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Jimmie V. Reyna

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# The Tariff and the Patent: A New Intersection

## **Keywords**

Foreign trade regulation, Patent laws & legislation -- United States, Tariff -- Law & legislation -- United States

## FOREWORD

# THE TARIFF AND THE PATENT: A NEW INTERSECTION

THE HONORABLE JIMMIE V. REYNA\*

*The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;*<sup>1</sup>

*The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States;*<sup>2</sup>

Upon joining the judiciary as a Circuit Judge on the U.S. Court of Appeals for the Federal Circuit, I was eager to become immersed in the varied legal subject matter of the Federal Circuit. My anticipation was not disappointed, but it was surpassed by the pleasant discovery of the manner that international trade law and patent law have intersected in my professional life. To me, the patent and the tariff have married.

Prior to joining the bench, I practiced international trade and customs law in Washington, DC for over twenty-five years. This meant providing real-time assistance to companies in meeting their commercial objectives in the context of an international business environment. This rich experience has given me a unique and multifaceted perspective to the issues inherent in the matters I now handle as a Circuit Judge. This perspective has proven invaluable in dealing not only with the complex legal issues in our cases, but also in

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\* Circuit Judge, United States Court of Appeals for the Federal Circuit. Judge Reyna thanks John A. Kelly for his assistance on this article.

1. U.S. CONST. art. 1, § 8, cl. 8.

2. *Id.* cl. 1.

understanding the myriad of vexing technical and commercial issues that comprise the rich subject matter jurisdiction of the Federal Circuit.

Often, I hear the Federal Circuit characterized as “the nation’s patent court.”<sup>3</sup> While there is no question that Congress created the Federal Circuit to bring about uniformity in the patent laws, Congress did not stop there. Congress created a unique nationwide jurisdiction that is at once diverse, challenging, and highly interesting—spanning from international trade disputes to government contracts; personnel actions to veterans appeals; and even from vaccine injuries to Native American claims. This volume of the *American University Law Review’s* Federal Circuit review certainly illustrates that diversity.

Yet, I was surprised to discover the extent to which patent law implicates international issues. Consider, for example, patent law jurisdiction. The Supreme Court has observed that “[o]ur patent system makes no claim to extraterritorial effect; ‘these acts of Congress do not, and were not intended to, operate beyond the limits of the United States.’”<sup>4</sup> Starting from this premise, one would expect the reach of our patent jurisdiction to end at the border. But commerce has changed, technologies have evolved, and companies have become more globalized. In the area of patents, large multinational corporations are the norm. Acts of infringement are alleged to span not only between states, but also across countries all over the globe. The so-called global “Smartphone Wars” are a good illustration of this.<sup>5</sup> These types of issues challenge the law and certainly challenge the Federal Circuit to resolve them with international implications in mind.

Not surprisingly, patent attorneys are increasingly confronted by issues that trade lawyers have dealt with for decades. This could be expected given that the regimes of intellectual property and international trade, on some levels, attempt to address similar concerns. Through application of antidumping and countervailing duties, U.S. trade law protects domestic industries from unfair trade practices that artificially suppress prices and materially injure, or threaten to injure, the health of the domestic industries that produce

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3. See, e.g., Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1444 (2012).

4. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) (quoting *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1857)), *superseded by statute*, Patent Law Amendments Acts of 1984, Pub. L. No. 98-622, 98 Stat. 3383, *as recognized in* *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007).

5. See, e.g., *Apple Inc. v. Samsung Elecs. Co.*, 695 F.3d 1370 (Fed. Cir. 2012).

the same types of goods. The intellectual property system, by providing a remedy for patent, trademark, and copyright infringement, similarly protects property rights arising from ingenuity and inventorship from being undercut by advantage-seeking copyists. The International Trade Commission's section 337 jurisdiction further closes the loop between trade and patent law by enabling the patent holder to stop the importation of infringing articles.<sup>6</sup> In both section 337 actions and trade cases, exactly what constitutes a "domestic industry" is a threshold legal issue of standing. In trade cases, a "domestic industry" is well defined, while it is still evolving in section 337 actions. The relationship between international trade law and patent law may be inevitable given their overlapping motivations, but patent law's reach beyond this country's borders in other respects is not quite so preordained.

