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Jurisdiction Over Foreign Patents: A Costly Dilemma for Patent Owners?

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Should U.S. courts decide claims for infringement of foreign patents? After 13 years of silence on this issue,[fn1] the Federal Circuit recently held in *Voda v. Cordis Corp.* that a district court abused its discretion by allowing the patentee to add infringement claims based on foreign patents. [fn2]

A basic principle of U.S. patent law is that it does not have extraterritorial effect; that is, patents granted in the U.S. may not be enforced abroad. Similarly, with limited exceptions, U.S. patent law does not restrict activities performed outside U.S. borders. An inventor seeking protection for an invention both in the U.S. and abroad will need to procure patents both in the U.S. *and* in every country in which he seeks protection. While it is possible to file international applications forming the basis of such patents (for example, PCT and EPC applications[fn3]), there are no provisions for "international" patents.

Thus, a patent owner confronted with infringing activity in the U.S. and abroad is faced with a costly dilemma. It could focus on enforcing just its U.S. patents, in an attempt to halt infringement only in the U.S. (and forego damages incurred because of infringement in other countries). Alternatively, it could bring parallel actions for patent infringement in the U.S. *and* in every other country in which infringement is occurring and in which it holds a patent, a rather expensive proposition. In *Voda*, the patentee tried to exercise a third option by filing a lawsuit in U.S. district court alleging infringement of both U.S. *and* foreign patents. [fn4]

While U.S. courts are designed to hear cases arising under federal law, they may exercise their discretion to decide issues that arise under the laws of other jurisdictions. There are two bases for this exercise of jurisdiction: diversity jurisdiction and supplemental jurisdiction. [fn5] The patentee in *Voda* argued that its claims for foreign patent infringement should be included under supplemental jurisdiction. [fn6] In a succinct three-page opinion, the district court agreed, adding the claims of foreign patent infringement to the case. [fn7]

In a sharply divided opinion, the Federal Circuit reversed. [fn8] The majority indicated that although § 1367 seems to *authorize* district courts to exercise supplemental jurisdiction over foreign law claims in certain circumstances, the court's decision to exercise its *discretion* to allow such claims in this case was in error. [fn9]

Authorization. The Federal Circuit first analyzed whether § 1367(a) authorizes district courts to exercise jurisdiction over claims involving foreign patents. [fn10] The court found that supplemental jurisdiction is authorized only over claims that "derive from a common nucleus of operative fact" with the U.S.-based claims. [fn11] The analysis involves the application of several factors, including but not limited to the differences in: (1) the U.S. and foreign patents, (2) the devices being accused of infringement in the U.S. and abroad, (3) the acts alleged to be infringing, and (4) the U.S. and foreign laws. [fn12] Because the district court did not analyze these factors and their determination was not apparent from the record, the court declined to base its decision on an application of these factors. [fn13]

Discretion. The Federal Circuit next turned to § 1367(c), which ultimately formed the basis of its

decision. Under § 1367(c), a district court may, in its discretion, decline to exercise supplemental jurisdiction. [fn14] The district court's discretion, however, is not unfettered – it is limited by considerations of comity, judicial economy, fairness, and other exceptional circumstances. [fn15] The court reviewed the provisions of intellectual property treaties such as the Paris Convention, the PCT, and TRIPS, [fn16] and found that the exercise of supplemental jurisdiction would undermine the obligations of the U.S. under these treaties. [fn17] The court further determined that considerations of comity counseled against the exercise of jurisdiction, including the fact that there is no international duty requiring U.S. courts to adjudicate foreign patent infringement claims and that adjudicating the claims in the U.S. would not be more convenient. [fn18] Moreover, judicial economy would not be promoted by U.S. courts exercising jurisdiction over foreign patents in view of "our lack of institutional competence" in foreign patent law. [fn19] After weighing these factors, the Federal Circuit found that the district court has abused its discretion in exercising supplemental jurisdiction over *Voda's* foreign patent claims. [fn20]

In a strongly worded dissent, Judge Newman found it inappropriate for the Federal Circuit to carve an exception for patent law. She pointed out that courts routinely apply foreign laws, citing a case in which the First Circuit held that a district court could apply U.S. copyright law, German contract law, and Austrian inheritance law to resolve all the issues in a single case. [fn21] Judge Newman criticized the majority's holding, because under *Voda*, "it would always be an abuse of discretion for the district court to decide foreign patent issues, unless some sort of new treaty is produced." [fn22]

The *Voda* decision seemingly resolves the issue of whether a claim for infringement of a foreign patent can be litigated in U.S. court. Under *Voda's* strict stance, piecemeal litigation still remains a problem, leading to costly, burdensome multinational patent litigation for a patentee seeking to enforce an international portfolio. On the other hand, *Voda* provides assurance to an alleged infringer that it will not be sued in the U.S. for infringement of foreign patents.

Footnotes

1 The last Federal Circuit decision on this issue was *Mars, Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368 (Fed. Cir. 1994).

2 *Voda v. Cordis Corp*., 476 F.3d 887, 890 (Fed. Cir. 2007).

3 Patent Cooperation Treaty and European Patent Convention, respectively.

4 *Voda*, 476 F.3d at 890-91.

5 *See* 28 U.S.C. § 1332 (diversity jurisdiction); 28 U.S.C. § 1367 (supplemental jurisdiction). Diversity jurisdiction was not at issue in *Voda*.

6 *Voda*, 476 F.3d at 891.

7 *Id.*

8 *Id.* at 905.

9 *Id.* at 894, 904.

10 *Id.* at 893-97.

11 *Id.*at 894 (citing *City of Chicago v. Int'l Coll. of Surgeons*, 522 U.S. 156, 164-65 (1997)).

12 *Id.*at 895 (citing *Mars*, 24 F.3d at 1375).

13 *Id.* at 896.

14 *Id.* at 898 (citing 28 U.S.C. § 1367(c)).

15 *Id.*at 897.

16 Agreement on Trade-Related Aspects of Intellectual Property Rights.

17 *Voda*, 476 F.3d at 899-900.

18 *Id.* at 900-01.

19 *Id.* at 903.

20 *Id.* at 904.

21 *Id.* at 906-07 (dissenting opinion) (citing *Cambridge Literary Properties Ltd. v. W. Goebel Porzellanfabrik GmbH & Co*., 295 F.3d 59 (1st Cir. 2002)).

22 *Id.* at 909 (dissenting opinion).