

**THE IMPACT OF *AT & T V. MICROSOFT* ON INFRINGEMENT
UNDER UNITED STATES PATENT LAW**

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** PLEASE NOTE to the judges of this competition that many of the footnotes citing the case *Veritas Operating Corp. v. Microsoft Corp.* are not included in my paper because they were not available in the case. I searched through Westlaw, Lexis, and other legal research cites, but since the case was so new, the research librarian at my university told me that the page numbers for the case are probably not published yet. I apologize in advance for any confusion this might cause.

Infringement of an unexpired United States patent occurs when there has been the unauthorized making, using, or selling of the claimed invention within the United States.¹ The law of infringement differs when dealing with American patents in other countries. In general, a party is not liable for infringement when patented material is made and sold in foreign countries.² An exception can be found, however, in § 271(f) of the Patent Act. This section was adopted by Congress in 1984,³ with § 271(f)(1) providing as follows:

Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.⁴

As interpreted by the Supreme Court in *Microsoft v. AT&T Corporation* (“*Microsoft*”), § 271(f)(1) only applies to those specific components of the patent that are actually combined abroad to form the “patented invention.”⁵

Microsoft involved computer software that was sent abroad from the United States to be copied by foreign manufacturers, who would then install the software onto computers that were both made and sold overseas.⁶ The software was sent abroad on either a master disk or by electronic transmission.⁷ The software in question was Microsoft’s Windows operating system, which the Court recognized was capable of infringing upon an AT&T patent for digitally encoding and compressing recorded speech once the Microsoft system was installed.⁸ Microsoft conceded that its program incorporated software code that, when installed, enabled a computer to

¹ RONALD B. HILDRETH, *PATENT LAW: A PRACTITIONER’S GUIDE* 113 (2d ed. 1993).

² See *Microsoft Corp. v. AT&T Corp.*, 127 S.Ct. 1746, 1749 (2007).

³ Hildreth, *supra* note 1, at 140.

⁴ *Id.*

⁵ See *Microsoft*, 127 S.Ct at 1748.

⁶ *Id.* at 1750.

⁷ *Id.*

⁸ *Id.*

process speech in a manner claimed by the patent.⁹ The Window's program did not infringe on the patent held by AT&T, however, if the Window's software simply remained on the master disk, uninstalled.¹⁰ The plurality reasoned that this was because the software, "standing alone," does not have the ability to perform the digital voice recording function of the AT&T patent.¹¹ Therefore, the issue before the Court was whether Microsoft infringed the AT&T patent by sending its Windows Operating system abroad on a master disk which contained the software capable of performing the same function claimed by the patent.¹² In the end, the Court reversed the lower federal courts' decisions, declaring that Microsoft Corporation was not liable under § 271(f) for infringement.¹³

Although Justice Ginsburg noted in the opinion that there were numerous arguments that could be made to justify finding Microsoft liable for infringement of the AT&T patent, she ultimately declared that the Court was not in a position to extend § 271(f) to cover the situation at hand.¹⁴ According to the majority, that decision was to be left up to the members of Congress, who were the original drafters of the section.¹⁵

Nevertheless, the Court did make a very precise ruling with regard to its interpretation of the words "component" and "supplied" which are found in § 271(f)(1) of the Patent Act.¹⁶ In the majority's view, the Microsoft software at issue did not fit the definition of a "combinable component" because its form was too abstract and, as such, could not be viewed as infringing upon the AT&T patent unless it was coupled with a medium through which it could be read.¹⁷

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 1750–51.

¹³ *Id.* at 1751.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* 1754–58.

¹⁷ *Id.* at 1755.

As the Court stated, “Until it [the Microsoft software] is expressed as a computer-readable ‘copy,’ e.g., on a CD-ROM, Windows software – indeed any software detached from an activating medium – remains uncombinable.”¹⁸ The Court reasoned further by pointing out that Congress did not include “information, instructions, or tools from which those components readily may be generated” within the scope of § 271(f).¹⁹ As such, one cannot conclude that the information contained within Microsoft’s software, which is something that is purely intangible, can infringe upon the claimed tangible invention like that of AT&T’s speech-processing computer.²⁰

