No. 05-1056

IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,

Petitioner,

v.

AT&T CORP.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

MOTION FOR LEAVE TO FILE *AMICUS CURIAE* BRIEF AND BRIEF OF THE SOFTWARE & INFORMATION INDUSTRY ASSOCIATION AS *AMICUS CURIAE* SUPPORTING PETITIONER

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SIIA'S MOTION FOR LEAVE TO FILE *AMICUS CURIAE* BRIEF SUPPORTING MICROSOFT CORPORATION'S PETITION FOR A WRIT OF CERTIORARI

The Software & Information Industry Association (SIIA) requests leave to file an *amicus curiae* brief in support of Microsoft Corporation's petition for a writ of certiorari. As the principal trade association for the software and digital-content industry, SIIA has a substantial interest in this case. The innovative companies that make up SIIA's membership rely upon patent protection to guard their inventions, but also depend upon the ability to manufacture, develop, and sell their products free from improper assertions of patent rights. Consequently, SIIA's members are involved in patent litigation as both patentees and accused infringers; they cannot be categorized as generally plaintiffs or generally defendants.

SIIA is thus in a balanced position, as *amicus curiae*, to address the proper interpretation of 35 U.S.C. §271(f) as it relates to software. Accordingly, SIIA requests that the Court grant leave to file an *amicus curiae* brief.

Counsel for SIIA has conferred with counsel for petitioner Microsoft Corporation and respondent AT&T Corporation. Microsoft has granted consent for SIIA to file an *amicus curiae* brief in support of its petition. AT&T Corporation has withheld consent to SIIA's filing an *amicus curiae* brief.

Respectfully submitted,

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BRIEF OF THE SOFTWARE & INFORMATION INDUSTRY ASSOCIATION AS *AMICUS CURIAE* SUPPORTING PETITIONER

INTEREST OF *AMICUS CURIAE*

Amicus curiae the Software & Information Industry Association (SIIA) is the principal trade association for the software and digital-content industry.[1] SIIA provides global services in government relations, business development, corporate education, and intellectual-property protection to the leading companies that are setting the pace for the digital age. With over 750 members, SIIA is the leading trade association representing software-code and information-content companies. SIIA's members include well-known

[1] Pursuant to Supreme Court rule 37.6, SIIA confirms that no counsel for a party authored this brief in whole or in part and that no person or entity other than SIIA, its members, or its counsel has made a monetary contribution to the preparation or submission of the brief.

names throughout the American economy, including Accenture, AOL, Dow Jones & Company, MuseGlobal, Novell, Oracle, Reuters America, and Sun Microsystems.

The innovative companies that make up SIIA's membership rely upon patent protection to guard their inventions, but also depend upon the ability to manufacture, develop, and sell their products free from improper assertions of patent rights. Consequently, SIIA's members are involved in patent litigation as both patentees and accused infringers; they cannot be categorized as generally plaintiffs or generally defendants. SIIA is thus in a balanced position, as *amicus curiae*, to address the proper interpretation of 35 U.S.C. §271(f) as it relates to software. SIIA is hopeful its views will convince the Court to grant the petition to resolve issues that are of vital importance to America's high-tech sector.

STATEMENT

This case presents an increasingly common fact pattern in international software distribution that can be termed simply the case of the "golden master." A software creator (such as Microsoft) writes, develops, and tests computer code for a software program at its facilities in the United States. The software creator then burns the final object code for the program onto one or more "golden master" disks (CD-ROMs or DVD-ROMs), also in the United States. These disks are then shipped to computer manufacturers located abroad. Each foreign computer manufacturer uses a master disk set, outside of the United States, to copy the computer program onto replicate disks. In turn, foreign-based companies use the replicate disks to produce and install copies of the software program onto new foreign-made computers, which are sold directly in the foreign markets.

In this typical fact pattern, as in this case, no physical component shipped from the United States is ever incorporated or assembled into any computer sold abroad to consumers. In particular, the "golden master" disks that are actually shipped from the United States are never made a part of any computer sold to consumers. Rather, copies of the intangible software code from the master disks are made and recorded on additional disks, and those copies are ultimately used to install the intangible code from the replicate disks onto foreign-made computer systems. Both the replication of the software code from the master disks and the installation of the code from replicate disks occur outside the United States.