On the international stage, developments in business and manufacturing can trigger new and unanticipated jurisdictional issues in patent cases—related to both personal and subject matter jurisdiction. To establish personal jurisdiction within a state, a plaintiff normally must show that the defendant is within the reach of the state's long-arm statute and that exercising jurisdiction would be consistent with the Due Process Clause of the Fourteenth Amendment. The situation becomes complicated when the accused infringer is incorporated abroad and never sets foot within the United States; all it does is manufacture infringing products that are directly or indirectly imported in the United States. Federal Rule of Civil Procedure 4(k)(2) eliminates the need to comply with a particular state's long-arm statute when the defendant would not be subject to jurisdiction in any state.<sup>7</sup> Thus, as *Merial Ltd. v. Cipla Ltd.*<sup>8</sup> illustrates, a pharmaceutical company located in Mumbai and incorporated under the laws of India can be subjected to personal jurisdiction in Georgia for infringing imports of flea and tick medicine despite the fact that the state's long-arm statute would not reach the defendant.<sup>9</sup>

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6. See 19 U.S.C. § 1337 (2006) (defining unfair practices in import trade).

7. Rule 4(k)(2) provides:

For a claim that arises under federal law, serving a summons or filing a waiver of service establishes personal jurisdiction over a defendant if:

(A) the defendant is not subject to jurisdiction in any state's courts of general jurisdiction; and

(B) exercising jurisdiction is consistent with the United States Constitution and laws.

FED. R. CIV. P. 4(k)(2).

8. 681 F.3d 1283 (Fed. Cir. 2012).

9. See *id.* at 1294–95.

A case may present a thorny question of personal jurisdiction caused by international business relationships for which the proper resolution may not be altogether clear. Even then, the nature of multinational patent litigation, frequently involving many defendants, can straightforwardly resolve the case. In *Technology Patents LLC v. T-Mobile (UK) Ltd.*,<sup>10</sup> for example, the plaintiff sued over one hundred defendants, including software providers, cellphone makers, and domestic and foreign telephone carriers.<sup>11</sup> Because the plaintiff relied on a common, but unsuccessful, theory of infringement to accuse not only the domestic carriers—who were subject to personal jurisdiction—but also the foreign carriers, the case against the foreign carriers could be resolved on noninfringement grounds without having to delve into personal jurisdiction.<sup>12</sup> Difficult questions touching on international conduct are not limited to personal jurisdiction, but frequently venture into the realm of subject matter jurisdiction as well.

Before the Leahy-Smith America Invents Act,<sup>13</sup> there was some question of whether the Federal Circuit's subject matter jurisdiction could extend to enforcing *foreign* patents. In *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*,<sup>14</sup> the plaintiff, while asserting its domestic patents, alleged that the defendant was also engaging in unfair competition proscribed by 28 U.S.C. § 1338(b) by violating the plaintiff's foreign patent rights abroad.<sup>15</sup> Rejecting this argument, the Federal Circuit held "as a matter of law that a claim of infringement of a foreign patent does not constitute a claim of unfair competition within the meaning of section 1338(b)."<sup>16</sup> In addition to highlighting the presence of international issues in subject matter jurisdiction, this case also illustrates the malleability of the law. While prior cases acknowledged that foreign patents are not justiciable in domestic courts, the plaintiff in *Mars* invited the court to expand the doctrine by broadly construing "'unfair competition' . . . to cover all 'business torts,' including the infringement of a foreign patent."<sup>17</sup>

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10. 700 F.3d 482 (Fed. Cir. 2012).

11. *Id.* at 489.

12. *See id.* at 502–03.

13. Pub. L. No. 112-29, 125 Stat. 284 (2011).

14. 24 F.3d 1368 (Fed. Cir. 1994).

15. *Id.* at 1370–71. Following passage of the America Invents Act, the Federal Circuit's jurisdiction under 28 U.S.C. § 1295 is no longer contingent upon the district court's jurisdiction under § 1338. Instead, like § 1338(a), it is expressly limited to "any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection." 28 U.S.C. § 1295(a)(1) (Supp. V. 2012).

16. *Mars*, 24 F.3d at 1373.

17. *Id.* at 1372.

The court ultimately rejected this invitation, but novel arguments like these push the court to incorporate new approaches and stretch everyone's understanding of the law.