When analyzing the meaning of the term “supplied” as found within § 271(f)(1), the Supreme Court completely rejected the Federal Circuit majority’s findings, which concluded that, “for software ‘components,’ the act of copying is subsumed in the act of ‘supplying.’”²¹ Instead, the Court chose to agree with the argument put forth by Judge Rader in his dissent of the Federal Circuit’s decision.²² Judge Rader emphasized that the plain meaning of the term “supply” is an “activity separate and distinct from any subsequent ‘copying, replicating, or reproducing’”²³ In its decision, the Court clarified that there was a very fine line between what could and could not cause a party to be liable for infringement. The specific language found in § 271(f)(1) states that only those components “*supplied* . . . from the United States”²⁴ could be considered when determining whether infringement had occurred under the Section. Here, the component in question was the Microsoft Windows software – capable of performing the same voice recording function as the claimed AT&T patent – that was sent abroad on a

¹⁸ *Id.*

¹⁹ *Id.* at 1756.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ Hildreth, *supra* note 1, at 140 (emphasis added).

master disk. However, since it was not this master disk that was used to install the software onto the foreign computers, but rather copies of the master disk that were manufactured abroad, the Court held that these copies were not components supplied from the United States and, therefore, there was no triggering of § 271(f) liability.²⁵

This dissent in *Microsoft*, written by Justice Stevens, looked to the Congressional intent behind the drafting of § 271(f) to support his position that Microsoft Corporation should be held liable for infringement of the claimed AT&T patent.²⁶ Noting that the Section was passed following the Supreme Court decision in *Deepsouth Packing Co. v. Laitram Corp.*,²⁷ Justice Stevens argued that it should follow that the export of a “specially designed [article] that had no use other than as a part of a patented [item]”, e.g., a master disk containing software for a particular computer program such as the one at issue in this case, would constitute infringement under § 271(f).²⁸ The dissent also countered that even though the software may be in an abstract form, it still satisfied the definition of “component” since it could be considered a “constituent part,’ ‘element,’ or ‘ingredient’” needed for the claimed invention.²⁹

The Supreme Court’s decision in *Microsoft* had a great impact on later cases dealing with patent infringement under § 271(f). An example of this can be seen in the District Court case of *Informatica Corporation v. Business Objects Data Integration (“Informatica”)*.³⁰ There, the patent holder, Informatica, brought an action against its competitor, Business Objects Data Integration (“BODI”), claiming that BODI infringed its patents that involved the method of transforming data in extract, transform, and load process of building data warehouse using

²⁵ *Id.*

²⁶ *Id.* at 1762.

²⁷ 406 U.S. 518 (1972) (holding that a patent on a shrimp deveining machine had not been infringed by the export of components for assembly abroad).

²⁸ See generally *Microsoft*, 127 S.Ct at 1763.

²⁹ *Id.*

³⁰ 489 F. Supp. 2d 1075 (N.D. Cali. 2007).

“transformation objects.”³¹ Again, the specific item at issue was software which was provided by BODI to a variety of markets.³² Some of the software was sent overseas on master disks, where foreign customers copied the information, distributed, and sold it abroad.³³ BODI also made the software accessible as downloadable material on the internet.³⁴ Informatica claimed that all of this activity constituted patent infringement.

The jury ruled in favor of Informatica, finding that BODI was liable for infringement of the claimed invention.³⁵ However, the District Court had to re-analyze this issue after the Supreme Court handed down its decision in *Microsoft*, as well as adjust the amount of treble damages and attorney’s fees that would be awarded to Informatica.³⁶ The *Microsoft* decision affected the outcome in *Informatica* mainly because the District Court viewed *Microsoft* and the Supreme Court’s interpretation of § 271(f) as controlling in the case before it.³⁷ It was obvious from the *Informatica* court’s discussion that it relied heavily upon the important distinction made in *Microsoft* concerning whether or not the master disk sent overseas, and containing the Microsoft Windows operating system, was what was actually used to load the voice-recording software onto the foreign computers.³⁸ Since BODI used a variety of mediums through which it manufactured, distributed, and sold its product overseas, the court had to determine which methods constituted infringement under § 271(f) in light of *Microsoft*.³⁹

The District Court likened the Windows operating disk at issue in *Microsoft* to the master disks shipped abroad by BODI, as both were “written in the United States and encoded into

³¹ *Id.* at 1075.

³² *Id.* at 1079.

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *See generally id.* at 1081 (the Informatica Court analyzed much of the case under the Supreme Court’s interpretation of § 271(f) in *Micorsoft*).

³⁸ *Id.* at 1080.

³⁹ *Id.* at 1079.