This case followed that typical fact pattern. AT&T claimed that Microsoft's Windows software infringed certain patents it held and, although no Windows "golden master" disk shipped by Microsoft from the United States was ever assembled into a final computer, AT&T nevertheless alleged that it was entitled to damages based on all of Microsoft's foreign sales of Windows replicated abroad. In so doing, AT&T reasoned that incorporating foreign-created copies of the Windows object code into computers sold abroad constituted patent infringement under §271(f).

In response, Microsoft did not dispute that exported master disks and encrypted electronic transmissions contained the accused code as part of the object code,[2] nor did Microsoft dispute that it intended for the accused code to be installed during computer assembly in foreign countries. What Microsoft did dispute was whether the intangible exported object code was a component of a patented invention under §271(f), given that the master disks and transmissions originating from Microsoft in the United States never became

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[2] Microsoft, like many software creators, also supplies copies of the Windows object code by encrypted electronic transmissions from the United States to foreign-based replicators and computer manufacturers.

part of the foreign-made computers. Pet. App. 8. For similar reasons, Microsoft further contended that the foreign-replicated copies of the accused code that were loaded onto the foreign-made computers were not "supplied in or from the United States" as required to establish liability under §271(f). *Ibid.*

Although rejected by the district court and a divided panel of the Federal Circuit, Microsoft's arguments reflect the understanding that most businesses, legal commentators, and courts had about the extraterritorial scope of United States patent law before the Federal Circuit's controversial decisions in *Eolas Technologies Inc.* v. *Microsoft Corp.*, 399 F.3d 1325 (CA Fed.), *cert. denied*, 126 S.Ct. 568 (2005), *Union Carbide Chemicals & Plastics Technology Corp.* v. *Shell Oil Co.*, 425 F.3d 1366 (CA Fed. 2005), and this case. Prior to those decisions, inventors understood that they had to seek and obtain patents in every market where they wanted a monopoly to practice their inventions, and American firms understood that they were not constrained by United States patents from competing in foreign markets. These basic principles coexisted with §271(f), which was enacted only to close a narrow loophole. That loophole—recognized by this Court in *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972)—allowed American companies to take advantage of foreign assembly of components shipped from the United States to evade liability for "making" and "selling" an invention in the United States. In closing the loophole, Congress did not purport to radically alter the legal framework limiting the extraterritorial reach of United States patent law. Rather, at least until the Federal Circuit's recent series of extensions of §271(f), the statute was understood to bar only the export of the physical components of a United States-patented product for assembly abroad, not the use of foreign-produced components in foreign assembly.

This case squarely presents the best opportunity for this Court to review the Federal Circuit's rapidly expanding construction and application of §271(f), which now exposes American business of all kinds—not merely software companies—to potentially unlimited worldwide liability based on a *single* export. Given the role of the Federal Circuit as the national court of appeals in patent cases, only this Court can correct the Federal Circuit's now entrenched (but erroneous) reading of §271(f). In doing so, the Court will prevent vast economic harm to the high-tech industries that are and hope to remain vital to the health of the United States economy. Moreover, because the parties do not dispute the material facts, and because this final judgment squarely presents the important interpretive questions about the meaning of "component" and "supplie[d] . . . from the United States," the case is an ideal vehicle for correcting the Federal Circuit's damaging misapplication of §271(f).

SUMMARY OF ARGUMENT

The Court should grant the petition to correct the Federal Circuit's incorrect and damaging interpretation of §271(f), which is now binding on all lower federal courts. The Federal Circuit has wrongly extended the extraterritorial application of United States patent law to cover products containing copies of a patented product, even when the copies are made in a foreign country, ignoring §271(f)'s clear requirement that "components of a patented invention" be "supplie[d] . . . from the United States" before liability can be assessed. 35 U.S.C. §271(f)(1). The panel majority was concerned that it is generally easier, cheaper, and faster to make copies of software than to make copies of traditional physical components. But those considerations are not—and should not be—relevant to the application of the statute. It is the province of Congress, not the courts, to define the scope of liability under United States patent law.

