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Personal Jurisdiction over Aliens in Patent Infringement Actions: A Uniform Approach Toward the Situs of the Tort

David Wille

Unless they are applied in recognition of the changes brought about by technological and economic progress, jurisdictional concepts which may have been reasonable enough in a simpler economy lose their relation to reality, and injustice rather than justice is promoted.¹

Each year, U.S. businesses lose billions of dollars in sales to foreign competitors who have copied American inventions.² In the last decade, motivated by threats to the United States' competitiveness by foreign corporations that thrive on copying U.S. technology,³ Congress and federal courts have revolutionized the protection of intellectual property rights, particularly patent rights.⁴ Despite the recent emphasis on protecting intellectual property rights, remaining jurisdictional loopholes may allow aliens to escape the revolution's impact.

In the wake of large losses caused by foreign copying of inventions, Congress realized that "strong foreign competition derives in large measure from weak intellectual property protection."⁵ This appreciation produced dramatic results. In 1982, prompted by the negative attitude of many federal courts toward patents, Congress created the Court of Appeals for the Federal Circuit.⁶ This new court has stringently guarded the rights of patent owners. Prior to 1982, federal courts held only about thirty percent of patents valid; today, nearly eighty percent of patents challenged are ultimately found valid.⁷ Federal courts and Congress continue to strengthen intellectual property rights in an attempt to extend the reach of these rights to more activities of alien corporations.⁸ United States patent holders will find suits

1. *Gray v. American Radiator & Standard Sanitary Corp.*, 176 N.E.2d 761, 766 (Ill. 1961).

2. Paula Dwyer et al., *The Battle Raging Over "Intellectual Property,"* BUS. WK., May 2, 1989, at 78, 78 (The United States International Trade Commission estimates the annual loss at \$61 billion.).

3. Raymond D. Foltz & Thomas A. Penn, *The Perils of Patent Infringement*, MACHINE DESIGN, Apr. 12, 1990, at 105, 105 (observing that Congress strengthened patent laws in response to such threats).

4. Norm Alster, *New Profits from Patents*, FORTUNE, Apr. 25, 1988, at 185; see also Dwyer et al., *supra* note 2, at 78-79.

5. Alster, *supra* note 4, at 188.

6. See *id.*

7. Dwyer et al., *supra* note 2, at 79.

8. Foltz & Penn, *supra* note 3, at 105 ("[J]udicial and legislative initiatives have altered the way American companies view patent infringement."); Jon Connole, *Law Firms Pushing to De-*

against alien corporations for patent infringement increasingly necessary to prevent further losses in competitiveness, and to protect their intellectual property rights.

One might assume that the revolution in patent protection would also lead to lower jurisdictional barriers to suit. In the area of personal jurisdiction over alien infringers,⁹ however, significant barriers remain.¹⁰ Because jurisdictional barriers to suit against alien infringers may thwart the recent initiatives of Congress, the reasoning used to support these jurisdictional decisions merits careful examination. This Note considers the common jurisdictional problem of obtaining personal jurisdiction over an alien infringer who sells infringing products to a U.S. distributor outside of the United States, who, in turn, resells the infringing products in the United States.¹¹

The importance of obtaining a judgment against an alien in this paradigmatic setting cannot be overstated. The alien manufacturer is the source of supply. If the patent owner does not cut off that source, the possibility of future infringement remains.¹² Judgments against U.S. distributors are unlikely to prevent future infringement because alien infringers can easily find new distributors.¹³ Venue or personal jurisdiction restrictions also may make joining all of the distributors in a single suit difficult.¹⁴ In addition, the alien source of supply may be

velop *Intellectual Property Practices*, CRAIN'S CLEVELAND BUS., Sept. 18, 1989, at 4, 4 (Due to foreign competition, Congress has passed 14 laws strengthening intellectual property rights since 1983.); Elizabeth Corcoran, *Likely Litigation: Companies Wield Lawsuits as a Market-Development Tool*, SCI. AM., Mar. 1990, at 76, 76 (Congress strengthened patent protection against aliens in a 1988 trade act.); Merrill Goozner, *More Global Patent Litigation Seen*, CHI. TRIB., May 3, 1989, § 3, at 3 (Courts are more willing to grant preliminary injunctions against alien infringers.).

9. For purposes of this Note, the term "alien infringer" refers to a nonresident alien who manufactures products outside of the United States which infringe a U.S. patent when sold in the United States.

10. See, e.g., *Acrison, Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 14 U.S.P.Q.2d 1833 (N.D. Ill. 1990) (holding that court cannot obtain personal jurisdiction over alien infringer).

11. See Clinton Neagley, *In Personam Jurisdiction Over Foreign Inducers of Infringement*, 58 J. PAT. OFF. SOC'Y. 712 (1976). This paradigm case differs from a case where the United States distributor can be considered the alter ego of the alien corporation, as is often the case when the distributor is a subsidiary of the alien corporation. When the distributor is an alter ego, the alien is deemed to act wherever its alter ego acts and, therefore, normally does business in the United States. See, e.g., *Gerber Garment Technology, Inc. v. Lectra Sys., Inc.*, 699 F. Supp. 1576, 1581, 9 U.S.P.Q.2d 1809, 1812 (N.D. Ga. 1988). An alien corporation with such an alter ego subjects itself to personal jurisdiction wherever it is deemed to be doing business. See *infra* note 30.

12. Alan D. Rosenthal, *Venue and Personal Jurisdiction Over Alien Corporations in Patent and Trademark Suits*, 1980 PAT. L. ANN. 147, 147 (1980) ("Often, any relief obtained in a suit which does not include the foreign manufacturer proves to be disappointing, for the foreign manufacturer, Hydra-like, will locate new local distributors.").

13. *Engineered Sports Prods. v. Brunswick Corp.*, 362 F. Supp. 722, 729, 179 U.S.P.Q. 486, 490 (D. Utah 1973); Rosenthal, *supra* note 12, at 147.

14. See *Huchel v. Sybron Corp.*, 212 U.S.P.Q. 133, 134 (S.D. Tex. 1980) (no single venue proper for all distributor-defendants). Although an amendment to the general statute, 28 U.S.C.A. § 1391 (West Supp. 1991), as interpreted by the Court of Appeals for the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 16 U.S.P.Q.2d 1614

the only defendant available to make a lawsuit economically feasible because the alien manufacturer would almost always be liable for the most damages. This holds true especially where a large number of distributors have each made a small percentage of the total sales. Jurisdictional barriers to suing aliens, therefore, interfere with congressional efforts to protect U.S. patent holders from foreign infringers and create incentives for alien companies to manufacture infringing products overseas.

This Note examines current approaches to the question of personal jurisdiction over alien patent infringers. Part I describes personal jurisdiction requirements in the context of patent infringement suits against aliens. The leading case addressing these requirements has been interpreted differently by several courts, thus resulting in conflicting outcomes. Part II explains the current controversy over the locus of the tort of patent infringement. The three different modes of reasoning currently used by courts to determine the locus of the tort would allow immunity from suit for the alien in at least two hypothetical cases. This Part concludes that in order to prevent the possibility of immunity in such situations, the courts should carefully choose and apply the same approach to the locus of the tortious injury. Part III examines the theories behind two competing approaches to the locus of the tortious injury and argues for the uniform adoption of a single rule. This Note concludes that courts should deem the tort to occur where the distributor made the infringing sales.

I. PERSONAL JURISDICTION OVER ALIEN INFRINGERS

Anyone other than the patent holder who "makes, uses, or sells any patented invention, within the United States . . . infringes the patent."¹⁵ This type of infringement is called direct infringement.¹⁶ Although an alien corporation that sells its product to distributors outside of the territorial United States cannot be guilty of direct in-

(Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991), eased venue restrictions somewhat, the problem of joining all distributors in a single action persists. *Johnson Gas* held that a 1988 amendment to 28 U.S.C.A. § 1391(c) (Supp. 1991) applies to the term "reside" as the term is used in the patent venue statute, 28 U.S.C. § 1400(b) (1988). Under this decision, venue is proper in a patent infringement case involving a defendant corporation wherever that corporation is subject to personal jurisdiction, thus creating more possible venues in most cases involving corporate defendants. Yet because one can easily imagine a case where multiple distributors would not all be subject to personal jurisdiction in the same district, the venue problem remains. In addition, this statute only affects venue for corporations; venue for individuals remains unaffected.

15. 35 U.S.C. § 271(a) (1988).