A good example of an extended application of the law can be found in *TianRui Group Co. v. International Trade Commission*.<sup>18</sup> In an intriguing development, this case extended the International Trade Commission's jurisdiction over unfair acts of competition to include trade secret misappropriation, even when the wrongful acts occur entirely outside the United States.<sup>19</sup> While the *Mars* case resisted the invitation to characterize infringement of a foreign patent as an act of unfair competition, the *TianRui* case took a broader view on trade secret misappropriation when the pertinent statute was broad enough for it to do so. Jurisdictional issues will no doubt continue to be informed by our evolving understanding of the law as corporations adapt to new global business models that further erode the already vanishing border.

Another area of federal patent law where international issues take center stage in the substantive law is section 337 actions at the International Trade Commission. The trade statute provides a remedy against the importation of infringing articles, meaning that the articles must have had an international character at some point during their lifecycle. International issues arise less frequently within the domestic industry component of the investigation because the plaintiff, or complainant, must establish that there exists or there is about to exist a domestic industry for the patented article. Such an industry is considered to exist if there is significant investment in a plant and equipment; significant employment of labor or capital; or substantial investment in the patent's exploitation, including engineering, research and development, or licensing.<sup>20</sup> Until *InterDigital Communications, LLC v. International Trade Commission*,<sup>21</sup> it was an open question whether licensing activities alone were sufficient to establish a domestic industry where the licensed products were produced abroad instead of in the United States. Over a vigorous dissent by Judge Newman, in a precedential order denying panel rehearing, the Federal Circuit clarified that the trade statute did not require domestic manufacturing to go hand-in-hand with licensing activities.<sup>22</sup> In addition to establishing that international

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18. 661 F.3d 1322 (Fed. Cir. 2011).

19. *See id.* at 1324.

20. 19 U.S.C. § 1337(a)(3) (2006).

21. 707 F.3d 1295 (Fed. Cir. 2013).

22. *Id.* at 1303-04.

manufacturing does not defeat a domestic industry formed solely by licensing activities, this case further reinforces the fluidity of the law. I have found it truly remarkable how three exceptionally qualified jurists, each bringing their own unique and enlightened experience, can analyze the same statutory provision from their own perspective and reach sound, supported judgments that may differ from one another. The law is not binary—though some cases might deal with binary coded decimals<sup>23</sup>—but instead is made and flourishes in the grey areas at the edges of settled doctrines. The Articles in this edition of the *American University Law Review* Federal Circuit review attest to that fact.

Frequently, the Federal Circuit is settling national issues of patent law involving issues that may have international implications. In other instances, however, it is the Supreme Court that resolves cases touching on international issues. In *Microsoft Corp. v. AT&T Corp.*,<sup>24</sup> for example, the Court was asked to interpret Congress's enactment specifying that infringement occurs when one supplies from the United States, for combination abroad, a patented invention's components.<sup>25</sup> Starting with the "general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country," the Court found no violation of § 271(f) on the facts of that case, reinforcing this conclusion with the presumption against extraterritoriality.<sup>26</sup> In a similar vein, the Court has recently decided in *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>27</sup> that the sale of a copyrighted work abroad exhausts the copyright holder's right to sue for infringement following its subsequent importation into the United States.<sup>28</sup> While this case arises in the copyright context, it could have implications in the patent context as well. Likely informed by conventional territorial understanding of patent law, the Supreme Court, like the Federal Circuit, finds itself grappling with tough issues touching on extraterritorial conduct that could, in some form or another, further liability under the statutes. Much is left to be settled.

While issues with international significance may be a relatively new introduction into our patent system, their presence will only expand and evolve as cross border commerce evolves and advances. Indeed, these issues will challenge the edges of established doctrines, and

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23. See, e.g., *Gottschalk v. Benson*, 409 U.S. 63 (1972).

24. 550 U.S. 437 (2007).

25. See 35 U.S.C. § 271(f).

26. *Microsoft*, 550 U.S. at 441, 454–56.

27. 133 S. Ct. 1351 (2013).

28. *Id.* at 1358.



move the laws in ways that adapt to new realities while remaining true to the overriding legitimate objectives of the system. What has become clear to me is that the patent has truly risen to the international stage and assumed a position alongside the tariff. This volume may not be the first to celebrate the marriage between the patent and the tariff, but it is certainly one of the early chapters in what is sure to be a fascinating story.

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