The Federal Circuit's expansive reading of §271(f) exposes American producers to potentially global liability and upsets investments and plans made in reasonable reliance on previously settled law that limited the extraterritorial application of United States patent law to the narrow exception created in §271's 1984 amendments. Moreover, the broad extraterritorial application of United States patent law upsets the international patent regime and disrespects foreign legal systems, which should have primary responsibility for enforcing intellectual-property rules regarding conduct occurring within their jurisdictions.

Because the view of the Federal Circuit majority produces harmful consequences implicating important federal interests, and because this case is an excellent vehicle for resolving §271(f)'s important interpretive questions, the Court should grant the petition and reverse the judgment of the Federal Circuit.

ARGUMENT

I. THE FEDERAL CIRCUIT'S EXPANSIVE READING OF §271(F) UPSETS THE SETTLED AND REASONABLE EXPECTATIONS OF AMERICAN PRODUCERS.

The Court should grant the petition to correct the Federal Circuit's erroneous interpretation of §271(f), which all lower federal courts must accept as precedent in the absence of further guidance from the Court. The Federal Circuit's current interpretation is unfaithful to the text of §271(f), exceeds Congress's stated objectives in amending the patent statute, and has severe consequences for American companies that operate on a worldwide basis, who acted in reasonable reliance on previously settled law. The petition presents recurring questions that are of vital importance not only to the software industry but also to other high-tech industries in the United States's increasingly information-based economy.

A. The Federal Circuit's Expansive View of §271(f) Disregards the Statutory Text and Misinterprets Congressional Intent.

The text of §271(f) itself contradicts the far-reaching extraterritorial extension of patent liability judicially declared by the Federal Circuit. In particular, the Federal Circuit's extended construction misconstrues two key phrases in the statute. First, the Federal Circuit misinterpreted the meaning §271(f) in holding that the generalized information contained in software code is, itself, a "component[] of a patented invention" without regard to the manifestation of the code in a particular computer. Second, the Federal Circuit unduly stretched the term "supplies" in holding that copies of a patented product are "supplie[d] . . . from the United States" even when the copies are made in a foreign country. 35 U.S.C. §271(f).

The term "component" in §271(f) contemplates a physical product and, as such, does not aptly describe the exported golden masters' relationship to the accused products because the master disks and electronic transmissions never became a constituent part of the foreign-made computers. As the Federal Circuit previously noted in *Pellegrini* v. *Analog Devices*, *Inc.*, 375 F.3d 1113 (CA Fed. 2004), §271(f) is "clear on its face" and applies "only where components of a patent invention are *physically present* in the United States and then either sold or exported 'in such a manner as to actively induce the combination of such components outside the United States in a manner that would infringe the patent if such combination occurred within the United States.'" *Id.*, at 1117 (emphasis added). The only things that were ever physically present in the United States were the master disks and the electronic transmissions before they were sent, but those things never even touched—much less became a part of—the accused products.[3] At most, a "component[] of a patented invention" must refer to the particular copy of the software code that is downloaded onto an accused computer. *Id.*, at 1116.

Even if intangible information such as computer code could be characterized as a "component" for purposes of §271(f), the particular embodiment of the code that becomes part of an infringing product must be "supplie[d] . . . in or from the United States" for there to be liability under the statute. 35 U.S.C. §271(f)(1). The master disks and

[3] Part of what seems to have confused the majority is the distinction between the embodiment of the computer program (*i.e.*, the master disks containing the object code) and the information contained on it (*i.e.*, the computer instructions consisting of 0s and 1s). Under the majority's analysis, the "component" supplied "in or from the United States" must be the intangible information rather than the disks containing the code, as no one can argue that the physical disks themselves ever touched any of the accused computers. But imposing liability for transmitting instructions from the United States that are later duplicated in a foreign country for foreign use, under the misperception that they are a component supplied from the United States, produces anomalous results. For example, the majority's approach would find infringement in the "'exportation' of a computer program" by someone who leaves the country having memorized the 0s and 1s "to input and use the program on a computer in a foreign country." Pensabene & Berschadsky, Software Patent Damages for Foreign Sales: Have the District Courts Gone Too Far?, 21 Computer & Internet Lawyer 23, 27 (July 2004). Established United States patent law certainly does not support that result. See *Pellegrini*, 375 F.3d, at 1117 (holding that components manufactured abroad cannot be components supplied from the United States even when they were made according to design and manufacturing instructions sent from the United States); *Bayer AG* v. *Housey Pharm., Inc.*, 340 F.3d 1367, 1376-1377 (CA Fed. 2003) (avoiding a construction of §271(g) that would find infringement in the converse situation in which a person enters the country having memorized information generated by a patented process). The Federal Circuit majority erred in failing to limit the application of §271(f) to the particular physical embodiment of the patented computer program, consistent with the express terms of the statute itself.