16. See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 522-25, 173 U.S.P.Q. 769, 771-72 (1972) (discussing the concepts of direct, induced, and contributory infringement).

fringement,¹⁷ it may be held liable for inducing infringement¹⁸ in such a case.¹⁹ As noted by Professor Chisum, one commits inducement by "actively and knowingly aiding and abetting another's direct infringement of a patent."²⁰ Both types of patent infringement actions must satisfy the three jurisdictional requirements applicable to any federal lawsuit: venue, subject matter jurisdiction, and personal jurisdiction.²¹ Aliens usually do not contest venue or subject matter jurisdiction. Venue is proper in any federal district in a patent infringement suit against an alien,²² and the federal district courts have original subject matter jurisdiction over all patent actions.²³ The personal jurisdiction requirement, however, is a much-contested legal barrier. Section I.A describes the problem of obtaining personal jurisdiction over an alien patent infringer. Section I.B then explains the leading case addressing the personal jurisdiction question, from which two competing theories as to the locus of the tortious injury emerge.

17. See *Deepsouth Packing Co.*, 406 U.S. at 525-31, 173 U.S.P.Q. at 772-74 (holding that it is not an infringement of a patent to make, use, or sell a patented product outside of the United States because Congress did not intend the patent infringement statute to have extraterritorial effect).

18. 35 U.S.C. § 271(b) (1988) ("Whoever actively induces infringement of a patent shall be liable as an infringer.").

19. *E.g.*, *Procter & Gamble Co. v. Nabisco Brands, Inc.*, 604 F. Supp. 1485, 1488, 225 U.S.P.Q. 929, 931 (D. Del. 1985). Direct infringement must occur in the United States before an action for inducement can be brought. See, *e.g.*, *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137, 1141, 184 U.S.P.Q. 387, 390 (7th Cir. 1975) (" '[A]ctive inducement' may be found in events outside the United States if they result in a direct infringement here."); *Deepsouth Packing Co.*, 406 U.S. at 526, 173 U.S.P.Q. at 772 (stating that there can be no contributory infringement without direct infringement). At least one decision suggests that when the alien knows the infringing product will reach the United States, the alien is guilty of inducement of infringement. *Kearns v. Wood Motors Inc.*, 204 U.S.P.Q. 485, 489 (E.D. Mich. 1978).

20. 4 DONALD S. CHISUM, PATENTS § 17.04, at 17-44.2 (1991).

21. JONATHAN M. LANDERS ET AL., CIVIL PROCEDURE 3-11 (2d ed. 1988) (discussing the jurisdictional requirements applicable to any federal lawsuit).

22. Venue in patent infringement suits is normally governed by 28 U.S.C. § 1400(b) (1988), which allows an action to commence where the defendant resides or where the defendant does business, provided acts of infringement occurred there. The Supreme Court previously held that "28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions . . ." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229, 113 U.S.P.Q. 234, 237 (1957). Strict adherence to this holding, however, would immunize most aliens from suit for patent infringement because most alien infringers do not do business in the United States. See *Brunette Mach. Works v. Kockum Indus.*, 406 U.S. 706, 710, 174 U.S.P.Q. 1, 3-4 (1972) (holding that application of the patent venue statute to alien defendants would deprive the court of jurisdiction granted by Congress). The Supreme Court therefore modified its original holding to allow the more general venue provision, 28 U.S.C. § 1391(d) (1988), to govern patent infringement suits against an alien. *Brunette Mach. Works*, 406 U.S. at 714, 174 U.S.P.Q. at 4. Under this statute, an alien may be sued in any federal district court. 28 U.S.C. § 1391(d) (1988). Therefore, in a patent infringement suit against an alien, venue is proper in any district court. Rosenthal, *supra* note 12, at 148 ("[T]here are no venue considerations with respect to alien corporations.").

23. 28 U.S.C. § 1338 (1988).

A. Personal Jurisdiction

When a patent holder sues an alien for patent infringement, obtaining personal jurisdiction over the alien is the primary jurisdictional barrier.²⁴ Federal courts must follow traditional personal jurisdiction doctrine in such cases.²⁵ A federal court may exercise personal jurisdiction over a defendant when two requirements are met: (1) a statute must authorize service of process²⁶ and (2) the defendant must have "certain minimum contacts with [the forum] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" ²⁷ In patent cases, because no federal statute authorizing service of process exists, service must be made under the long-arm statute of the state in which the federal court sits.²⁸ Federal courts must apply the statute in the same manner state courts would apply it.²⁹

Typical long-arm statutes provide for jurisdiction over any party who commits a tort within the state.³⁰ To apply these statutes, courts must determine the legal situs of the tort. Because patent infringement is a tort,³¹ a court ordinarily obtains personal jurisdiction over

24. Rita M. Irani, *Jurisdiction and Venue in Patent Cases: Effect of the Federal Circuit on Construction of the Patent Venue Statute*, 69 J. PAT. & TRADEMARK OFF. SOC'Y. 445, 445 (1987); Neagley, *supra* note 11, at 713.

25. See, e.g., *Huchel v. Sybron Corp.*, 212 U.S.P.Q. 133, 134 (S.D. Tex. 1980) (stating requirements for personal jurisdiction in a patent infringement case).

26. *Omni Capital Intl. v. Rudolf Wolff & Co.*, 484 U.S. 97, 104 (1987).

27. *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (citations omitted).

28. FED. R. CIV. P. 4(e) (If no federal rule exists, then service may "be made under the circumstances and in the manner prescribed in the [state] statute or rule."); *Omni Capital Intl. v. Rudolf Wolff & Co.*, 484 U.S. 97, 101-04 (1987). As one commentator has written, "[t]he term 'long-arm statute' refers to state statutes which confer upon state courts personal jurisdiction over out-of-state defendants who do business in the state or commit any of a series of enumerated acts either within the state or outside the state with consequences in-state." Jon Heller, Note, *Pendent Personal Jurisdiction and Nationwide Service of Process*, 64 N.Y.U. L. REV. 113, 113 n.7 (1989). For an example of a court asserting jurisdiction over a patent infringement defendant under a long-arm statute, see *Graham Eng. Corp. v. Kemp Prods. Ltd.*, 418 F. Supp. 915, 195 U.S.P.Q. 267 (N.D. Ohio 1976).

29. *LANDERS ET AL*, *supra* note 21, at 127; see *Omni Capital Intl. v. Rudolf Wolff & Co.*, 484 U.S. 97, 101-04 (1987).

30. E.g., ILL. REV. STAT. ch. 110, ¶ 2-209 (1990); MICH. COMP. LAWS § 600.715 (1979); N.Y. CIV. PRAC. L. & R. 302 (McKinney 1991); TEX. CIV. PRAC. & REM. CODE ANN. § 17.042 (West 1986); WIS. STAT. ANN. § 801.05 (West 1977). These statutes typically also provide for jurisdiction over any corporation doing business in the state. In a patent infringement suit against an alien, jurisdiction under a "doing business" provision is atypical and uninteresting. Normally, an alien is only deemed to be doing business when it has an alter ego in the United States. In this rare circumstance, the court can take jurisdiction over the alien under the doing business provision of the long-arm statute. See *supra* note 11.

31. *Carbice Corp. of Am. v. American Patents Dev. Corp.*, 283 U.S. 27, 33 (1931); *Honeywell, Inc. v. Metz Apparaterwerke*, 509 F.2d 1137, 1141, 184 U.S.P.Q. 387, 390 (7th Cir. 1975); *Kearns v. Wood Motors Inc.*, 204 U.S.P.Q. 485, 488 (E.D. Mich. 1978); *Engineered Sports Prods. v. Brunswick Corp.*, 362 F. Supp. 722, 726, 179 U.S.P.Q. 486, 488 (D. Utah 1973); *Rosenthal*, *supra* note 12, at 150; Neagley, *supra* note 11, at 715.

the alien defendant under such a long-arm provision.³² Courts have also determined that inducement of infringement is a tort because inducement essentially requires "aiding and abetting" the direct infringer.³³ Because they consider inducement to be an integral part of the corresponding direct infringement, courts deem both torts to have been committed at the place of the direct infringement.³⁴ Consequently, federal courts may use a tort long-arm provision to reach alien infringers, because the acts of inducement need not occur in the United States.³⁵ Although the above principles are well established, determining the *location* of the direct infringement tort remains a difficult issue.

B. *The Root of the Controversy* — *Honeywell v. Metz Apparatewerke*

The leading appellate case upholding long-arm jurisdiction over an alien infringer is *Honeywell, Inc. v. Metz Apparatewerke*.³⁶ *Honeywell's* importance lies in the court's discussion of the situs of the tort of patent infringement. In this case, the alien defendant's U.S. distributor sold infringing goods in Illinois. The state long-arm statute provided for jurisdiction over one who commits "a tortious act within [Illinois]."³⁷ Illinois courts interpreted this statute to mean that "the situs of the tort is the place where the injury occurs."³⁸ The appellate court in *Honeywell* held that the infringement *Honeywell* alleged was a tortious act committed within Illinois, consonant with the meaning of the state long-arm statute.³⁹ Consequently, the court concluded that *Honeywell* had suffered tortious injury in Illinois. This section discusses the implications of this case.

