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NOTES

JURISDICTION—FOREIGN PATENTS—Jurisdiction Over Foreign Patent Claims

The territorial limitations of sovereignty have been held to preclude a country from giving extraterritorial effect to its patent laws, and, therefore, a patent confers rights which are protected only within the boundaries of the issuing country.¹ Thus, United States and foreign patents, even when granted for the same invention, create separate and distinct rights which may differ in scope and effect in the respective countries.² Concomitantly, courts have also held that a foreign patent confers upon its owner no rights or protection with respect to acts done in the United States.³

Despite these well-established notions regarding the territorial limitations of the patent grant and its enforcement, the question whether an American court may properly adjudicate a claim of infringement of a foreign patent has not been answered. Indeed, the recent case of *Ortman v. Stanray Corp.*⁴ is apparently the first Amer-

1. *Aluminum Co. of America v. Sperry Products, Inc.*, 285 F.2d 911 (6th Cir. 1960), *cert. denied*, 368 U.S. 890 (1961); *Cold Metal Process Co. v. United Eng'r & Foundry Co.*, 235 F.2d 224 (3d Cir.), *aff'd*, 351 U.S. 445 (1956); *Goodyear Tire & Rubber Co. v. Rubber Tire Wheel Co.*, 164 F. 869 (S.D. Ohio 1908); *Dr. Beck & Co. v. General Elec. Co.*, 210 F. Supp. 86 (S.D.N.Y. 1962), *aff'd*, 317 F.2d 538 (2d Cir. 1963); 35 U.S.C.A. § 154 (1964); 4 WALKER ON PATENTS § 216 (2d ed. A. Deller ed. 1965); Koch & Froschmaier, *The Doctrine of Territoriality in Patent Law and the European Common Market*, 9 IDEA 343 (1965).

Thus the protection afforded by an American patent is confined to the United States, and an American patent cannot be infringed by acts wholly consummated within a foreign country. *See Dowagiac Mfg. Co. v. Minneapolis Moline Plow Co.*, 235 U.S. 641 (1915); *Brown v. Duchesne*, 60 U.S. (19 How.) 183 (1856); *In re Amtorg Trading Corp.*, 75 F.2d 826, *cert. denied*, 296 U.S. 576 (1935); *Bullock Elec. & Mfg. Co. v. Westinghouse Elec. & Mfg. Co.*, 129 F. 105 (6th Cir. 1904), *cert. denied*, 194 U.S. 636 (1904); *Vacuum Oil Co. v. Eagle Oil Co.*, 122 F. 105 (D.N.J. 1903).

2. *Dr. Beck & Co. v. General Elec. Co.*, 210 F. Supp. 86 (S.D.N.Y. 1962), *aff'd*, 317 F.2d 538 (2d Cir. 1963); *Sperry Products, Inc. v. Aluminum Co. of America*, 171 F. Supp. 901 (N.D. Ohio 1959), *aff'd in part, rev'd in part*, 285 F.2d 911 (6th Cir. 1960), *cert. denied*, 368 U.S. 890 (1961); REPORT OF THE ATT'Y GEN'S NAT'L COMM. TO STUDY THE ANTITRUST LAWS 96 (1955).

3. *Boesch v. Graff*, 133 U.S. 697 (1890); *In re Amtorg Trading Corp.*, 75 F.2d 826, 832 (dictum), *cert. denied*, 296 U.S. 576 (1935); REPORT OF THE ATT'Y GEN'S NAT'L COMM. TO STUDY THE ANTITRUST LAWS 96 (1955).

4. 371 F.2d 154 (7th Cir. 1967) [hereinafter cited as the principal case]. Plaintiff alleged five claims for relief: (1) a tort action for infringement of an American patent; (2) a contract action for a declaration that his assignment of that patent to defendant was valid and subsisting, and for an accounting in connection therewith, or, alternatively, for damages sustained from wrongful termination; (3), (4), and (5) tort actions for infringement of Canadian, Brazilian, and Mexican patent rights. Jurisdiction of the United States patent infringement claim was clearly present under 28 U.S.C. § 1338(a) (1964), and jurisdiction of the contract cause of action was established under 28 U.S.C. § 1332 (1964), there being diversity of citizenship between parties to a claim involving the requisite jurisdictional amount. Jurisdiction of the foreign infringement claims, however, was predicated only upon the doctrine of ancillary jurisdiction.

ican case to raise the issue.⁵ In *Ortman*, the Court of Appeals for the Seventh Circuit held that when a complainant alleges infringement of both American and foreign patents, a federal court, having federal question jurisdiction over the American patent claim, can invoke the doctrine of ancillary jurisdiction and adjudicate the claim based on the foreign patent if a sufficient nexus exists between the two claims.⁶