encrypted transmissions and the code that they contain (the only things actually sent from the U.S.) are not actually incorporated into the allegedly infringing products. Rather, as Judge Rader accurately observed in his dissent:

> "[Foreign] distributors copy the components supplied from the United States and then install those copies into the infringing products. The [foreign] manufacturers do not install the actual component 'supplied' from the U.S. (the master disc). Instead, they install a copy made in [the foreign country]."
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> * * *
>
> "[C]opying and supplying are separate acts with different consequences—particularly when the 'supplying' occurs in the United States and the copying occurs [abroad]. As a matter of logic, one cannot supply one hundred components of a patented invention without first making one hundred copies of the component, regardless of whether the components supplied are physical parts or intangible software. Thus copying and supplying are different acts, and one act of 'supplying' cannot give rise to liability for multiple acts of copying." Pet. App. 13a, 15a-16a (Rader, J., dissenting).

A simple hypothetical example confirms Judge Rader's conclusion that no component of the accused computers was supplied from the United States. Suppose a clock maker produces a single gear within the United States that infringes a United States patent. If the clock maker inserted that single gear into one of his clocks, that particular clock would be an infringing product under United States patent law, whether the clock were sold in the United States or abroad. Moreover, if the clock maker made 100 copies of the gear in the United States and exported the copies to be integrated into clocks assembled and sold in a foreign country, the clock maker would clearly be liable under §271 because those 100 copies were components supplied from the United States. But if the clock maker produces one infringing gear within the United

States, sends that single gear abroad, makes copies of the gear abroad, and then inserts the replicate gears into foreign-assembled clocks that are sold in a foreign country, there can be no liability under §271(f) because the foreign-made gears are not components "supplie[d] . . . from the United States." 35 U.S.C. §271(f)(1).

Although no federal court would impose §271(f) liability for the clocks containing foreign-made gears, the panel majority imposed liability on software makers in legally indistinguishable circumstances. The only differences between making copies of clock gears and making copies of software—ease and speed—are statutorily irrelevant. But those legally irrelevant differences are what led the panel majority to simply rewrite the statute, confessing that its reading of §271(f) aimed to address technological advances that "developed *after* the enactment of §271(f)." Pet. App. 10a (emphasis added). The panel majority's judicial amendment of §271(f) jettisons the statute's requirement that the component be supplied from the United States merely because the production of foreign-made components seemed too quick or easy. Ignoring the Court's instruction to avoid the extraterritorial extension of United States patent law absent a clear statement from Congress, *Deepsouth*, 406 U.S., at 530, the panel majority disregarded §271(f)'s plain language in an effort to guess how Congress would have wanted patent law to apply to software and other new-economy technologies.

The words of the statute are the best evidence of Congress's intent, but, in addition to ignoring §271(f)'s text, the panel majority also overlooked statements from the Congressional Record and the President confirming that §271(f) was enacted solely to close the gap identified in *Deepsouth*. In *Deepsouth*, the Court rejected an expansive reading of §271(a)'s proscription against "making" to extend to exporting constituent parts for foreign assembly. *Id.*, at

526. In so doing, this Court cautioned that "the sign of how far Congress has chosen to go can come only from Congress." *Id.*, at 530.