‘golden master’ CDs, which were shipped abroad.”⁴⁰ Just as in *Microsoft*, the information contained on the master disks was then copied onto other disks, and it was those copies which were used to install the software onto the foreign-made computers.⁴¹ Citing the language of the Supreme Court in its interpretation of § 271(f), the *Informatica* panel emphasized that it is “the very components supplied from the United States, and not copies thereof, [that] trigger § 271(f) liability when combined abroad to form the patented invention at issue.”⁴²

Moreover, the District Court looked to strengthen its reasoning by pointing to the fact that the Supreme Court stressed the presumption of extraterritoriality as a decisive factor in resolving close cases under patent law.⁴³ One of the statements made by Justice Ginsburg in *Microsoft* was that a strong presumption exists that although United States law governs domestically it does not control the affairs of the world, particularly when dealing in the area of patent law.⁴⁴ This concept led the majority to deduce that § 271(f) was not intended to act as a “springboard” from which a single act in the United States, such as shipping software for duplication overseas, could be used to find a party liable for infringement every time a copy of that software is made abroad and combined with computer hardware abroad for sale.⁴⁵ According to the court in *Informatica*, it was very important to remember that Congress enacted § 271(f) as an exception to the general rule that United States patent law does not apply extraterritoriality.⁴⁶ Therefore, *Microsoft* and its ruling on extraterritoriality was the governing law that was used to resolve any ambiguity remaining as to whether BODI violated § 271(f).⁴⁷ Because the similarities between the two cases were so strong, BODI was not found to have

⁴⁰ *Id.* at 1080.

⁴¹ *Id.* at 1081.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.* at 1083.

infringed upon the Informatica patent by supplying components abroad, such as software on a master disk, which was then copied and sold for use in foreign systems.⁴⁸

Nevertheless, as previously mentioned, BODI did use a variety of methods to supply its customers abroad with the software in question. Although sending a master disk overseas to be copied and distributed abroad did not trigger § 271(f) liability, in the instances where BODI duplicated the software domestically before shipping it to foreign customers, the *Informatica* court did find that infringement under § 271(f) occurred.⁴⁹ As for providing the software to be downloaded from the internet, the court stated that this could not be clearly determined when comparing the present facts to those of *Microsoft*, thereby leaving this issue to be decided at a later date.⁵⁰ In essence, the *Microsoft* decision was a powerful, controlling factor in this case, with the District Court following the reasoning of the Supreme Court to analyze infringement liability under § 271(f).

Another case dealing with patent infringement that relied heavily on the *Microsoft* decision was *Veritas Operating Corp. v. Microsoft Corp.* (“*Veritas*”).⁵¹ The Veritas patent at issue, the ‘573 Method Patent, disclosed “a data backup procedure and apparatus for backing up and restoring, or otherwise loading a fully configured operating system to the high capacity storage device (e.g., hard disk) of a computer workstation, such as a personal computer.”⁵² The claimed invention was meant to solve the problems posed by data backup by creating a method by which the data could be retrieved “from standard system backup media, such as magnetic tapes, without the need to reload and re-configure the operating system from its original

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ No. C06-0703-JCC, 2008 WL 495658, at *1 (W.D. Wash. Feb. 20, 2008).

⁵² *Id.* at *6.

distribution media.”⁵³ Veritas brought suit against Microsoft for contributory infringement of its ‘573 Method Patent under § 271(c)⁵⁴ of the Patent Act.⁵⁵ Microsoft countered with many of its own claims, and brought a motion for summary judgment, asking the court to rule against Veritas’ claim of infringement.⁵⁶

Microsoft’s defense centered on the argument that it was merely a “publisher of software information” and, as such, had not used any physical “material or apparatus” for data backup or restoring processes similar to those found in the ‘573 patent.⁵⁷ Microsoft argued that it could not be held liable for contributory infringement simply because it provided something as intangible as software information, which could then be copied by others and coupled with a physical medium to perform the function of the patented method.⁵⁸ Using the reasoning of the Supreme Court in *Microsoft*, Microsoft asserted that the “materials and apparatus referenced in Section 271(c) are physical matter, not information.”⁵⁹ In comparing both the production of information, as was the issue in *Veritas*, and the transmission of information, which occurred in *Microsoft*, Microsoft concluded that providing such abstract material as software could no more constitute infringement under § 271(c) than it could under § 271(f).⁶⁰

⁵³ *Id.*

⁵⁴ *Id.* at 10. Section 271(c) states as follows:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

⁵⁵ *Id.* at *2.

⁵⁶ *Id.* at *1.

