

Legal Trends (Part II): Global Technology and Local Patent

By George H. Pike*

The Internet is generally perceived as an American invention, and this is largely true. The global interconnection of computers using shared protocols was based on the cold war inspired ARPANET, developed by the U.S.'s Advanced Research Projects Agency in the 1960's. But as ARPANET evolved from a Department of Defense-oriented system to a research-oriented system, non-US research interests began to take a more active role in the development of the Internet's protocols and features. The Worldwide Web and the first web browsers, for example, were developed at the CERN European Particle Physics Laboratory in Geneva Switzerland. Now, the Internet is truly global, both in its reach and in its continuing development.

As outlined last month's Legal Trends: Patenting the Internet article, a very large number of the technologies and processes that underlie the Internet are protected by patents. Given a worldwide Internet, these patented processes control functions that operate both inside and outside U.S. borders. In a similar vein, there are a large number of Internet patents that were awarded outside the U.S. that impact Internet functions within the U.S.

Patent law is territorial

The challenges presented by these cross-border patents was recently highlighted in a patent infringement lawsuit brought against Research in Motion (RiM), the Canadian manufacturer of the popular BlackBerry portable e-mail device. While denying that they had infringed any patent, RiM also pointed out that patents have limited territorial reach. They argued that as a Canadian company, and with the relay system supports BlackBerry e-mail located in Canada, the patents should not apply to them. The Federal Circuit court of appeal disagreed, holding that with most of BlackBerry's traffic going to and from U.S. users, the patent was enforceable.

The court's decision does not end the challenge that international patent laws bring to the Internet. RiM's basic legal premise was correct, patent law is territorial. A United States patent may not be enforceable in other jurisdictions and vice versa. United States patent laws are also very different from patent laws of other jurisdictions. International treaties may impact U.S. or foreign law when dealing with transnational patent issues. And the importing, exporting, and outsourcing of patented products or processes only deepens the confusion.

RiM patent territoriality claim was correct. Section 271 of the United States Patent Act limits patent enforcement to patented inventions within, or imported to the United States. Courts have interpreted the reverse of this as well, infringement of a U.S. patent that occurs outside the United States is not enforceable by U.S. law. With the Internet and its patented technologies and business methods operating around the world, U.S. patent holders need to be aware of several available options to protect their worldwide intellectual property rights.

Multi-national patents

Patents can often be obtained in more than one country. If there is a specific second country in which the inventor expects to do business, a patent may be pursued in that country. It may even

be an advantage to file the patent application in the foreign country first. If an application is filed in a foreign country, then within 12-months a patent on the same invention is filed in the U.S., then the date of filing for U.S. purposes will be the original foreign filing date. Many countries award patents to whoever files their application first, not the U.S. method of awarding the first inventor. Getting first in line for a patent can help in a competitive marketplace by establishing patent rights ahead of other inventors.

The multi-lateral Patent Cooperation Treaty of 1978, also provides support for patent protection in a global marketplace by allowing for an international patent application through the filing of a U.S. patent application. While the applicant still needs to pursue the actual patenting process in each country (an expensive process!), the international application provides for an early patent application date in multiple countries. It also allows the patent application a grace period for pursuing the country-by-country patents in order to determine which countries might have enough market value to be worth pursuing.

Obviously, multi-national patenting presents challenges. An initial business decision needs to be made as to the costs and benefits of long-distance patents and the potential for long-distance patent litigation. An important factor in that decision is the understanding that the patent laws of many countries are different than U.S. patent law. U.S. law, for example, allows computer software to receive patent protection, as well as copyright protection. By contrast, the European Union recently voted not to extend patent protection to software, although the issue remains under debate. Patents for processes—which includes a number of Internet business methods and models—are not awarded or may not be enforceable in a number of countries.

In addition, many countries have a “use-it or lose it” approach to patents by requiring that a patent be utilized or lost. In other circumstances, the government may order that the patent be licensed to others for exploitation. While this form of compulsory licensing may result in patent revenue, it could limit the patent holder’s business strategies to delay exploitation of a patent pending a better or different business climate.

