies to suffer this burden, the court system instead “graciously” opened its doors to any patent claim that even remotely affects the Netherlands. This patent enforcement scheme creates the potential for double jeopardy, wherein a patentee may seek redress for an offer for sale in the United States after a suit for the same offer for sale in the Netherlands. In such circumstances, the Netherlands' courts may accept jurisdiction over the suit even where the delivery is within the United States.

3. The Transocean Language Leaves Open the Possibility of Failure to Provide National Treatment.

The Transocean court emphasizes two factors: first, the location of the actual contemplated sale, and second, that the parties are based in the United States.[122]
The second criterion is curious—why would the court expand patent protection but explicitly limit the extent of such expansion to U.S. litigants? Several potential reasons are possible, though none completely satisfactory: limiting the court's assertion of personal jurisdiction, protecting businesses in the United States, or limiting the holding in this case to its specific facts.

Perhaps the most obvious reason to require the litigants be found within the United States is that to hold otherwise may extend the Federal Circuit's claim to jurisdiction. However, patentee/plaintiffs will necessarily have subjected themselves to the jurisdiction of the United States, by merit of applying for a patent therein.\footnote{123}

The problem of limiting the holding to U.S. litigants only arises where a non-U.S. company is plaintiff or defendant. If the limitation to U.S. companies is a substantive limitation and not just an attempt to hold the decision to the facts presented, a plaintiff non-U.S. company would be unable to obtain an offer-for-sale judgment where a U.S. company would. This violates the Paris Convention, Article 2(2), which requires national treatment for nationals of all signatory countries.\footnote{124}

\section*{B. Effects of the Transocean Decision on the Policies Underlying the Patent Statute Domestically.}

\subsection*{1. The Effects Transocean Will Have on Limiting the Extraterritorial Reach of the Patent Statute}

The Transocean court initially takes the presumption against extraterritoriality seriously.\footnote{125} However, the court held that for purposes of § 271(a), the relevant fact is what was offered for sale, not what was ultimately delivered.\footnote{126} These two
assertions, in certain circumstances, are contradictory. A corporation could offer an infringing article for sale in the United States, which is never ultimately delivered. In that scenario, the Transocean holding will tear patent law in two directions—on the one hand, no activity took place in the United States so the courts will not regulate the activity, but on the other, there was an offer for sale within the United States and the fact that it was never delivered is irrelevant. As mentioned previously, this also contradicts the holdings of the Supreme Court in Dowagiac and Deepsouth. This hypothetical offer for sale would still cause price erosion, and apparently the Federal Circuit decided that this is sufficient to merit a § 271(a) award.

2. The Transocean Decision Supports the Public Policy Against Price Erosion

Price erosion is a concept recognized in the federal courts since as early as 1886. The term price erosion refers to the “difference between what an item could have sold for with patent protection and what it actually sold for while having to compete against an infringing item.” A patentee may recover for price erosion damages by showing that but for the infringer's actions, the patentee would have sold its product at higher prices.

One classic case of price erosion involves a situation in which an infringer promises to sell the patented invention at a lower cost, forcing the patentee to lower the price of the good. The claim requires but-for causation of the price drop.

Price erosion can only be eliminated by preventing both sales and offers for sales of infringing products. The courts of the United States do not have the power to do this completely even if they wished, since they cannot regulate.

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127 Id. at 1309 (“We are mindful of the presumption against extraterritoriality.”) (citing Microsoft Corp. v. AT & T Corp., 550 U.S. 437, 441 (2007)).
128 Transocean, 617 F.3d at 1310 n.4 (“[I]n this analysis, the district court must determine what was offered for sale, not what was ultimately delivered.”).
130 Holbrook, supra note 80, at 791.
131 BLACK’S LAW DICTIONARY 1227 (8th ed. 2007).
134 Id.
activities occurring wholly outside the United States. The *Transocean* holding will stop price erosion due to offers for sale where the site of delivery and use is within the United States. In order to prevent price erosion, the court should construe its extraterritorial jurisdiction as broadly as possible. Of the two positions argued before the *Transocean* court, this decision prevents price erosion more efficiently.

3. The *Transocean* Decision Expands the Scope of the Patent Act

The *Transocean* holding expands those acts that constitute infringement. It is noted, for example, that completed offers for sale, based on offers for sale occurring outside the United States, will already violate § 271(a)'s prohibition against importation of infringing devices to the country. The *Transocean* decision expands § 271(a)'s scope to include those offers that take place wholly outside the United States and are not completed. Strengthening of the patent statute in such a way is only justified if the corresponding incentive to invent exceeds the economic costs of this greater intrusion into the free market.

V. Conclusion

The Federal Circuit's decision in *Transocean* makes headway in clarifying an area of law that has not been adequately fleshed out since the United States became a party to the TRIPs agreement. The *Transocean* decision supports domestic patent policies such as prevention of price erosion, as well as furthering the current court's goal of judicial convergence. However, it extends the jurisdiction of United States courts beyond the limits traditionally set on extraterritoriality, and creates the potential for conflicts of law. It also leaves open the potential for conflict of laws in nations not a party to or in incomplete compliance with TRIPs. The *Transocean* decision allows recovery in the United States when delivery for the offered sale will be in the United States, marrying the concepts of the secondary market impact with the ability to recover.

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137 See *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1296 (Fed. Cir. 2010).
139 Of course, an offer for sale is a separate cause of action from importation. However, we assume for this analysis that parties are interested in avoiding all forms of patent infringement.
140 See, e.g., 4 MOY, *supra* note 26, § 1.29.
141 See *supra* Part IV.B.2.
142 See *supra* Part IV.A.1.
143 See *supra* Part IV.A.3.
144 See *supra* Part IV.A.2.
145 See *supra* Part IV.A.2.