⁵⁷ *Id.* at *

⁵⁸ *Id.* at *

⁵⁹ *Id.* at *

⁶⁰ *Id.* at *

Veritas rejected Microsoft's use of the Supreme Court's reasoning in *Microsoft* to defend its position that no contributory had occurred simply because software information was not physical, and therefore could not be deemed a material or apparatus as stated in § 271(c).⁶¹ Veritas claimed that this distorted line of comparisons would basically grant Microsoft complete immunity from any future contributory infringement claims with regard to its providing software information to the public.⁶² Veritas also countered that Microsoft was blurring the issue, since Veritas was not bringing an infringement claim under §271(f) for foreign activity, but rather its cause of action centered on Microsoft's acts of alleged infringement here in the United States under § 271(c).⁶³

The District Court in *Veritas* found that although *Microsoft* was not controlling in the instant case, there were many factual similarities between the two situations which caused the court to apply much of the reasoning used in *Microsoft*.⁶⁴ Although the District Court acknowledged that the issue of infringement in *Veritas* fell under § 271(c) of the Patent Act and not § 271(f) (as was the case in *Microsoft*), it did follow the Supreme Court's line of reasoning to measure at what point the accused product can infringe the claimed invention for purposes of determining whether Microsoft infringed upon the Veritas patent.⁶⁵ For example, the *Veritas* court pointed out that no contributory infringement could occur unless the software in question was "loaded onto a computer for execution and thereby rendered capable of performing as called for in the asserted claims."⁶⁶ The Supreme Court's interpretation of § 271(f) in *Microsoft* was cited to prove this point. The District Court noted that the software information that Microsoft

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.*

provided in the instant case, standing alone, was analogous to the Microsoft Windows operating system in *Microsoft*; if neither were coupled with a medium through which the information could be processed, then neither of the accused products were liable for infringement under either of the respective sections of the Patent Act.⁶⁷

Another way that the District Court utilized the Supreme Court decision in *Microsoft* was in determining how to interpret the language of § 271(c) with respect to whether or not intangibles should be considered “components.” As a basis for its analysis, the court pointed out that the Supreme Court specifically stated that its holding in *Microsoft* was equally applicable to both § 271(f)(1) and § 271(f)(2).⁶⁸ This was important in *Veritas* because parts of § 271(f)(2) contained the exact same language as that found in § 271(c).⁶⁹ For example, both sections stated that whoever supplies, or offers to sell, any component of a patented invention that was adapted for use in the invention and is “not a staple article or commodity of commerce suitable for substantial non-infringing use . . . shall be liable as an [] infringer.”⁷⁰

The District Court also pointed out another similarity between §§ 271(c) and 271(f)(2) – both had been deemed by other courts to encompass intangible processes.⁷¹ Quoting the language of § 271(c), which provides for “a component of a patented machine, manufacture,

⁶⁷ *Id.*

⁶⁸ *Id.* Section 271(f)(2) states:

Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and *not a staple article or commodity of commerce suitable for substantial noninfringing use*, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer. (emphasis added).

Compare this with the language in § 271(c). *See supra* note 54.

⁶⁹ *Id.*

⁷⁰ *See supra* text accompanying notes 54 and 68.

⁷¹ *Id.*

combination, or composition, or a material or apparatus for use in practicing a patented process,” the court in *Veritas* interpreted this to mean that the Section “encompasses both tangible patented things and intangible patented processes.”⁷² Turning next to § 271(f)(2), the court cited the decisions of earlier Federal Circuit cases, such as *Union Carbide Chem. & Plastics Techs. Corp. v. Shell Oil Co.* (“*Union Carbide*”)⁷³ and *Eolas Techs. v. Microsoft Corp.* (“*Eolas*”),⁷⁴ to point out that § 271(f) was also meant to “include[] both physical components and intangible processes.”⁷⁵ To further explain its position, the District Court described how the court in *Union Carbide* relied on the interpretation of § 271(f) in *Eolas* to reach its decision, ultimately holding that the term “components” in § 271(f) was not limited to physical machines.⁷⁶

Working from the foundation laid by *Eolas* (where the Federal Circuit determined that patented material, such as software, could be considered a component under the meaning of § 271(f)),⁷⁷ the *Veritas* court moved on to discuss how these Federal Circuit decisions affected the Supreme Court’s analysis in *Microsoft*. Although the Court did note the *Eolas* holding, it was stated that it was indeterminable whether the *Eolas* court had made the “abstraction vs. copy distinction.”⁷⁸ Therefore, the Supreme Court chose to reverse the Federal Circuit panel’s decision in the *Microsoft* case, since it was unclear to the majority whether the Federal Circuit in *Eolas* “regarded as a component software in the abstract, or a copy of software.”⁷⁹ To reconcile this ambiguity, the Court concluded that under both *Eolas* and *Microsoft*, software may be

⁷² *Id.*

⁷³ 425 F.3d 1366 (Fed. Cir. 2005) (holding that the language of § 27(f)(2) encompassed both the tangible and intangible processes of a patented invention).

