

MICROSOFT-U.S. SUPREME COURT DOES NOT EXPAND PATENT RIGHT BEYOND U.S.
BORDER

On April 30, 2007, the U.S. Supreme Court decided *Microsoft Corp. v. AT&T Corp.*¹, and overturned a Federal Circuit decision that Microsoft infringed an AT&T patent for a computer loaded with speech compression software under patent code section 271(f)(1)². Section 271(f)(1) defines an infringement as one who supplies components of a patented invention from the U.S. to be assembled abroad, if the assembled components would infringe if combined in the U.S. The case arose from AT&T seeking further damages for those computers assembled outside the U.S. and sold abroad, where such computers were loaded with the speech compression software, which was copied from a master provided by Microsoft. In reversing the Federal Circuit, the Supreme Court did not interpret Section 271(f)(1) expansively, and held that Microsoft did not infringe.

Microsoft sent its software with the speech compression feature on a master disk or by electronic transmission to a manufacturer outside the U.S. The manufacturer copied the software for installation on computers made and sold abroad. The Supreme Court said, "Because Microsoft does not export from the United States the copies actually installed, it does not 'suppl[y] . . . from the United States' 'components' of the relevant computers, and therefore is not liable under section 271(f)(1) as currently written." While the Court acknowledged that section 271(f)(1) is an exception to the general rule that U.S. patent law does not apply extraterritorially, the Court would not give the statute an expansive interpretation.

The *Microsoft* decision seems to suggest that sending abroad from the U.S. what could be considered a component of a patented combination can avoid the reach of section 271(f)(1), as long as what is sent abroad is not actually assembled into the combination. The Court reaffirmed the notion that the export of design tools, such as blueprints, schematics, templates, and prototypes—all of which may provide the information required to construct and combine overseas the components of inventions patented under U.S. law, does not apply to section 271(f)(1).

The *Microsoft* decision also reiterates that patents are a national right of exclusion that generally do not have extraterritorial rights, and reminds that patent applicants would be wise to consider obtaining protection in countries where enforcement could be an issue. Under U.S. law, for example, extraterritorial enforcement of a patent is a limited exception proscribing acts by those inside the U.S. Non-U.S. patents may be needed to deter infringing acts outside the U.S, while obtaining patent claims of varying scope that cover not only combinations, but also their potentially patentable components would further help patent coverage. Careful consideration might also be given to other forms of protection such as copyright and trademark, if they are applicable to the subject matter for which protection might be pursued.

We hope that this summary has been helpful. If you would like further comments and/or analysis on these issues please contact us at mail@hsml.com or at 612.455.3800.

¹ 550 U.S. ____ (2007).

² 35 U.S.C. §271(f)(1)