Honeywell brought suit against Metz, the manufacturer; two U.S. distributors; and a U.S. retailer for infringing its patent on a photographic flash unit.⁴⁰ Metz sold its flash units F.O.B.⁴¹ a "German seaport or German border" to the U.S. distributors.⁴² Metz also

32. *E.g., Honeywell*, 509 F.2d at 1141-42, 184 U.S.P.Q. at 390-91.

33. *Honeywell*, 509 F.2d at 1141, 184 U.S.P.Q. at 390; *Kearns* 204 U.S.P.Q. at 489; *Engineered Sports Prods.*, 362 F. Supp. at 727, 179 U.S.P.Q. at 489; *see also* Neagley, *supra* note 11, at 715.

34. *See Honeywell*, 509 F.2d at 1142, 184 U.S.P.Q. at 391.

35. *See supra* notes 18-20 and accompanying text.

36. 509 F.2d 1137, 184 U.S.P.Q. 387 (7th Cir. 1975); *see* 6 CHISUM, *supra* note 20, § 21.02[3], at 21-104 (*Honeywell* is a "leading decision.").

37. 509 F.2d at 1141, 184 U.S.P.Q. at 390.

38. 509 F.2d at 1142, 184 U.S.P.Q. at 390.

39. 509 F.2d at 1142, 184 U.S.P.Q. at 391.

40. 509 F.2d at 1139, 184 U.S.P.Q. at 388.

41. F.O.B. (free on board) refers to the location where title to goods passes from the seller to the buyer. BLACK'S LAW DICTIONARY 642 (6th ed. 1990); *see* U.C.C. § 2-319(1) (1977).

42. 509 F.2d at 1139, 184 U.S.P.Q. at 389.

promised to indemnify its distributor for any damages due to patent infringement.⁴³ Honeywell filed suit in the Northern District of Illinois because the retailer and one distributor sold a significant number of Metz products there.⁴⁴ The district court dismissed the suit against Metz for want of personal jurisdiction.⁴⁵ Honeywell appealed, claiming that jurisdiction was proper under the tortious act provision of the Illinois long-arm statute.⁴⁶ The Seventh Circuit reversed, holding that jurisdiction over Metz was proper in light of the requirements of both the long-arm statute and due process.⁴⁷ The court of appeals held that Honeywell had indeed suffered tortious injury in Illinois. Therefore, Metz's infringement constituted a tortious act committed in Illinois.

This holding lends itself to two possible interpretations. First, the court may have meant that the injury occurred where infringing sales were made because such sales caused tortious injury at the place of the sale. In support of this interpretation, the court's discussion of patent infringement referred to an earlier decision which suggested that infringing a patent in Illinois constitutes a tortious act in that state.⁴⁸ In this context, the *Honeywell* court noted that distributors of Metz products made infringing sales in the state.⁴⁹ Alternatively, the court may have meant that the injury occurred where the patent owner resides because the patent owner suffered economic harm and damage to her intellectual property rights there. The court's analysis of due process requirements supports this position. Here, the court noted that infringement caused injury to Honeywell, which had its principal place of business in Illinois.⁵⁰

At least one leading commentator noted that *Honeywell* left the issue of where the tort of patent infringement occurs "implicitly or explicitly" unresolved.⁵¹ Both interpretations of *Honeywell* are plausible, as demonstrated by the competing constructions made by district courts.⁵² Although *Honeywell* created a two-way federal split of authority over the situs of patent infringement, some federal courts must follow a third approach due to substantive variations among state

43. 509 F.2d at 1140, 184 U.S.P.Q. at 389.

44. See 509 F.2d at 1139, 184 U.S.P.Q. at 388.

45. 509 F.2d at 1140-41, 184 U.S.P.Q. at 389.

46. 509 F.2d at 1141, 184 U.S.P.Q. at 389-90. The Illinois long-arm statute has been recently amended and the paragraph number of the current statute has changed since 1975. The current provision, identical to that applied in *Honeywell*, is ILL. REV. STAT. ch. 110, § 2-209(2) (1990).

47. 509 F.2d at 1141-45, 184 U.S.P.Q. at 390-92.

48. 509 F.2d at 1141, 184 U.S.P.Q. at 390.

49. 509 F.2d at 1141-42, 1144, 184 U.S.P.Q. at 390, 392.

50. 509 F.2d at 1144, 184 U.S.P.Q. at 392.

51. 6 CHISUM, *supra* note 20, § 21.02[3], at 21-105.

52. Compare *Acrison Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 14 U.S.P.Q.2d 1833 (N.D. Ill. 1990) (interpreting *Honeywell* to mean that the injury occurs where the patent owner resides) with *Kearns v. Wood Motors, Inc.*, 204 U.S.P.Q. 485 (E.D. Mich. 1978) (interpreting *Honeywell* to mean that the injury occurs where infringing sales are made).

long-arm statutes. Some states have chosen the place of the tortious act as the situs of the tort, thereby making the place of infringing sales the situs of the tort of patent infringement.

The question of whether states should focus on the tortious act or tortious injury to determine the situs of the tort is beyond the scope of this Note. This question only arises because different states interpret their long-arm statutes in different ways. Because federal courts must apply state long-arm statutes as interpreted by state courts,⁵³ federal courts cannot resolve this question. Furthermore, a new interpretation of a long-arm statute has broad implications for all tort actions, extending far beyond the narrow question of which interpretation is proper for patent infringement. As a practical matter, resolving this question may be impossible. Proper resolution of the split of authority created by *Honeywell*, however, may dispense with the need to resolve this issue.

This Note argues that the *Honeywell* split should be resolved in favor of locating the injury of patent infringement where infringing sales are made. This conclusion renders the question of whether states should focus on the tortious act or tortious injury moot, because, under the suggested resolution of the *Honeywell* split, both the act and injury are deemed to occur at the same place — the place of the infringing sales.⁵⁴ In addition, resolution of the *Honeywell* split would provide a uniform outcome with no additional implications beyond the narrow scope of patent infringement. Thus, the problem created by the *Honeywell* split can be resolved by focusing judicial inquiry on the true situs of the injury in a patent infringement action.

II. THREE VARYING APPROACHES TO DETERMINING THE SITUS OF THE TORT

The *Honeywell* court necessarily focused on where the plaintiff had suffered tortious injury, because, under the Illinois long-arm statute, the situs of the tort is the place where the tortious *injury* occurred. However, some states have interpreted their long-arm statutes differently, considering the situs of the tort to be the place where the tortious *act* occurred.⁵⁵ As noted above, federal courts are bound to follow states' interpretations of their long-arm statutes, even in the context of a federal cause of action such as patent infringement.⁵⁶

53. See *supra* note 29 and accompanying text.

54. Section III.C.3 of this Note argues that this outcome provides one practical reason for resolving the *Honeywell* split in this manner. Federal courts may resolve this split because there is no state authority as to where the injury of patent infringement occurs. Under 28 U.S.C. § 1338(a) (1988), the federal courts have exclusive jurisdiction over patent infringement suits. Therefore, the split of authority over the situs of the tortious injury is purely federal.

55. E.g., *Huchel v. Sybron Corp.*, 212 U.S.P.Q. 133, 135-36 (S.D. Tex. 1980).

56. See *supra* note 29 and accompanying text.

When states interpret the long-arm statute to focus on the tortious act, the situs of the tort is where the infringing sales were made.⁵⁷ Although this result is consistent with the first interpretation of *Honeywell*, the path to the result differs. Therefore, three conflicting rules currently govern the situs of the tort of patent infringement.

Sections II.A, II.B, and II.C of this Part present the three competing theories of where the tort occurs: the "Injury at Place of Patent" rule, the "Injury at Place of Infringing Sales" rule, and the "Act of Infringement" rule. The first two approaches, which result from the conflicting interpretations of the *Honeywell* case, concentrate on the locus of the tortious injury due to the underlying state long-arm statute's substantive focus on the tortious injury. The third approach concentrates on the locus of the tortious act due to the underlying state long-arm statute's substantive focus on the tortious act. Section II.D illustrates the difficulties which can arise when the three methods of analysis are applied under various state long-arm provisions.

