

LITIGATORS CORNER:

Where Congress Should Act: Deal With the Unfortunate Consequence of *NTP*



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If Congress wants to enact some really useful legislation, it might turn its attention away from patent reform and limiting damages, to the task of repairing the unfortunate consequence of *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), which harms the rights of patent owners in our global economy. *NTP* interpreted 35 U.S.C. § 271 in a way that deprives the inventor of a method of any remedy so long as one single step occurs outside the United States — even if the benefit of the method is in the United States, and even if the control of the method is exerted largely from the United States.

In this article, I will share with you the background of the *NTP* case and how it negatively affected 35 U.S.C. § 271, as well as the main lessons attorneys can learn from this unfortunate situation, and how we can modify the way we write claims in order to mitigate the damaging effects of these changes.

Some background: 35 U.S.C. § 271(f) was enacted by Congress in response to *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), which held that a company did not infringe even though it made all the parts of the invention in the United States, but then shipped them elsewhere for assembly. § 271(f) has two provisions. Under § 271(f)(1), infringement occurs when someone in the U.S. provides at least a substantial component of an invention, and actively induces a combination of the components outside the U.S., where the combination would infringe if made in the U.S. § 271(f)(2) says there is infringement if someone in the U.S. knowingly provides a component that is made especially for the invention, intending that a combination will occur outside the U.S. in a way that would infringe if done in the U.S. *Union Carbide Corp. v. Shell Oil Company*, 425 F.3d 1366 (Fed. Cir. 2005) says that § 271(f) applies to processes and methods. Shell made a catalyst, EO gas, that was exported for use in processes that would have infringed if used in the U.S.

In *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), RIM's Blackberry push email system was accused of infringement. Both RIM and its servers are based in Canada. Messages are sent through the Blackberry Relay in Canada to and from an individual's Blackberry. *NTP* held that each step of a method claim had to be performed in the United States; otherwise, there was no infringement by use of the method. 418 F.3d 1318. The claims subject to this restriction were those that recited transmitting something from the Blackberry Relay, or receiving something at the Relay. 418 F.3d 1318, n. 14 and 15. (The claim limitation applied to the Relay is the "interface" recited in the

claims.) The rationale for the holding was that components of a system are used collectively, whereas steps are performed individually. Thus, the method claims were not infringed under § 271(a), because the methods were not used in the United States. Nor, because of the history of § 271(a) and a reading of Congressional intent, was *NTP* willing to consider infringement by sale or importation of the method. 418 F.3d 1318-21.

The Blackberry desktop or its corporate redirectors (in the U.S.) cause an email message, originally sent by someone in the U.S. to someone else in the U.S., to be relayed to "someone else" in the U.S. by sending the email from the U.S. to Canada for relay back to the U.S. You will notice that my sentence says "U.S." six times, and "Canada" once. Property owners and tax authorities in Canada, I suspect, will be gratified by increased rentals and tax revenues from an influx of server farms aimed at circumventing American patents on methods. It will be a reprise of the Oklahoma land rush, except that the wagons will be trucks, and they will be hauling computers, monitors, and software, instead of pot-belly stoves, tents, and Winchesters.

NTP turned to the other subsections of § 271, but with no better result. The court decided that method claims could not be infringed under §§ 271(f) and (g), and that the parties' briefs did not address this issue. 418 F.3d at 1321. It would have been a good idea to ask for briefing before deciding so crucial an issue. It decided that this case was unlike *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338-41 (Fed. Cir. 2005), which held that intangible software code exported on a "golden master" disk was a component of a patented invention under § 271(f), and was not limited to a physical machine. 399 F.3d at 1340.

But *NTP* decided that nothing RIM did constituted the supply of a component under § 271(f)(1) or (2). RIM's act of supplying Blackberries or even related software (the "Redirector product," 418 F.3d at 1322) to users in the United States, unfortunately, did not satisfy the requirement for the "statutory supply of any 'com-

ponent' steps for combination into NTP's patented methods." RIM was not supplying any step, and NTP relied on prior decisions holding that the sale of equipment to perform a process is not an infringement of a method claim to the process.