⁷⁴ 399 F.3d 1325 (Fed. Cir. 2005) (explaining that § 271(f) makes no distinction between patentable methods or process inventions and other forms of patentable inventions).

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *See id.* at . The court discussed the facts in *Eolas*, where Microsoft exported a master computer disk with a program code that caused a computer to perform various method steps similar to that of the *Eolas* program. There, the Federal Circuit held that § 271(f) was applicable to such components, e.g., the master disks, that Microsoft was exporting.

⁷⁸ *Id.*

⁷⁹ *Id.*

considered a “component,” as within the meaning of § 271(f), when it is coupled with some media.⁸⁰

It is crucial to note, however, the following statement made by the Supreme Court in *Microsoft* regarding the labeling of software as a component:

We need not address whether software in the abstract, or any other intangible, can ever be component under § 271(f). If an intangible method or process, for instance, qualifies as a “patented invention” under § 271(f) (a question as to which we express no opinion), the combinable components of that invention might be intangible as well. The invention before use, however, AT & T’s speech-processing computer, is a tangible thing.⁸¹

The *Veritas* panel pointed to this statement as a reminder that current case law on the issue of the relationship between software, intangibles, and components remained inconclusive.⁸² As such, the court was hesitant to apply the reasoning in *Microsoft* to decide whether the language in § 271(c), although noticeably similar to that of the language in § 271(f)(2), demanded the same statutory interpretation.⁸³ The most the District Court was willing to concede was by agreeing with both the *Eolas* and *Microsoft* courts that software coupled with some media could reasonably be viewed as a material or apparatus that could be used in a patented invention.⁸⁴

This narrow reading of the *Microsoft* holding prompted the *Veritas* court to refuse Microsoft’s request for a new trial.⁸⁵ Microsoft contended that the way in which the Supreme Court’s dealt with the issue of foreign sales in *Microsoft* under § 271(f) should be controlling, and therefore the District Court should apply this reasoning to infringement under § 271(c) of domestic sales.⁸⁶ The court rejected this analysis, distinguishing the facts in *Microsoft* to those

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶

in the instant case.⁸⁷ A key factor for the court was that one of the Supreme Court's main concerns in *Microsoft* was the effect of United States patent law on extraterritorial activities. Since the idea of extraterritoriality did not play a role in domestic areas of patent law, it did not follow that interpretations of § 271(c) should be burdened with those limitations specific to § 271(f).⁸⁸ In making this distinction, the court felt that it was following the Supreme Court's prudent advice that those potential inconsistencies found within the patent laws were better left for Congress to remedy.⁸⁹ The court left it to "the Legislature to consider whether supplying software as an 'intangible' should be exempted from § 271(c)."⁹⁰ Therefore, following the rationale set forth in *Microsoft*, the court concluded that although a copy of the alleged infringing product may be considered "a 'material or apparatus' that may be used in practicing a patented process," electronically published software may not.⁹¹

When comparing the outcome in *Veritas* to that of *Informatica*, one can see how the basic precedent set by *Microsoft* is a common thread throughout these subsequent cases. For example, both the *Informatica* and *Veritas* panels stated that software, which remains uncoupled with a medium through which it can be expressed, cannot be liable for infringement under § 271(f).⁹² Due to this, both cases centered much of their analysis on whether the alleged infringing items in question were "components" within the meaning of § 271(f). The analysis in *Informatica* was more straightforward. There, the District Court basically reiterated the reasoning in *Microsoft*, stating that software in the abstract was an intangible and therefore could not be a component of a tangible, patented invention.

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⁸⁸ *Id.* The *Veritas* court stated, "There is no precedent for limiting the scope of 271(c) to the limits placed on § 271(f)."

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Id.*

⁹² See *Informatica*, 489 F. Supp. 2d at 1081; *Veritas*, 2008 WL 495658, at * .