Picking up on the Court's implicit invitation from *Deepsouth*, Congress stepped in to remedy an obvious loophole. According to legislative history, §271(f) was enacted to "prevent copiers from avoiding U.S. patents by supplying components of a patented product in this country so that the assembly of the components may be completed abroad." Section-by-Section Analysis of Patent Law Amendments Act of 1984, H.R. 6286, 98th Cong., 130 Cong. Rec. 10,525-10,526 (Oct. 1, 1984). The stated objective in enacting §271(f) was to overrule *Deepsouth* and thus "to avoid encouraging *manufacturing* outside the United States." *Id.*, at 10,525 (emphasis added). In signing §271(f) into law, President Reagan confirmed that the amendment "close[d] a loophole in existing law" that allowed individuals to avoid liability for patent infringement "by arranging for *final assembly* of patent machines to occur offshore." President's Message to Congress, Signing of Patent Law Amendments Act of 1984, 20 Weekly Comp. Pres. Doc. 45 (Nov. 9, 1984). This legislative history confirms that Congress narrowly meant to proscribe only the domestic exportation of physical components for foreign assembly into otherwise-infringing combinations. In this case, however, the Federal Circuit has stretched §271(f) to cover not only combinations not assembled here but also components that are not even made in the United States.

B. The Federal Circuit's Now-Confirmed Interpretation of §271(f) Deviates From Previously Settled United States Patent Law.

In addition to relying on the text and history of §271(f), American producers with overseas operations have reasonably relied on years of precedent confirming the statute's limited extraterritorial scope. Recent cases have upset those established expectations. See, *e.g.*, Pet. App. 1a (broadly construing "component" and "supplie[d] . . . from the United States"); *Union Carbide*, 425 F.3d, at 1366 (extending §271(f) to impose liability for the export of elements used in a patented method); *Eolas*, 399 F.3d, at 1325 (holding that exported software and methods are "components" under §271(f)). Those cases, though now confirmed as the settled law of the Federal Circuit, represent an unwarranted sea change in the law that only this Court can correct.

Before the recent transformation in Federal Circuit law, existing precedent applied §271(f) narrowly, reinforcing the textual and historical interpretation that reasonably led software and other information-based companies to believe that United States patent law does not govern their conduct in foreign markets. For example, in *Standard Havens Products, Inc.* v. *Gencor Industries, Inc.*, 953 F.2d 1360 (CA Fed. 1991), the Federal Circuit held that §271(f) did not reach defendants selling devices to foreign customers who used them to perform patented processes. *Id.*, at 1374. In *Johns Hopkins University* v. *Cellpro, Inc.*, 152 F.3d 1342 (CA Fed. 1998), the Federal Circuit reviewed the district court's conclusion that the defendant's production of monoclonal antibody suspensions infringed the plaintiff's patents, even though the suspensions were produced outside the United States by cloning copies of the antibody from a master cell bank that had been sent abroad before the patent issued. *Id.*, at 1348, 1351-1352. The Federal Circuit reversed the district court's repatriation order, which also ordered destruction of the master cell bank and its clones, because the clones were to be sold overseas and posed no threat of future infringement in the United States. *Id.*, at 1366-1367. And just two years ago the Federal Circuit held that §271(f) did not reach circuit chips manufactured in a foreign market, even though the chips were constructed using instructions sent from the United States. *Pellegrini*, 375 F.3d, at 1117.[4]

Copying computer instructions (*i.e.*, code) is, at bottom, no different from using a recipe to make a drug, a mold to make a tire, a cell bank to clone helpful antibodies as in *Cellpro*, or instructions to produce a computer chip as in *Pellegrini*. Before this case, there was uniform agreement between the case law and legal commentary that exporting those items would not trigger United States patent liability for foreign manufacturing. But, given the Federal Circuit's new approach, there is no principled reason why §271(f) would not place those and other similar activities performed wholly in foreign countries under the control of United States patent law. The Federal Circuit's new rule, confirmed in recent cases interpreting §271(f), is a striking deviation from prior case law. This case—a final judgment on the merits with stipulated facts regarding both of §271(f)'s key phrases ("components of a patented invention" and "supplie[d] . . . from the United States")—presents the ideal opportunity to address the proper application of §271.

C. The Federal Circuit's Flawed Analysis Harms America's Important High-Technology Sectors and the National Economy in General.