A. The "Injury at Place of Patent" Approach

Federal courts that must determine the situs of a tort by focusing on where the plaintiff suffers injury can adopt either of the two alternative interpretations of *Honeywell*. The first, the "Injury at Place of Patent" rule, allows a court to obtain personal jurisdiction in the district where the patent holder resides.⁵⁸

A paradigmatic case⁵⁹ of alien infringement, *Acrison, Inc. v. Control and Metering Ltd.*,⁶⁰ illustrates this mode of reasoning. In *Acrison*, the patent holder, Acrison, Inc., brought suit against Brabender Technologie KG, a German corporation; its Canadian distributor, Control and Metering Limited (CML); and Control and Metering, Inc. (CMI), CML's U.S. subsidiary.⁶¹ Acrison sued in Illinois because CMI had an established place of business there. Acrison neither did business in Illinois, nor was incorporated there.⁶² Brabender delivered the infringing products to CML F.O.B. Germany.⁶³ The *Acrison* court held that it did not have jurisdiction over Brabender because Acrison's tortious injury did not occur in Illinois.⁶⁴ The court implicitly recognized that a patent constitutes an intangible property interest created

57. See, e.g., *Huchel*, 212 U.S.P.Q. at 135-36; see also *infra* section II.C.

58. See, e.g., *Acrison, Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 1448-49, 14 U.S.P.Q.2d 1833, 1836 (N.D. Ill. 1990).

59. See *supra* note 11 and accompanying text.

60. 730 F. Supp. 1445, 14 U.S.P.Q.2d 1833 (N.D. Ill. 1990).

61. 730 F. Supp. at 1445, 14 U.S.P.Q.2d at 1833-34.

62. 730 F. Supp. at 1448, 14 U.S.P.Q.2d at 1836.

63. 730 F. Supp. at 1446, 14 U.S.P.Q.2d at 1834. For a definition of F.O.B., see *supra* note 41.

64. 730 F. Supp. at 1448-49, 14 U.S.P.Q.2d at 1836.

by federal law,⁶⁵ with a necessarily fictional situs.

Courts following the "Injury at Place of Patent" rule consider the residence of the owner as the most appropriate situs of this interest.⁶⁶ Consequently, the *Acrison* court held that Acrison suffered tortious injury to its intangible property rights at the corporation's residence, the fictional situs of the property,⁶⁷ as well as economic harm which had its impact at the residence.⁶⁸ Although the *Acrison* court characterized both injuries as occurring at the residence of the patent holder, these injuries may be viewed with equal plausibility as occurring where infringing sales are made.

B. The "Injury at Place of Infringing Sales" Approach

The second rule arising out of the *Honeywell* split, the "Injury at Place of Infringing Sales" approach, dictates that a court may assert personal jurisdiction where the defendant made infringing sales because the patent owner suffers harm there.⁶⁹ *Interface Biomedical Laboratories v. Axiom Medical, Inc.*⁷⁰ illustrates this method of reasoning. Here, the patent holder, Interface, brought a patent infringement suit in the Eastern District of New York against Axiom, a California corporation.⁷¹ Although Axiom had not sold infringing products in New York,⁷² Interface argued that the court could exercise personal jurisdiction over Axiom because Interface, a New York corporation, suffered both economic injury and damage to its intellectual property rights there.⁷³ The *Interface* court disagreed, reasoning that economic injury occurs where sales are lost,⁷⁴ and that intangible property has no jurisdictional significance.⁷⁵ Although the *Interface* court refused to attribute jurisdictional significance to the intangible,

65. *Horne v. Adolph Coors Co.*, 684 F.2d 255, 259, 217 U.S.P.Q. 15, 19 (3d Cir. 1982).

66. *E.g.*, *Horne*, 684 F.2d at 259, 217 U.S.P.Q. at 19; *Acrison, Inc.*, 730 F. Supp. at 1448, 14 U.S.P.Q.2d at 1836 (damage to intellectual property takes place where the owner resides).

67. For another example of a court focusing on the patent owner's residence as the situs of the patent, see *Max Daetwyler Corp. v. Meyer*, 762 F.2d 290, 299 n. 12, 226 U.S.P.Q. 305, 311-12 n.12 (3d Cir. 1985).

68. *Acrison, Inc.*, 730 F. Supp. at 1448-49, 14 U.S.P.Q.2d at 1836.

69. *See, e.g.*, *Amburn v. Harold Forster Indus.*, 423 F. Supp. 1302, 1303, 200 U.S.P.Q. 36, 37 (E.D. Mich. 1976).

70. 600 F. Supp. 731, 225 U.S.P.Q. 146 (E.D.N.Y. 1985).

71. 600 F. Supp. at 732-33, 225 U.S.P.Q. at 146. Although Axiom is a California corporation, the court's personal jurisdiction analysis under the New York long-arm statute would apply if Axiom were an alien.

72. 600 F. Supp. at 740, 225 U.S.P.Q. at 152.

73. 600 F. Supp. at 738, 225 U.S.P.Q. at 151.

74. 600 F. Supp. at 738-39, 225 U.S.P.Q. at 151-52.

75. 600 F. Supp. at 740, 225 U.S.P.Q. at 152. By "no jurisdictional significance," the *Interface* court apparently meant one cannot focus on the location of a patent for jurisdictional purposes because, unlike real property, the location of intangible property is impossible to determine. This holding is a broad reading of *Rush v. Savchuk*, 444 U.S. 320 (1980).

other courts following the "Injury at Place of Infringing Sales" rule have done so.⁷⁶ Unlike courts following the "Injury at Place of Patent" theory, however, these courts deem the intellectual property injury to be an invasion of rights which occurs "where the infringing article is sold or used."⁷⁷

C. *The "Act of Infringement" Approach*

In contrast to the "Injury at Place of Patent" and "Injury at Place of Infringing Sales" theories, the "Act of Infringement" rule abandons the focus on where the tortious injury occurs and instead concentrates on where the defendant committed the tortious act. Some state courts will exercise jurisdiction under the tort provision of their long-arm statute only if the tortious act occurs within the state, regardless of where the injury occurs.⁷⁸ In the context of patent infringement, sales of infringing products constitute the relevant tortious act.⁷⁹ However, in the paradigmatic case, the alien has not committed direct infringement.⁸⁰ At least one court faced with this situation has upheld jurisdiction over the alien, reasoning that the alien defendant's involvement in the acts of infringement suffices to constitute a tortious act in the jurisdiction.⁸¹ Implicit in this reasoning is that the alien could be found liable for inducing infringement, which is a tort deemed to occur where infringing sales are made.⁸² Note that the "Act of Infringement" mode of reasoning produces results consistent with the "Injury at Place of Infringing Sales" rule, but by a different rationale.

D. *Significance of the Varying Approaches*

Every state has some type of long-arm statute.⁸³ Whether directly

76. *E.g.*, *Kearns v. Wood Motors, Inc.*, 204 U.S.P.Q. 485, 488 (E.D. Mich. 1978) (acknowledging that infringement affects a patent owner's rights and citing two decisions that consider this injury to occur where infringing sales occur); *Amburn v. Harold Forster Indus.*, 423 F. Supp. 1302, 1303, 200 U.S.P.Q. 36, 37 (E.D. Mich. 1976) (acknowledging that the invasion of a patent owner's rights occurs where the infringing good is sold or used).

77. *Amburn*, 423 F. Supp. at 1303, 200 U.S.P.Q. at 37.

78. *See, e.g.*, *Huchel v. Sybron Corp.*, 212 U.S.P.Q. 133, 135-36 (S.D. Tex. 1980).

79. *See Huchel*, 212 U.S.P.Q. at 135-36. The statutory reference to anyone who "makes, uses or sells" a patented device, 28 U.S.C. § 271(a) (1988), gives rise to the argument that the tortious act occurs where the infringer manufactures the infringing device. In the paradigmatic case, however, an alien infringer manufactures the device outside the United States. Because aliens cannot be guilty of direct infringement for acts committed outside the United States, *see supra* note 17 and accompanying text, the tortious act of the manufacturer is not jurisdictionally significant. As previously noted, the plaintiff must sue the alien for inducement of infringement. *See supra* notes 17-20 and accompanying text. Inducement, in this context, constitutes aiding and abetting the direct infringer. Thus, the relevant tortious act is the infringing sale.

80. *See supra* notes 15-20 and accompanying text.

81. *Huchel*, 212 U.S.P.Q. at 135-36.

82. *See supra* notes 33-35 and accompanying text.