It appears that it was easier for the *Informatica* panel to apply the Supreme Court's interpretation of the applicable statutory provisions since the facts in that case were very similar to that of *Microsoft*. In *Veritas*, however, the District Court had a much more difficult time of reconciling the *Microsoft* holding with the facts of its case since *Veritas* was working under § 271(c), a different section of the patent laws related to infringement. Unlike in *Informatica*, the *Veritas* court could not simply adopt the Supreme Court's reasoning as its own, since it was dealing with a domestic issue of infringement. This distinction was duly noted by the court in its refusal to apply the *Microsoft* decision to certain aspects of its holding, especially since the issue of extraterritoriality was not a factor in the case before it. This was very different than the facts in *Informatica*, since there was an issue of foreign use and sales in that case. This one difference played a big role in the way the two courts applied the holding in *Microsoft* since, unlike in *Veritas*, the *Informatica* court found *Microsoft* and its concerns regarding extraterritoriality heavily controlling.

Yet a third case in the area of infringement that *Microsoft* had an affect on can be found in *Lucent Techs. Inc. v. Gateway, Inc.* ("*Lucent*").⁹³ *Lucent* involved a large suit between many technology companies including Lucent Technologies, Inc. and Microsoft Corporation.⁹⁴ An action was brought against Microsoft for infringement of certain audio coding patents held by Lucent.⁹⁵ A jury verdict in favor of Lucent led to Microsoft moving for judgment as a matter of law that no infringement had occurred.⁹⁶ In analyzing Microsoft's motion, the District Court in *Lucent* cited to the Supreme Court's decision in *Microsoft* when ruling on whether Microsoft

⁹³ 509 F. Supp. 2d 912 (S.D. Ca. 2007).

⁹⁴ *Id.* at 917.

⁹⁵ *Id.*

⁹⁶ *Id.*

should be found liable for contributory infringement of the patented invention under § 271(f).⁹⁷ Microsoft argued that the jury verdict was erroneous in light of the recent Supreme Court decision, and that it had not infringed the Lucent patent.⁹⁸ Microsoft's position rested on the theory that the holding in *Microsoft* relating to foreign sales under § 271(f) should also be applied to issues of infringement dealing with domestic sales under § 271(c) of the Patent Act.⁹⁹

In a rather brief discussion of this motion, the District Court dismissed Microsoft's argument and denied its motion for a new trial on contributory infringement, saying that it had "no reason to interpret [*Microsoft*] so expansively."¹⁰⁰ The reasoning used by the court was that § 271(f) was created by Congress with the idea that extraterritoriality was a great concern with regards to United States patent law.¹⁰¹ Such a concern does not present itself within the meaning of § 271(c) as this is a domestic patent law and, therefore, no issue of components being supplied for combination outside of the country exist within the language of this statute.¹⁰² Moreover, the *Lucent* court reiterated the idea presented by other courts, which was that there was "no precedent for limiting the scope of § 271(c) to the limits placed on § 271(f). Just as the Supreme Court declined to remedy potential inconsistencies . . . in the patent laws and left such issued for Congress to address," the *Lucent* court chose to do the same.¹⁰³

Even though the *Microsoft* decision did not play a large role in the overall decision of *Lucent*, the influence of the *Microsoft* holding is clearly evident. The District Court in *Lucent* recognized the importance that the Supreme Court had placed on the congressional intent behind the creation of § 271(f) – namely that of extraterritoriality. That being the case, the court was

⁹⁷ *Id.* at 929.

⁹⁸ *Id.*

⁹⁹ *Id.* at 930.

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.*

correct in denying Microsoft's motion for a new trial. Microsoft had no statutory basis upon which to rest its argument that the Supreme Court's interpretation of § 271(f) in *Microsoft* should be applied to that of § 271(c). Section 271(f) was clearly drafted by Congress to deal with the issue of foreign activities. With this comes the matter of how the United States must curb its actions to recognize that its laws do not control any and all activities beyond its borders. These two ideas are deeply interconnected. However, if you remove the foreign aspect from the equation, which is the case when working under § 271(c), the connection falls apart. Therefore, there would be little reason to equate the analysis of § 271(f) with that of § 271(c).

This argument was addressed earlier when examining the argument made by Microsoft in the *Veritas* case. There, too, Microsoft had argued that the District Court should apply the Supreme Court's reasoning in its analysis of § 271(f) to § 271(c).¹⁰⁴ The *Veritas* court denied this motion for the same reasons that the court in *Lucent* did so – § 271(c) addressed the issue of domestic activities and did not touch upon the area of extraterritorial concerns like those presented by § 271(f).¹⁰⁵ *Veritas* also stated that there was no precedent for taking such an expansive reading of the Supreme Court's holding in *Microsoft* and applying its interpretation of § 271(f) to § 271(c).¹⁰⁶ Furthermore, *Veritas* and *Lucent* were also similar in their decisions in that they both concluded that any ambiguities found within the patent laws were best left to the Legislature to resolve, not the courts.¹⁰⁷

Lucent does not find itself to be very similar to the situation in *Informatica*. One reason is that *Informatica* contained a very similar fact pattern to that of *Microsoft* and applied the reasoning in *Microsoft* in an almost identical fashion. Although both *Lucent* and *Informatica*

¹⁰⁴ See *supra* note 86.

