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Microsoft Corp. v. AT&T
Corp

PURPOSE: Ratification REFERENCE: EXCO/NL07/CET/1609

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EXECUTIVE SUMMARY

On Dec. 14, 2006, an Amicus Curiae Brief drafted by John P. Sutton was filed in the U.S. Supreme Court in support of Microsoft Corp (petitioner).

The questions presented in the Petition are:

(1) Whether digital software code—an intangible series of “1’s and “0’s”—may be considered a “component[] of a patented invention” within the meaning of Section 271(f)(1); and, if so, Whether copies of such a “component[]” made in a foreign country are “supplie[d] . . . from the United States.”

The brief supported that 35 U.S.C. §271(f) interferes with sovereign power of foreign governments to grant the right to exclude only owners of international patents granted by that sovereign nation applies to a material or apparatus used in the performance of a patented process invention.

Software code alone can amount to “all or a substantial portion of the components of a patented invention” under 35 U.S.C. § 271(f). The result is that the production of anything anywhere in the world that relies ultimately upon the export of software code generated in the United States is subject to the reach of § 271(f). This could even reach tangible products with embedded software. In the face of a basic international legal principle of territoriality, designed precisely to protect differences in patent law, and of major differences around the world with respect to the appropriate scope of patent coverage of software, such an extension would convert a narrow exception into a violation of comity and international treaties. The decision should be reversed.

On April 30, 2007, the U.S. Supreme Court reversed the U.S. Court of Appeals for the Federal Circuit’s (Federal Circuit) decision. Today’s ruling limits the availability of damages for foreign activity and is of particular interest to the software and biotechnology industries.

Under U.S. patent laws, some activity in foreign countries can give rise to liability for infringement of a U.S. patent:



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The Supreme Court first ruled that the physical embodiment of the software can be a component of the claimed invention and did not file appropriate to address the question of whether software, conceived as an abstract set of instructions, can ever be a component of a claimed invention.

The Supreme Court further determined that copies of software that are made and installed on machines in foreign countries are not components that are supplied from the United States. In answering this question, the Supreme Court rejected the panel majority's view that the ease of copying software meant that the act of copying was subsumed in the supply process. Instead, the Supreme Court adopted an interpretation of the term "supplies" that is tied to the physical component used in the assembled device. This result has the potential to affect the applicability of § 271(f) in a wide range of cases, especially in biotechnology.

Practically, this means that the installation of software on computers assembled and used outside the United States cannot infringe a U.S. patent.

The Supreme Court decision construed § 271(f) in a quite restrictive way : 'supplying' means that all the parts as will be incorporated in the final product have to be provided from the US, thereby excluding a 'master' part or similar object which will be duplicated abroad.

Further, the Supreme Court has confirmed the presumption against extraterritoriality, i.e. foreign acts are presumed to be governed by foreign law.