83. ALASKA STAT. § 09.05.015 (1991); ARK. CODE ANN. § 16-4-101 (Michie 1987); CAL. CIV. PROC. CODE § 410.10 (Deering 1972); COLO. REV. STAT. § 13-1-124 (1987); CONN. GEN.

or indirectly, these statutes allow a state to exercise jurisdiction over one who commits a tort within the state. However, what constitutes a "tort within the state" varies with each state's interpretation of its statute; even similarly worded statutes have been interpreted differently. As a consequence, either the varying state interpretations, or the *Honeywell* split of authority over the locus of the patent infringement injury may permit an alien patent infringer to gain immunity from suit.⁸⁴

Two hypothetical examples illustrate the problem of unintended immunity. Assume that a U.S. distributor sells — in significant quantities and only in Illinois — a paradigmatic⁸⁵ alien's product infringing on a Texas corporation's patent. As noted above, the Northern District of Illinois follows the "Injury at Place of Patent" rule, reasoning that the tortious injury of patent infringement occurs where the owner resides, in this case Texas.⁸⁶ In contrast, the Southern District of Texas follows the "Act of Infringement" approach, reasoning that the tortious act of infringement takes place where the infringer makes the sales, in this case Illinois.⁸⁷ In this hypothetical, the district court will dismiss the action no matter where the plaintiff sues. The federal district court in Illinois, bound to focus on the injury, will consider the injury (and the tort) to have occurred in Texas, where the patent owner resides. The federal district court in Texas, necessarily focusing on the act of infringement, will deem the tort to have occurred in Illinois, where the defendant made infringing sales. In this hypothetical, the alien infringer is immune from suit.

As a second hypothetical, assume that the patent holder resides in

STAT. § 52-59b (West Supp. 1991); DEL. CODE ANN. tit. 10, § 3104 (Supp. 1990); FLA. STAT. ANN. ch. 48.193 (Harrison 1988); GA. CODE ANN. § 9-10-91 (Michie Supp. 1991); HAW. REV. STAT. § 634-35 (1985); IDAHO CODE § 5-514 (1990); ILL. REV. STAT. ch. 110, ¶ 2-209 (1989); IOWA CODE ANN. § 617.3 (West Supp. 1990); KAN. STAT. ANN. § 60-308 (1983); KY. REV. STAT. ANN. § 454.210 (Michie/Bobbs-Merrill Supp. 1990); LA. REV. STAT. ANN. § 13:3201 (West 1991); ME. REV. STAT. ANN. tit. 14, § 704-A (1980); MD. CTS. & JUD. PROC. CODE ANN. 6-103 (1989); MASS. GEN. L. ch. 223A, § 3 (1988); MICH. COMP. LAWS §§ 600.705, 600.715 (1981); MINN. STAT. ANN. § 543.19 (West 1988); MISS. CODE ANN. § 13-3-57 (Supp. 1991); MO. ANN. STAT. § 506.500 (Vernon Supp. 1990); MONT. CODE ANN. § 25-20-4B (1990); NEB. REV. STAT. § 25-536 (1989); NEV. REV. STAT. § 14.065 (1991); N.H. REV. STAT. ANN. 510:4 (Supp. 1990); N.M. STAT. ANN. § 38-1-16 (1987); N.Y. CIV. PRAC. L. & R. 302 (McKinney 1990); N.C. GEN. STAT. § 1-75.4 (1983); OKLA. STAT. ANN. tit. 12, § 2004 (West Supp. 1990); 42 PA. CONS. STAT. ANN. § 5322 (1981); R.I. GEN. LAWS § 9-5-33 (1985); S.C. CODE ANN. § 36-2-803 (Law. Co-op. 1976); S.D. CODIFIED LAWS ANN. § 15-7-2 (Supp. 1991); TENN. CODE ANN. § 20-2-214 (Supp. 1991); TEX. CIV. PRAC. & REM. CODE ANN. § 17.042 (West 1986); UTAH CODE ANN. 78-27-24 (1987); VT. STAT. ANN. tit. 12, § 855 (1973); VA. CODE ANN. § 8.01-328.1 (Michie Supp. 1991); WASH. REV. CODE ANN. § 4.28.185 (West 1988); W. VA. CODE § 56-3-33 (Supp. 1991); WIS. STAT. § 801.05 (1977); WYO. STAT. § 5-1-107 (1990); ALA. R. CIV. P. 4.2; ARIZ. R. CIV. P. 4(e)(2); IND. R. TRIAL P. 4.4; N.J. CIV. PRACT. R. 4:4-4; N.D. R. CIV. P. 4(b); OHIO R. CIV. P. 4.3; OR. R. CIV. P. 4.

84. For a discussion of the split of authority see notes 51-54 and accompanying text, *supra*.

85. See *supra* note 11 and accompanying text.

86. See *supra* notes 59-68 and accompanying text.

87. See *supra* notes 78-79 and accompanying text.

the Southern District of New York and, as above, infringing sales have been made exclusively in Illinois. The Southern District of New York follows the "Injury at Place of Infringing Sales" rule.⁸⁸ New York's approach is distinguished from the Texas approach in that New York focuses on where the injury occurs, while Texas focuses on where the tortious act occurs. Application of these two modes of reasoning, however, produces identical results, because New York federal courts consider the patent holder to have sustained injury where the defendant made infringing sales. The result of a patent infringement suit against the alien will be the same in this hypothetical as in the previous one — immunity from suit for the alien. Again, the Illinois district court will dismiss the suit because the patent owner does not reside in Illinois. The New York district court, bound to focus on the injury, will dismiss the suit because it considers the injury to have occurred in Illinois where the defendant made infringing sales.

These hypotheticals illustrate how the combination of the *Honeywell* split and the different substantive foci of state long-arm statutes create a jurisdictional "gap," leaving some alien infringers immune from suit. The potential for such immunity provides a strong impetus for choosing a uniform rule. These hypotheticals also illustrate that, for the ultimate determination of whether an alien is subject to personal jurisdiction, no practical difference exists between the "Act of Infringement" and the "Injury at Place of Infringing Sales" approaches. As will be explained fully below, this factor provides one strong reason to adopt the "Injury at Place of Infringing Sales" approach. Even if courts resolve the *Honeywell* split, therefore, in favor of uniform adoption of the "Injury at Place of Patent" rule, immunity is still possible because some federal courts must still focus on the tortious act.

III. THE SUPERIORITY OF THE PLACE OF INFRINGING SALES APPROACH

The second hypothetical examined in Part II illustrates the need for a uniform view of where the injury from patent infringement occurs. Without a uniform definition, alien infringers may be able to evade the patent laws because they are immune from suit. This Part examines the reasoning underlying the two theories of the situs of the patent infringement injury. Section III.A discusses the nature of the injury to the patent owner's intellectual property rights and section III.B discusses the nature of the economic injury to the patent owner. Both sections conclude that the reasoning behind the "Injury at Place of Infringing Sales" approach is superior to the reasoning underlying the "Injury at Place of Patent" approach. Section III.C demonstrates

88. See *supra* notes 69-77 and accompanying text.

that significant problems would remain under uniform adoption of the "Injury at Place of Patent" rule. The "Injury at Place of Infringing Sales" approach, by comparison, would not suffer from these deficiencies if uniformly adopted.

A. *The Situs of the Injury to the Owner's Patent Rights*

The first injury courts acknowledge in alien infringement cases is the injury to the patent holder's intellectual property rights. Courts that have addressed the question of where the injury to a patent holder's intellectual property rights occurs normally have offered little analysis of this issue. Rather, courts on both sides of the issue tend to make conclusory statements about the locus of the tort.⁸⁹ This section demonstrates that harm to a patent holder's rights actually occurs where infringing sales are made.

In *Rush v. Savchuk*,⁹⁰ the Supreme Court noted, in the context of a garnishment action, that intangible property has no actual situs and can have no jurisdictional significance.⁹¹ Although applying this language to all forms of intangible property requires a broad reading of the Court's holding, at least one court has followed this holding in the context of patent infringement.⁹² On this basis, the location of the harm to the patent owner's intangible property rights would be irrelevant for purposes of establishing jurisdiction. If this argument is accepted, the analysis of where the injury occurs would necessarily focus on economic injury.⁹³ However, because other courts facing the place of injury issue do not appear to have accepted such a broad interpretation, the nature of the injury to the owner's intellectual property rights must also be examined.⁹⁴

On its face, the reasoning behind the "Injury at Place of Patent" rule is appealing. Patent infringement causes an injury to the patent owner's intangible property right.⁹⁵ The injury to that property right should be assigned a legal situs; the residence of the owner is a plausi-

89. See, e.g., *Amburn v. Harold Forster Indus.*, 423 F. Supp. 1302, 1303, 200 U.S.P.Q. 36, 37 (E.D. Mich. 1976) (The invasion of the patent owner's rights "would occur where the infringing article is sold or used or where infringement is induced."); *Acrison, Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 1448, 14 U.S.P.Q.2d 1833, 1836 (N.D. Ill. 1990) ("Damage to intellectual property rights . . . by definition takes place where the owner suffers the damage."). Not only is the statement by the *Acrison* court conclusory, the reasoning is circular. The court was trying to determine where the owner suffers the damage.