The Federal Circuit majority's broad interpretation of §271(f) implicates the important federal interest in preventing major economic injury to the national economy, making the Court's review of the case not only timely, but critical. The Federal Circuit's decision is especially harmful to America's high-technology sector, which has flourished in the more than two decades since Congress passed the 1984 amendments to the patent statute. The Federal Circuit's broad extraterritorial

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[4] See also *Bayer*, 340 F.3d, at 1372-1373 (noting that the term "component" in §271(g)(2) "appears to contemplate a physical product").

interpretation of §271(f) now creates potentially worldwide liability not only for software companies but for several vital industries that rely on templates and prototypes developed in the United States. By generating immediate legal exposure for United States companies that Congress never intended, the broad reading of §271(f) may dissuade information-based companies from maintaining their operations in the United States, as doing so would burden them with a competitive disadvantage in relation to foreign companies.

Before the Federal Circuit's recent shift toward an expansive construction, §271(f) had been understood during the decades since its enactment to cover only physical components exported from the United States for final assembly abroad. The technology companies that have propelled the explosive growth of the American economy in that time period have made investments at home and abroad in reliance on the settled framework of United States patent law. Companies in the high-technology sector, in particular, held settled and reasonable expectations that they could lawfully design and develop their products in the United States and then manufacture, in factories located abroad, products destined for foreign markets, subject to foreign patent regulation, but without incurring liability based on United States patents for such foreign manufacture and sales. That arrangement enabled companies to create hundreds of thousands of desirable knowledge-worker jobs in the United States.

With the Federal Circuit's unjustified shift in interpreting United States patent law to govern international activities that Congress never intended to regulate, companies are exposed to potentially crippling present and future global liability for the manufacture and sale of products that did not—and could not—infringe under the previous, settled state of the law. Now, the export of a single tangible component exposes the company to potentially endless liability under United States patents for foreign copying of that component. Under the pre-*Eolas* framework, a firm's liability would be capped by the amount of domestic sales. But under the Federal Circuit's new framework for §271(f), America's high-technology companies (many of which depend on both domestic and international sales) now face unprecedented global exposure.

The Federal Circuit's expansive interpretation of §271(f) affects numerous important industries of the new economy, in which the United States currently has a comparative advantage over most countries. The new standards significantly impact United States-based developers not only of software but also of semiconductor chips, cell lines, pharmaceuticals, and other products that rely heavily on templates and prototypes, and other product "masters." Traditional goods usually involve the assembly of parts on a one-to-one basis. But high-technology producers invest massive amounts of time and money to develop single prototypes and templates that, after the huge initial investment, can be easily reproduced to make thousands or millions of perfect copies.

In the biotech industry, for example, companies manipulate and develop monoclonal antibodies from cloned cells called hybridomas. See *Cellpro*, 152 F.3d, at 1347. It often takes years to develop these master cells, but once created, biotech companies use them to produce hundreds of monoclonal antibodies in a single day. As in *Cellpro*, American companies wanting to sell bioproducts internationally often export a single hybridoma or transmit the genetic code of a cell line, for example, and carry out production in particular foreign markets. The same basic arrangement occurs in the pharmaceutical industry, which spends billions of dollars to develop and test prototypes that can later be reproduced cheaply. Even more traditional industries, such as tire manufacturers, design molds and templates in the United States that enable them to mass-produce their goods in foreign markets. These industries, which are vital to the current and future health of the American economy, face the daunting threat of uncapped liability.

In addition to exposing American companies to unwarranted international liability based on United States patents in the near future, the Federal Circuit's new approach also creates disincentives for future investment in America's high-tech industries. Companies may move their design facilities abroad to avoid liability under United States patent law; others that would have invested in design operations in the United States may choose to go elsewhere. The elimination of knowledge-worker jobs, without receiving any benefit in return except to give patent holders a lottery ticket based on United States patents for damages from foreign-produced goods, would damage America's economy.