NTP concluded that data and information in the emails — the end result of the process — were not "products." Therefore, § 217(g) was not applicable, because the process accused of infringement did not produce any physical product. 418 F.3d at 1323-24.

The main lessons to be learned from NTP are (1) use apparatus claims, (2) method claims are not subject to §§ 271(a) or (f), unless all steps occur in the United States, and (3) method claims are not subject to § 271(g), unless they produce a product that is something other than data or information.

Unless and until Congress acts, we need to protect our clients against the effects of NTP. Here are some suggestions:

Claim apparatuses as well as methods. This is the first and biggest lesson to be learned from NTP. Unless the outcome of NTP is changed, method claims are in jeopardy because it is so easy to place a server outside the United States to perform one or more steps of the invention. In those instances, the infringer is beyond the reach of your patent.

Write the method claim so that the steps occur in the United States. NTP's discussion about § 271(f) uses claims 32 and 34 of the '960 patent as examples. 418 F.3d at 1318 n. 14. Each of these dependent claims depends on claim 18 via other claims. Claim 18 includes the limitation, "transmitting ... from the interface switch." Other claims refer to receiving at or with the interface (that is, the Blackberry Relay).

There are several elements in the claimed system: the email system (a communication system with a group of processors running email programs and functioning as both originating and destination processors), the RF receiver (the Blackberry), the wireless network, the gateway switch in the user's email system

(a computer which receives, stores, routes and forwards emails), the originating processor (the computer that prepares the email, not including the gateway), the originated information (the text in the email), and the destination processor. These are in the U.S. if the message is sent by someone in the U.S. to someone else in the U.S. The interface switch (RIM's Blackberry Relay) is in Canada.

Let's look at two of the steps from claim 18 of one of the NTP patents and discuss possible ways they might be rewritten so that all of the action takes place in the U.S., and not in Canada:

Transmitting the originated information received from the gateway switch from the interface switch to a RF information transmission network;

Transmitting the originated information by using the RF information transmission network to at least one RF receiver which transfers the originated information to the at least one of the plurality of destination processors;

Perhaps the first limitation could have been written differently, like this:

Receiving, via the interface switch, at an RF information transmission network, information originated at a gateway switch;

Doing so turns the method step from an action performed by the interface in Canada into an action performed by the RF information transmission network, which is going to be at least partly or wholly in the U.S.

The next step might be re-written this way:

Receiving at an RF receiver, via the RF information transmission network, the originated information, which RF receiver transfers the originated information to at least one of the plurality of destination processors.

Thus, two steps of the claim have been reorganized, so that the action takes place in the U.S., not in Canada. Other

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steps of the claim could be similarly modified, as well.

A method claim is no push-over to write, even with the hindsight I am benefiting from. But amending it as I did above gives you a better chance that every step of a method claim will all be performed in the United States, leading to a judgment of infringement.

At a minimum, 35 U.S.C. § 271(g) should be amended so that a product includes data. That's a good idea. If so, what goes to a Blackberry would be products: email messages, and attached videos, photos, documents and the like. Legislation will be required, because the Federal Circuit refused to rehear NTP, and the Supreme Court denied certiorari.

We have certainly seen enough about how our patent system should be modified to, for example, use first-to-file instead of first-to-invent to determine which of two inventors is entitled to priority. (To me, first-to-invent represents an effort to get the truth. First-to-file is just a crude rule of thumb, much like deciding that everyone is automatically mature enough to have a driver's license at the age of sixteen.)

Congress could — and should — address the effects of globalization when they are harmful to the rights of American inventors. Write your Congressional representative and senator — tell them to put other reform ideas on the shelf for a while and protect American inventors. Fund the Patent Office properly, demand performance from it, and amend 35 U.S.C. § 271. **IPIT**