90. 444 U.S. 320 (1980).

91. 444 U.S. at 330.

92. *Interface Biomedical Lab. v. Axiom Medical, Inc.*, 600 F. Supp. 731, 740, 225 U.S.P.Q. 146, 152 (E.D.N.Y. 1985) (citing *Rush*, 444 U.S. at 328-30).

93. See *infra* section III.B.

94. See, e.g., *Acrison, Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 14 U.S.P.Q.2d 1833 (N.D. Ill. 1990).

95. See *supra* notes 67 & 76 and accompanying text. The patent owner's right to exclude others is damaged by infringement. See *infra* notes 103-04 and accompanying text.

ble place. Upon closer examination, however, this approach has a number of flaws, both in its application and in the way it characterizes a patent owner's rights.

First, the state of a corporation's residence may be unclear; the corporation's principal place of business, its state of incorporation, or the place of patent assignment are all reasonable choices. The *Acrison* court observed that in *Honeywell*, the plaintiff was an Illinois corporation that suffered harm in Illinois.⁹⁶ In actuality, although Honeywell had its principal place of business in Illinois,⁹⁷ it was incorporated in Delaware.⁹⁸ Apparently, the *Acrison* court felt the situs of the patent should be in the state of incorporation, while the *Honeywell* court felt the proper situs was the corporation's principal place of business. A third possibility also exists — the state of the patent assignment. Because the patent at issue in *Honeywell* was assigned to "Honeywell[,] Inc., Minneapolis, Minn., a corporation of Delaware,"⁹⁹ Minnesota might be deemed the situs of the patent. If Honeywell produced its patented goods exclusively in Minneapolis, then Minnesota constitutes a reasonable choice for the patent's situs because infringement would presumably affect this Honeywell plant most directly. As each of these locations present reasonable choices, adoption of the "Injury at Place of Patent" mode of analysis might still result in a secondary split of authority over the situs of the patent. Indeed, given the varying foci of the *Acrison* and *Honeywell* courts, such a split may already exist.

Second, the "Injury at Place of Patent" rule makes the questionable assumption that a patent has a situs. To the contrary, a patent is a federally created right, valid throughout the United States.¹⁰⁰ Given its national reach, two possible characterizations can be made of the patent grant, both of which reject the "Injury at Place of Patent" mode of reasoning. The first possibility is that because patent rights exist throughout the United States, arguably no identifiable situs exists. This characterization is a variation of the Supreme Court's analysis in *Rush v. Savchuk*.¹⁰¹ Under this characterization, the situs of the patent has no jurisdictional significance. An alternative characterization is that the patent holder has an intangible property right in every federal district in the United States.¹⁰² Because infringement damages

96. *Acrison, Inc.*, 730 F. Supp. at 1448-49, 14 U.S.P.Q.2d at 1836 (citing *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137, 1144, 184 U.S.P.Q. 387, 392 (7th Cir. 1975)).

97. *Honeywell, Inc.*, 509 F.2d at 1139, 184 U.S.P.Q. at 388.

98. *Honeywell, Inc.*, 509 F.2d at 1139, 184 U.S.P.Q. at 388.

99. U.S. Patent No. RE 26,999 (Dec. 8, 1970); U.S. Patent No. 3,340,426 (Sept. 5, 1967).

100. 35 U.S.C. § 154 (1988).

101. 444 U.S. 320, 330 (1980). This is a broad interpretation of *Rush*. Although *Rush* involved garnishment of an insurance policy, an area unrelated to intellectual property, at least one court has so interpreted the decision. See *supra* notes 91-92 and accompanying text.

102. This characterization is similar to that of the injury in a libel case. A person's reputation may be damaged in any jurisdiction where the libel is published. *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 777 (1984). In essence, then, a person has personality rights in their

a different piece of the patent owner's intangible property in each district where infringing sales are made, the patent owner would, under this interpretation, obtain different causes of action for infringement in each district. This characterization supports the "Injury at Place of Infringing Sales" approach, as the patent owner obtains separate causes of action wherever infringing products are sold.

Finally, the "Injury at Place of Patent" rule mischaracterizes the nature of the patent owner's rights. A patent grants the owner a bundle of property rights.¹⁰³ The most important component of this bundle is the right to exclude others.¹⁰⁴ When infringement occurs, the most important injury to the patent owner is infringement of her right to exclude. Because infringement occurs at a specific place, the patent owner arguably loses the right to exclude there. Infringement is somewhat analogous to trespassing. When one has trespassed on another's property, the injury occurs where the right to exclude is lost, not where the owner of the property resides. Consequently, the "Injury at Place of Infringing Sales" approach more correctly identifies the place of damage to the patent owner's property rights.

This characterization of the patent owner's injury suggests that the split of authority over where the injury occurs should be resolved in favor of the "Injury at Place of Infringing Sales" rule. The "Injury at Place of Patent" approach characterizes the injury of patent infringement in a conclusory fashion as an injury to intangible property without examining the true nature of the injury. Because the patent owner truly loses the right to exclude where infringement occurs, the "Injury at Place of Infringing Sales" method of reasoning better characterizes the injury to the patent owner's intangible property rights.

B. *The Situs of the Owner's Economic Injury*

The second injury that courts focus on to determine where the injury occurs is economic harm to the patent holder. The "Injury at Place of Patent" method of analysis posits that economic harm occurs at the residence of the patent holder because the patent owner suffers

reputation in every state. At least one court has noted that intangible intellectual property rights are similar to personal rights, such as reputation. *Acrison, Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 1448 n.7, 14 U.S.P.Q.2d 1833, 1836 n.7 (N.D. Ill. 1990). Surprisingly, application of the above reasoning would contradict the *Acrison* court's holding; it is unclear why the court chose to make this analogy.

103. See 35 U.S.C. § 154 (1988).

104. The right to exclude others is the essence of the human right called "property." The right to exclude others from free use of an invention protected by a valid patent does not differ from the right to exclude others from free use of one's automobile, crops, or other items of personal property. . . . That one human property right may be challenged by trespass, another by theft, and another by infringement, does not affect the fundamental indicium of all "property," i.e., the right to exclude others.

Panduit Corp. v. Stahl Bros. Fibre Works Inc., 575 F.2d 1152, 1158 n.5, 197 U.S.P.Q. 726, 731 n.5 (6th Cir. 1978).

the impact of the economic loss there.¹⁰⁵ The "Injury at Place of Infringing Sales" mode of reasoning maintains that the harm occurs where the infringing sales occur because the patent owner loses sales there.¹⁰⁶ This section argues that the "Injury at Place of Infringing Sales" approach better identifies the actual situs of the economic injury.

Courts adopting the "Injury at Place of Patent" rule often flatly state, without explanation, that the economic injury to the patent holder occurs at his place of residence.¹⁰⁷ These conclusory statements probably result from an intuitive sense that the patent owner suffered economic harm, affecting his income where he resides. On its face, this analysis appeals to common sense, but closer scrutiny reveals several flaws in this approach. First, as shown in section III.A, identifying the residence of the patent owner may prove difficult.¹⁰⁸

Second, many courts have determined that economic loss occurs where infringing sales are made because the patent owner loses business there.¹⁰⁹ Arguably, the patent owner loses not just sales, but also goodwill in the jurisdiction.¹¹⁰ Purchasers of the infringing product will give credit for the patented innovation to the infringer, rather than the patent holder. The patent holder also loses the benefit of greater name recognition where the infringing sales are made. The combination of losing potential customers and decreased name recognition can lead to a loss of future sales — a potentially serious economic injury. The patent owner, therefore, actually suffers injury where infringing sales are made.

Indeed, courts have followed this reasoning in other areas of intellectual property. Courts have determined that trademark infringement occurs where infringing sales are made.¹¹¹ In these cases, courts focus on both the economic loss from lost sales and the loss of goodwill suffered by the holder of the trademark.¹¹² Both injuries are

105. See *supra* note 68 and accompanying text.

106. See *supra* note 74 and accompanying text.

107. *Acison, Inc. v. Control & Metering Ltd.*, 730 F. Supp. 1445, 1448, 14 U.S.P.Q.2d 1833, 1836 (N.D. Ill. 1990) (Infringement "has its economic impact on Acison *outside* of Illinois.").

108. See *supra* notes 96-99 and accompanying text. The identification of the residence of the patent owner is problematic in the interpretation of the "Injury at Place of Patent" approach for determining both where the patent owner's intangible property is located and where the patent owner suffers economic harm.

109. *Interface Biomedical Lab. v. Axiom Medical, Inc.*, 600 F. Supp. 731, 738-40, 225 U.S.P.Q. 146, 151-52 (E.D.N.Y. 1985).