Staying in the States

It may be a greater strategic advantage to limit multi-national patenting and try to direct any litigation of patent infringement in to U.S. courts. Patent holders can pursue the same legal arguments that were effective in the BlackBerry case. In that case the United States patent holder, NTP, Inc., claimed that RIM was infringing on several patents that NTP held covering the process of integrating electronic mail systems with wireless communications. RIM argued that because its e-mail relay servers were in Canada, the U.S. patents didn’t apply.

In denying this claim the court looked closely at the nature of wireless, Internet based e-mail, and NTP’s process patents. The court noted that at least some of the parts of the e-mail relay process occurred in the United States, even though other parts occurred in Canada. That was enough to apply U.S. patent law. Many Internet based processes and technologies will almost inevitably originate within or have a significant connection to the U.S. The NTP v. RIM case provides strong support for pursuing allegations of infringement in U.S. courts using U.S. law.

The Paris Convention and TRIPs

A number of international treaties have also provided some guidance to multi-national patent challenges. The Paris Convention, last revised in 1967, created the World Intellectual Property Organization, an organization dedicated to increasing respect for intellectual property throughout the world. The Convention also provided a framework for multi-national patents by ensuring equal treatment of foreign nationals in the patent process. This allows U.S. inventors the same rights as native inventors when pursuing patent protection in other countries. The Trilateral Offices is a cooperative effort between the U.S. Patent Office and patent offices in Japan and the European Union to streamline patent administration, documentation and classification. In addition the European Union established a unified patent granting system and continues to develop a unified patent litigation system.

An serious problem in international intellectual property is counterfeiting and piracy. As should be obvious, the territoriality of patent law makes obtaining patent protection on a global basis very challenging. Under the best of circumstances, patents are likely to only be obtained in a few jurisdictions. In 1994, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) was established to promote intellectual property rights in developing nations. The TRIPs Agreement sets common standards for patentability and protection among the signing states, standards that largely mirror patent standards in developed nations.

The benefits of TRIPs for U.S. patent holders are a basic level of commonality in international patent law, increased enforcement and dispute settlement, and limitations on compulsory and restrictive licensing schemes. Developing nations get technical and financial cooperation from other TRIPs nations. More importantly, compliance with the TRIPs agreement sends a signal about a developing country's willingness to respect and protect intellectual property rights. TRIPs is not perfect, as evidenced by continuing piracy problems—particularly in the copyright area—but it can be credited with increasing the willingness and ability of U.S. companies to market their technologies and products in developing nations.

A patent paradox

There is an interesting paradox that is created by the challenges of multi-national patent enforcement. Patents (as well as copyrights) are a government sanctioned monopoly on a given creative product. Like the copyright holder, the patent holder has control over their technology and how it may be used. Patent expert Janice Mueller, author of *An Introduction to Patent Law*, notes that awarding a patent can “chill innovation” in the technology covered by the patent by denying others the right to further develop that technology. The territorial nature of patents creates an exception to that monopoly right that could be a positive factor in the development, transfer and outsourcing of technology.

Software development is well positioned to take advantage of this exception. Software is often developed upon a base of existing software, utilizing components of existing software, or integrated in some new way with existing software. Components of software developed in countries without patent protection can be incorporated into the new development with less

concern about patent infringement than incorporating U.S. patented software. This would seem to be consistent with the Constitutional requirement of furthering the “progress of science and useful arts.”

As indicated in the opening paragraphs of last month’s Legal Trends, patent law is very complex. In the multi-national environment it becomes even more so with overlapping and inconsistent laws, international treaties in some areas but not others, and inconsistent application and enforcement of domestic and international law. With both traditional and electronic publishing and Internet development already global in scope, the impact of this complexity is enormous.

There are positive trends to be seen in increased international cooperation as evidenced by the TRIPs agreements, the Trilateral Offices and the Patent Cooperation Treaty. There are negative trends to be seen in the form of increased litigation as evidenced by the BlackBerry patent infringement lawsuit. However, it is interesting to note that NTP and RiM recently settled their international patent dispute by agreeing to a license of the technology. The result is that BlackBerry’s continue to be a major platform for portable e-mail, and NTP is able to get the economic benefit from its patent that it deserves—in a multi-national situation to boot. This mutually beneficial outcome could be a trend.

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