¹⁰⁵ See *supra* notes 87–88.

¹⁰⁶ See *supra* note 89.

¹⁰⁷ See *supra* note 90.

dealt with the topic of infringement of a patented invention, *Lucent* was not analyzed under § 271(f) like *Informatica* was. This is cause for a difference in the way the courts analyzed the issues in each case and how they chose to apply the precedent set out by *Microsoft*. Unlike *Informatica*, the District Court in *Lucent* distinguished the facts in that case by the plain reality that *Lucent* dealt with domestic, not foreign, activities. Therefore, just as in *Veritas*, the *Lucent* court did not have to concern itself with the overarching concern of extraterritoriality, something which weighed heavy on the mind of Justice Ginsburg when writing the *Microsoft* decision. The *Informatica* court, however, did use the notion of extraterritoriality as a measuring stick when deciding the case before it, especially since the court there considered *Microsoft* to have set the precedent for its opinion.

A final example of the impact that the *Microsoft* decision has had in the area of patent infringement can be seen when examining the facts of *Atmel Corp. v. Authemtec Inc.* (“*Atmel*”).¹⁰⁸ In *Atmel*, the plaintiffs, Atmel, were seeking to amend their complaint to include a § 271(f) claim for infringement of their patent.¹⁰⁹ The claimed invention involved a patent for biometric sensors.¹¹⁰ Atmel claimed that Authemtec was “suppl[ying] essential software to foreign customers . . . [and that] those customers use[d] the software in combination with foreign-produced semiconductors in a manner that infringe[d] the patent in suit.”¹¹¹ Upon reviewing the requirements of § 271(f) in light of the recent holding in *Microsoft*, the court concluded that Atmel’s claims were “foreclosed” by *Microsoft* and therefore “futile.”¹¹²

The District Court’s ruling in *Atmel* was meant to emphasize all aspects of the Supreme Court’s decision. In *Microsoft*, the Court did not find Microsoft liable for infringement since it

¹⁰⁸ 2008 WL 276392 (N.D. Cal. Jan. 31, 2008).

¹⁰⁹ *Id.* at *2.

¹¹⁰ *Id.*

¹¹¹ *Id.* at *4.

¹¹² *Id.*

was the copies of the software made from the master disk, and not the master disk itself, which was used to load the infringing software onto the foreign computers.¹¹³ However, the Court also stated that one is not liable for infringement even if it electronically supplies the allegedly infringing software to foreign customers, so long as the transmissions themselves are not installed onto the foreign computers.¹¹⁴ If the transmissions are received and then copied, that would be identical to the situation in *Microsoft* where the copies of software, and not the master disk itself, was copied onto the computers overseas.¹¹⁵

In *Atmel*, the master disk never left the United States.¹¹⁶ Atmel tried to use this fact to distinguish its case from that of the situation in *Microsoft*, where the master disk had been shipped overseas.¹¹⁷ The District Court found, however, that this was irrelevant.¹¹⁸ Irrespective of whether the master disk remained in the United States or not, the point at issue remained whether or not the electronic transmissions of software were used to install the products in question onto the foreign systems.¹¹⁹ In *Atmel*, it was the copies of the transmissions that were loaded onto computers overseas, and not the transmissions themselves.¹²⁰ Therefore, Atmel's attempt to distinguish itself from *Microsoft* was futile, and the court refused to grant its proposed § 271(f) claim.¹²¹

The District Court's use of *Microsoft* was very similar to that in *Informativa*, since both courts chose to follow the reasoning of the Supreme Court seemingly in its entirety. When dealing with an issue of patent infringement under § 271(f), both cases deferred to the holding in

¹¹³ See *supra* note 42.

¹¹⁴ *Id.* at *5.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.*

¹²⁰ *Id.*

¹²¹ *Id.*

Microsoft to make their decisions. Neither court looked to apply outside reasoning from other cases to mold the Supreme Court's holding to their case. It appears that the analysis that both the *Atmel* and *Infomatica* courts entered into was fairly straightforward since both cases involved software infringement as the alleged patented invention. The facts drew a nice parallel in both instances to that of *Microsoft*, which indicates that the both panels were correct in using the precedent set out by *Microsoft* to decide the issues before them, even though infringement was found in one case and not the other. Although *Atmel* was different from *Infomatica* in that the master disk containing the software in question never left the United States, *Atmel* still followed the Supreme Court's reasoning, exactly, to reach its conclusion, just like the District Court in *Infomatica*.