110. See *Standard Mailing Machs. Co. v. Ditto, Inc.*, 35 F. Supp. 228, 47 U.S.P.Q. 10 (D. Mass. 1940) (corporation's goodwill built up by infringing plaintiff's patent); *Motor Improvements, Inc. v. A.C. Spark Plug Co.*, 5 F. Supp. 712 (E.D. Mich. 1934) (corporations acquired "good will of great value" due to the effectiveness of their product), *revd. on other grounds*, 80 F.2d 385 (6th Cir. 1935). The argument in the text assumes the patent holder sells a product covered by the patent.

111. 1a JEROME GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 8.04 (1991).

112. *Keds Corp. v. Renee Intl. Trading Corp.*, 888 F.2d 215, 218, 12 U.S.P.Q.2d 1808, 1810

deemed to occur where the infringing sales are made.¹¹³ A number of courts follow this approach in copyright infringement actions as well.¹¹⁴

Third, applying the "Injury at Place of Patent" mode of reasoning would have negative implications for other types of tortious injuries. Most torts cause some type of economic injury. A consistent application of this approach would allow a state to exercise jurisdiction over a defendant merely because the defendant had caused some injury to a resident of the state.¹¹⁵ Only the fortuitous circumstance of the plaintiff's residence would connect the forum with the tort; a result which likely violates the defendant's due process rights and could lead to forum shopping.¹¹⁶ In order to prevent such a result, New York courts have declared jurisdiction improper in ordinary tort cases under these circumstances unless some injury would have occurred in New York even if the plaintiff did not reside there.¹¹⁷ This test distinguishes between cases where economic harm merely results from the tort and where economic harm comprises an integral part of the tort itself. In other words, an economic loss suffered by a state resident does not, in and of itself, provide the state with a jurisdictional interest. Rather, the economic loss must have resulted from some event which also occurred in the state. In patent infringement cases, then, economic harm provides an illusory connection between the defendant and the plaintiff's residence and, consequently, should carry no jurisdictional significance.

Fourth, the "Injury at Place of Patent" rule contradicts the minimum contacts inquiry¹¹⁸ required to establish jurisdiction consonant with the requirements of due process. Instead of focusing on where the defendant has caused economic harm, the "Injury at Place of Patent" theory focuses only on the fact that the plaintiff has suffered economic loss. Asserting jurisdiction under such an approach would justify assertions of personal jurisdiction over a defendant based on the

(1st Cir. 1989). It is important to keep these analogies in perspective, as trademark and copyright infringement cause injuries to the owners of the intellectual property that are slightly different from those caused by patent infringement. "The antics of the clown are not the paces of the cloistered cleric." *Murphy v. Steeplechase Amusement Co.*, 166 N.E. 173, 174 (N.Y. 1929).

113. See *Keds Corp.*, 888 F.2d at 218-19; *Land-O-Nod Co. v. Bassett Furniture Indus.*, 708 F.2d 1338, 1340-43, 219 U.S.P.Q. 281, 282-84 (8th Cir. 1983); *Hertz Sys., Inc. v. Hervis Corp.*, 549 F. Supp. 796, 220 U.S.P.Q. 382 (S.D.N.Y. 1982).

114. See, e.g., *Arbitron Co. v. E.W. Scripps, Inc.*, 559 F. Supp. 400, 404 (S.D.N.Y. 1983); *Martin Luther King, Jr. Ctr. for Social Change, Inc. v. American Heritage Prods., Inc.*, 508 F. Supp. 854, 858, 213 U.S.P.Q. 540, 543-44 (N.D. Ga. 1981), *revd. on other grounds*, 694 F.2d 674 (11th Cir. 1983).

115. *Amburn v. Harold Forster Indus.*, 423 F. Supp. 1302, 1309, 200 U.S.P.Q. 36, 41-42 (E.D. Mich. 1976).

116. *Amburn*, 423 F. Supp. at 1309, 200 U.S.P.Q. at 42.

117. See *Interface Biomedical Lab. v. Axiom Medical, Inc.*, 600 F. Supp. 731, 738, 225 U.S.P.Q. 146, 151 (E.D.N.Y. 1985).

118. See *supra* note 27 and accompanying text.

plaintiff's contacts with the forum. In other words, it would substitute the plaintiff's contacts with the forum, i.e., the plaintiff's place of residence, for the required minimum contacts of the defendant with the forum.¹¹⁹ As the Supreme Court noted, "[s]uch an approach is forbidden by *International Shoe* and its progeny."¹²⁰ The "Injury at Place of Infringing Sales" approach maintains a proper focus on the defendant's contacts with the forum because the defendant's products were sold in the forum state.

A patent owner suffers actual economic injury, both in terms of lost sales and lost goodwill, where infringing sales are made. This characterization harmonizes patent infringement with the current treatment of trademark and copyright infringement.¹²¹ In contrast, the "Injury at Place of Patent" method of analysis is flawed because a literal application of the economic harm facet of the approach would lead courts to improperly assert jurisdiction in other common tort suits. The "Injury at Place of Infringing Sales" rule, therefore, better characterizes the situs of the economic injury occurring to the patent owner.

C. *The Failure of the "Injury at Place of Patent" Approach Under Uniform Adoption*

As demonstrated in sections III.A and III.B, the reasoning underlying the "Injury at Place of Patent" approach has several defects, and the "Injury at Place of Infringing Sales" approach more correctly characterizes the patent owner's injury. This section shifts the focus from the reasoning underlying the two approaches to practical problems resulting from even a uniform application of the "Injury at Place of Patent" rule. First, venue requirements may make joinder of U.S. distributors with the alien infringer impossible under this theory. Second, due process requirements alone could immunize an alien infringer under the "Injury at Place of Patent" method of analysis. Third, because some federal courts must continue to follow the "Act of Infringement" rule,¹²² even consistent application of the "Injury at Place of Patent" rule by the remaining jurisdictions will result in immunity for alien infringers in some cases. The "Injury at Place of Infringing Sales" approach avoids these dilemmas. These problems are fundamental, because even if every jurisdiction which must focus on the situs of the tortious injury adopted the "Injury at Place of Patent" rule, all three difficulties would remain. As this section argues, courts should reject the "Injury at Place of Patent" approach both because of

119. *Amburn*, 423 F. Supp. at 1309, 200 U.S.P.Q. at 42.

120. *Rush v. Savchuk*, 444 U.S. 320, 332 (1980) (citing *International Shoe Co. v. Washington*, 326 U.S. 310 (1945)).

121. See *supra* notes 111-14 and accompanying text.

122. See *supra* section II.C.

the flawed reasoning behind it, and the quandaries that its application creates.

1. *The Difficulty of Joining U.S. Distributors*

The "Injury at Place of Patent" rule may prevent the patent owner from obtaining full relief because venue restrictions may bar joinder of any U.S. distributors as defendants in the patent owner's home district. In a patent infringement suit, venue is proper with respect to a domestic distributor if (1) the defendant resides in the district, or (2) the defendant has committed acts of infringement and has a regular and established place of business in the district.¹²³ Under the recent amendment of the general federal venue statute, as interpreted by the Court of Appeals for the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*,¹²⁴ a corporate defendant is deemed to reside in any district where the defendant is subject to personal jurisdiction. Because this decision greatly reduces the jurisdictional barrier presented by venue requirements, this discussion assumes that any U.S. distributor is a corporation. As previously discussed, the "Injury at Place of Patent" approach maintains that *in personam* jurisdiction over the alien defendant is proper only in the district where the patent owner resides. A U.S. distributor could not be joined in the same suit if it was not doing business, and if no infringing sales were made, in the district where the patent owner resides because the action would fail to meet venue requirements.

The case of *Acrison, Inc. v. Control and Metering Ltd.*,¹²⁵ discussed earlier, illustrates this problem. The U.S. distributor did not challenge jurisdiction because it resided in the district. The court held that it could not assert jurisdiction over the alien corporation, however, because the patent owner did not reside in the district.¹²⁶ If Acrison, a New Jersey corporation, attempted to bring a new suit in New Jersey, the court would likely have transferred venue as to the U.S. distributor back to the Northern District of Illinois, the place of infringing sales, unless infringing sales had been made in New Jersey. Venue requirements, then, may make joinder of both the alien infringer and any U.S. distributor in the same action impossible under the "Injury at Place of Patent" method of analysis.

The "Injury at Place of Infringing Sales" rule avoids this problem. At least one U.S. distributor could always be joined because the dis-

123. See *supra* note 22. The venue requirement of a regular and established place of business is more stringent than the requirement that a corporation be doing business in the state for purposes of obtaining personal jurisdiction under a state long arm statute. *E.g.*, *Brunswick Corp. v. Suzuki Motor Co.*, 575 F. Supp. 1412, 1424 (E.D. Wis. 1983).