Without waiting for Congress to consider and decide whether the existing scheme of patent regulation needed adjustment, the Federal Circuit majority candidly admitted that its modified construction of §271(f) was intended to address advances in fields of technology that "developed *after* the enactment of §271(f)." Pet. App. 10a (emphasis added). Struck by the speed and ease of production from new-economy templates, the panel majority tried to anticipate how Congress might choose to extend extraterritorial patent liability. But as this Court aptly observed in *Deepsouth*, the "sign of how far Congress has chosen to go can come only from Congress." 406 U.S., at 530. The lessons learned from *Deepsouth* and Congress's narrow response apply with particular force in the "golden master" and similar scenarios. Perhaps Congress would reach the same result fashioned by the Federal Circuit majority; but most likely it would not. It is for Congress to define the duties of the new knowledge-industry firms that export designs and intangible information, rather than physical "slitters" and "tumbler[s]," *Deepsouth*, 406 U.S., at 520, to foreign markets. Given the important national interests in preventing unwarranted economic harm, the Court should grant the petition.

II. BROAD EXTRATERRITORIAL APPLICATION OF U.S. PATENT LAW UPSETS THE INTERNATIONAL PATENT REGIME AND DISRESPECTS FOREIGN LEGAL SYSTEMS.

The Federal Circuit's interpretation of §271(f) is also at odds with principles of comity, making review desirable to avoid the gratuitous encroachment of United States law on the patent systems of foreign nations. Strong incentives previously existed for American patent holders to "seek [protection] abroad through patents secured in countries where [their] goods are being used." *Deepsouth*, 406 U.S., at 531. But allowing the Federal Circuit's new expansive construction of §271(f) to stand would weaken those incentives. Meanwhile, this expanded extraterritorial effect of United States patent law would impose duties on conduct occurring wholly within foreign countries, conduct that Congress respectfully left to the regulatory schemes of those sister nations. Weighing the competing interests—including whether to permit patents, under what criteria, and for how long—involves difficult policy choices that, in our legal system, are the province of the legislative branch.

When faced with similar policy choices and balancing of interests, Congress has generally limited the extraterritorial reach of United States patents. Absent "a clear and certain signal" to the contrary, Congress leaves the difficult choices about extraterritorial patent protection exclusively to foreign governments in whose territory the otherwise-infringing products are produced. *Deepsouth*, 406 U.S., at 531. Similarly, giving proper regard for the right of other sovereigns to regulate commerce (including intellectual-property protections) within their markets, the Court has repeatedly emphasized the United States patent system's limited extraterritorial effects and has stated that "we correspondingly reject the claims of others to [extraterritorial] control over our markets." *Ibid.*[5] Implicit in that statement is the Court's recognition that extraterritorial patent protections create substantial risks of international conflict, making it particularly inappropriate for the Federal Circuit to expand the application of United States patent law in foreign markets beyond the bounds set by Congress. Cf. Pet. App. 10a (interpreting the statute to account for technological advances "that developed after the enactment of §271(f)"). Subject to §271(f)'s narrow exception, *foreign* patents provide the exclusive patent liability for American companies competing "with an American patent holder in foreign markets." *Deepsouth*, 406 U.S., at 531.

The Federal Circuit majority's parochial disregard for the sovereignty of other countries to regulate conduct within their own markets may eventually harm American producers and consumers. Foreign nations—upset with the encroachment of American patent law on their legal regimes or simply looking for justifications to impose protectionist measures—may attempt to impose liability on American companies producing goods within the United States that incorporate components or even intangible ideas covered by patents in their legal systems. That type of legal liability, and the possible trade barriers put up in retaliation, would increase costs for many producers and would raise prices for consumers in the United States and abroad.

CONCLUSION

As aptly expressed by Judge Rader's well-reasoned dissent, the view of the Federal Circuit majority produces harmful

[5] See also *Dowagiac Mfg. Co.* v. *Minn. Moline Plow Co.*, 235 U.S. 641, 650 (1915) (noting that U.S. patent laws do not apply extra-territorially); *Brown* v. *Duchesne*, 19 How. 183, 195 (1856) (recognizing that American patent laws generally are "not intended to[] operate beyond the limits of the United States").

consequences and is not legally justified, yet this is the approach that will control the decisions of the lower federal courts. Given that reality, and the fact that this case is an excellent vehicle for resolving §271(f)'s important interpretive questions, the Court should grant the petition and reverse the judgment of the Federal Circuit.

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