When comparing the *Atmel* decision to that of *Veritas*, one can notice stark differences. *Veritas* used many other cases relating to the different statutory sections of infringement during its discussion of the case. The situation in *Veritas* was more complicated than that of *Atmel* since the parties were arguing over whether *Microsoft*, a case dealing with § 271(f) of the patent laws, should also apply to § 271(c) as well. The *Veritas* analysis focused heavily on the issue of extraterritoriality and the role it played in the Supreme Court's holding, while *Atmel* did not mention this issue at all. There might have been room for the *Atmel* court to mention this issue since the master disk had remained in the United States, but the software was transmitted overseas. In refusing to grant *Atmel*'s proposed § 271(f), the District Court did use the *Microsoft* holding that no infringement occurs when electronic transmissions are copied abroad and then installed onto foreign systems. But it stands to reason that the basis for the Supreme Court's making this statement also stemmed from its concern over extraterritoriality, and the idea that the United States patent laws cannot overbearingly sweep across our borders. It would have been

interesting for the *Atmel* court to note whether this idea played a role in its decision to label *Atmel*'s § 271(f) claim as "futile."¹²²

When comparing the decision in *Atmel* to that of *Lucent*, it is difficult to note any clear connections between the two since both dealt with different areas of the patent act. Again, as in *Veritas*, the District Court in *Lucent* was asked to apply the *Microsoft* decision, relating to § 271(f) of the patent laws, to § 271(c). In *Atmel*, the District Court was only looking to apply the *Microsoft* holding to an infringement claim under § 271(f). In addition, the *Lucent* court relied heavily on the idea of extraterritoriality when making its decision, while *Atmel* did not even mention the topic.

As the global market becomes smaller, America has the difficult task of ensuring that it upholds its own provisions of the United States Patent Act while respecting the autonomy of its foreign neighbors in this field. The Supreme Court met this challenge in its *Microsoft* decision. There, the Court recognized that a delicate, but clear balance must be maintained when infringement of a United State patent is at issue. By interpreting § 271(f) as it did, the Court set boundaries that provide adequate protection to American inventors without foreclosing our ability to share our technological advancements with the international community.

Microsoft also addressed the sensitive issue of extraterritoriality which should be a marked concern for all courts dealing with similar issues of infringement in foreign markets. Being as powerful and abundant in resources as America is, the nation must be careful not to overstep its bounds by trying to impress its domestic laws on foreign countries. Since § 271(f) specifically deals with foreign activities relating to patent infringement, the Court felt it was necessary to emphasize this point. By stressing this point, the Supreme Court seemed to be reminding the lower courts that it is often necessary to note the effects that our laws may have

¹²² *Id.* at * 5.

both domestically and internationally. The Court also recognized the importance of deference to the Legislature when dealing with ambiguity within the patent laws. This was very significant because it illustrated the importance of maintaining the checks and balances system of government that must be maintained in all aspects of American society.

The above case study indicates that § 271(f) will continue to be a section of the United States patent laws that is in a class of its own. The specific language of the section – namely that it was enacted to deal with foreign activities related to patented inventions – renders it applicable to only those situations in which the facts reveal an international exchange of intellectual property. The discussion above noted that many parties have tried to apply the reasoning in *Microsoft* to domestic areas of American patent law, an attempt that has been flatly rejected by the courts. This signifies the wariness of the courts to extend the *Microsoft* holding beyond the borders of the language in § 271(f). When examining the context within which the section was drafted, along with the concerns of extraterritoriality and the amount of Legislative deference in this area, it is fair to conclude that *Microsoft* will continue to be the governing law in cases dealing with § 271(f), but will not extend to other statutory areas of infringement within our patent laws.

The area of infringement in patent law is one that appears to become increasingly complicated as the field of intellectual property continues to grow at rapid pace. Safeguarding one's invention from being infringed upon is a grave and serious matter in today's world. To promote technological advancement and improvement, it is important to ensure that our global inventors that their hard work and contributions to society will not only be given the recognition they deserve, but the protection that is necessary to prevent unfair and illegal activities. At the same time, imposing unnecessary restrictions on the ability to share information across our

borders would be detrimental. The Supreme Court's decision in *Microsoft* was able to establish a level playing field that permits both the protection of American inventions as well as the enhancement of both foreign and domestic intellectual property.