124. 917 F. Supp. 1445, 16 U.S.P.Q.2d 1614 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).

125. 730 F. Supp. 1445, 14 U.S.P.Q.2d 1833 (N.D. Ill. 1990).

126. *Acrison, Inc.*, 730 F. Supp. at 1448-49, 14 U.S.P.Q.2d at 1836.

tributor would be subject to personal jurisdiction wherever infringing sales had been made, under either a tort provision or "doing-business" provision of a state long-arm statute. Under the new statute as interpreted in *VE Holding Corp.*, venue is proper as to the distributor wherever personal jurisdiction exists.¹²⁷ Even if only one distributor could be joined, the patent owner could pursue a single suit by selecting the home forum of the U.S. distributor that made the greatest number of infringing sales. Overall, the plaintiff would have greater flexibility in joining defendants under the "Injury at Place of Infringing Sales" mode of reasoning.

This result has obvious implications for judicial economy. To obtain full relief, a patent owner may have to bring two suits under the "Injury at Place of Patent" approach. Besides further clogging the dockets of the federal courts, the burden of multiple litigation creates great hardship to a patent owner, especially if the patent owner is a small business. The difficulty of joining U.S. distributors, therefore, provides the first practical reason to reject the "Injury at Place of Patent" approach.

2. *Immunizing Aliens Through Due Process Requirements*

Due process requirements may have the effect of immunizing an alien infringer from suit under the "Injury at Place of Patent" rule. If no infringing sales have occurred within the district where the patent owner resides, the alien may have no contacts with the forum. Without such minimum contacts, a court cannot exercise jurisdiction over a defendant.¹²⁸ In such a case, the alien would be immune from suit¹²⁹ unless the court adopted the aggregate contacts theory. This controversial approach to due process minimum contacts in patent infringement cases considers the aggregate contacts of the alien defendant with the United States as a whole, rather than with the forum itself.¹³⁰ The minority of courts which apply this theory deduce that because a federal right is involved, a court does not violate principles of fairness when it considers the defendant's aggregate contacts with the United States because a defendant who infringes a federally created right should reasonably expect to be amenable to suit in any federal court.¹³¹ Courts that reject this analysis note that jurisdiction would

127. *VE Holding Corp.*, 917 F. Supp. 1445, 16 U.S.P.Q. 1614; see *supra* note 124 and accompanying text.

128. See *supra* note 27 and accompanying text.

129. See *Engineered Sports Prods. v. Brunswick Corp.*, 362 F. Supp. 722, 728, 179 U.S.P.Q. 486, 490 (D. Utah 1973); see also *Cryomedics, Inc. v. Spembly, Ltd.*, 397 F. Supp. 287, 291, 188 U.S.P.Q. 255, 258 (D. Conn. 1975).

130. *Antonious v. Kamata-Ri Co.*, 204 U.S.P.Q. 110, 112 (D. Md. 1979); *Cryomedics, Inc.*, 397 F. Supp. at 290, 188 U.S.P.Q. at 258; *Engineered Sports Products*, 362 F. Supp. at 728, 179 U.S.P.Q. at 490.

131. See *Cryomedics, Inc.*, 397 F. Supp. at 290, 188 U.S.P.Q. at 257-58.

only be proper if Congress had provided for nationwide service of process.¹³²

The "Injury at Place of Patent" rule would obviously not immunize an alien under the aggregate contacts theory. Under the more common minimum contacts approach, however, the alien would normally have no contacts with the forum if no sales were made in the forum district.¹³³ If an alien producer's U.S. distributor carefully avoids selling infringing products in the patent owner's district of residence, traditional due process principles and the "Injury at Place of Patent" method of analysis would immunize the alien manufacturer from suit. Until the Supreme Court accepts the aggregate contacts theory, immunity remains possible in a number of jurisdictions.

The "Injury at Place of Infringing Sales" rule avoids this harsh result. Where substantial infringing sales have been made, the alien is held to have the requisite minimum contacts, even in the paradigmatic case.¹³⁴ Although small in number, contacts can become constitutionally significant when directly related to the cause of action. Some cases therefore suggest that even a small number of sales in the forum may be enough to satisfy the requirements of due process.¹³⁵ The due process minimum contacts requirement thus provides the second practical reason to reject the "Injury at Place of Patent" approach.

3. "Act of Infringement" Approach Immunity

Uniform adoption of the "Injury at Place of Patent" rule could also immunize an alien defendant if the patent owner's state of residence focuses on the tortious act in determining the situs of the tort under its long-arm statute. In such a state, the federal court, bound by the state's interpretation of its long-arm statute, must follow the "Act of Infringement" theory. As noted above,¹³⁶ some states focus their long-arm inquiry solely on the tortious act, rather than on the tortious injury.¹³⁷ The first hypothetical in section II.D demonstrated that an alien could be immune from suit if its U.S. distributor did not make sales in the patent owner's state of residence and that state followed the "Act of Infringement" rule.¹³⁸ As long as the alien defendant

132. *Max Daetwyler Corp. v. Meyer*, 762 F.2d 290, 297, 226 U.S.P.Q. 305, 310 (3d. Cir. 1985).

133. *See, e.g., Amburn v. Harold Forster Indus.*, 423 F. Supp. 1302, 200 U.S.P.Q. 36 (E.D. Mich. 1976).

134. *Kearns v. Wood Motors, Inc.*, 204 U.S.P.Q. 485, 490-91 (E.D. Mich. 1978); *see note 11 and accompanying text*.

135. *See, e.g., Huchel v. Sybron Corp.*, 212 U.S.P.Q. 133, 136 (S.D. Tex. 1980); *see also 1a GILSON, supra note 111*, at § 8.04 (U.S. Supreme Court decision in *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984), may have set a lower threshold for obtaining jurisdiction.).

136. *See supra* section II.C.

137. *See supra* note 78 and accompanying text.

138. *See supra* notes 85-87 and accompanying text.

failed to sell infringing products in any federal district adhering to the "Act of Infringement" approach, a district court would dismiss the suit no matter where it was brought.

As a result, even if every district court which must focus on the place of tortious injury were to adopt the "Injury at Place of Patent" mode of reasoning as to where the injury of patent infringement occurs, some defendants would remain immune from suit because some states will continue to focus on where the tortious act occurs. Because federal courts cannot dictate uniform interpretation of state long-arm statutes,¹³⁹ this problem will likely persist. The "Injury at Place of Infringing Sales" rule avoids this outcome because both the "Act of Infringement" approach and the "Injury at Place of Infringing Sales" theory result in proper jurisdiction where infringing sales have been made. Even if federal courts were to agree uniformly that the "Injury at Place of Patent" mode of reasoning correctly characterizes the injury of patent infringement, they should adopt the "Injury at Place of Infringing Sales" rule because it avoids the clash between the "Act of Infringement" approach and the "Injury at Place of Patent" theory and produces consistent results for any fact pattern.¹⁴⁰ The possibility of immunity from suit for alien infringers, resulting from the varying interpretations of state long-arm statutes, provides the third practical problem with the "Injury at Place of Patent" approach.

CONCLUSION

A careful analysis of the nature of the injuries caused by patent infringement reveals that the "Injury at Place of Infringing Sales" rule better characterizes the nature of these injuries. In addition, even if courts uniformly adopted the "Injury at Place of Patent" theory, several practical problems would remain that would lead to potential immunity for alien infringers. Because the "Injury at Place of Infringing Sales" approach avoids these practical problems and the necessity of resolving the question of whether states should focus on the locus of the tortious act or the tortious injury, it should be uniformly adopted by all the district courts that must focus on the situs of the tortious injury. Uniform adoption would allow a patent owner to sue an alien in any district where infringing sales were made, thus eliminating the possibility of immunity in paradigmatic cases such as those detailed in the hypotheticals above.

In recent years, Congress has attempted to expand patent rights to better protect patent holders against infringement by aliens. District

139. See *supra* note 29 and accompanying text.

140. Consistency of result is an important goal. Congress created the Court of Appeals for the Federal Circuit to achieve consistency in patent cases by avoiding the "contradictory decisions often issued by the 12 existing Courts of Appeal and seldom untangled by the Supreme Court." Dwyer et al., *supra* note 2, at 79.

courts should further this objective by uniformly adopting the “Injury at Place of Infringing Sales” rule. Effective enforcement of patent laws against alien corporations is much more difficult if some infringers are immune from suit. Until Congress or the Supreme Court provides for a uniform rule, the district courts must achieve uniformity on their own.