There is surprisingly little authority dealing with the power of a federal or state court to litigate a claim based on a foreign patent. While original jurisdiction over causes of action arising under the patent laws of the United States has been granted by statute exclusively to the federal courts, the statutory language does not purport to cover claims arising under the patent laws of other countries.⁷ Therefore, theoretically, it is possible for state courts to adjudicate claims based on foreign patents if there is personal jurisdiction over the parties, since the state court is divested of jurisdiction only with respect to claims arising under the patent laws of the United States.⁸

With respect to the first and second causes of action, the defendant moved for either a judgment on the pleadings [FED. R. CIV. P. 12(c)] or summary judgment (FED. R. CIV. P. 56). These motions were denied by the district court and affirmed on appeal, the courts having found substantial issues of fact which in their opinion could be resolved only upon trial. As to the latter three claims, the defendant sought to dismiss them for want of jurisdiction over the subject matter [FED. R. CIV. P. 12(b)(1) & (6)], stressing that these were actions based on alleged infringement of *foreign* patents occurring within *foreign* countries. The district court denied the motion, and the court of appeals affirmed, stating that "[a]ll that we can decide at this time is that the District Court was correct in denying the motion for a dismissal of the suit because of lack of jurisdiction. Whether the doctrine of ancillary jurisdiction should be applied should be determined by the District Court after it has interpreted the various rights of the parties under the contract." Principal case at 158.

5. Other than cases which involved legislation specifically authorizing the Court of Claims to exercise jurisdiction over designated claims of foreign patent infringement against the United States, no case has been found in which an American court has adjudicated the questions of infringement and/or validity of a foreign patent. *See, e.g.,* *Grissinger v. United States*, 77 Ct. Cl. 106, *cert. denied*, 290 U.S. 676 (1933); *Yassin v. United States*, 76 F. Supp. 509 (Ct. Cl. 1948). Some scholars, however, have taken the position that a claim of patent infringement can be maintained in a foreign tribunal if there is jurisdiction over the defendant. *See* 2 E. RABEL, *THE CONFLICT OF LAWS: A COMPARATIVE STUDY* 295, n.171 (2d ed. 1960).

6. Principal case at 154.

7. "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights, and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases." 28 U.S.C. § 1338(a) (1964). *See* *General Elec. Co. v. Marvel Rare Metals Co.*, 287 U.S. 430 (1932); *French Renovating Co. v. Ray Renovating Co.*, 170 F.2d 945 (6th Cir. 1948); *Laning v. National Ribbon & Carbon Paper Mfg. Co.*, 125 F.2d 565 (7th Cir. 1942).

8. The object in placing the subject matter of patents under the control of Congress and within the exclusive jurisdiction of the federal courts was to give holders of domestic patents the same rights and privileges without regard to state law. However, just because a patent or a patent right is involved in a cause of action does not necessarily mean that the federal courts have jurisdiction over the controversy. For example, the

Moreover, despite the fact that there is no federal question subject-matter jurisdiction over foreign patents, a federal court which has diversity of citizenship jurisdiction is usually said to have the power to bind parties before it regardless of the nature of the claim.⁹

The only cases that have even peripherally dealt with the power of an American court to decide foreign patent claims have arisen in federal courts. In *Goodyear Tire & Rubber Co. v. Rubber Tire Wheel Co.*,¹⁰ the plaintiff sought to enjoin the defendant from bringing suit in Cuba for patent infringement on the ground that the subject of the Cuban suit was the same American patent which had been the subject of earlier American litigation between the parties. The Federal District Court for the Southern District of Ohio found that the subject of the Cuban action was in fact a separate Cuban patent and denied the injunction. In its discussion, the court noted that under Cuban law the validity of a patent was presumed, although it could be judicially contested. However, it refused to examine the validity of the Cuban patent and stated that it "must stay its hand and permit the Cuban courts to determine whether the Cuban grant has or has not been infringed."¹¹ Clearly a determination of the validity of the foreign patent was unnecessary to resolve the issue raised by the complaint;¹² in addition, there was no reason for an American court to decide the question of Cuban law since the action was already before a Cuban court, undoubtedly a better forum to decide the issue. Thus, on its facts, the decision cannot be read as establishing a broad policy of abstention with regard to foreign patent claims.

mere fact that a patent is the subject matter of a suit in contract would in no way deprive a state court from hearing the case. See *Briggs v. United Shoe Mach. Co.*, 239 U.S. 48 (1915); *Pratt v. Paris Gas, Light & Coke Co.*, 168 U.S. 255 (1896); *Zemba v. Rodgers*, 87 N.J. Super. 518, 210 A.2d 95 (Super Ct. 1965); *Reddi-Wip, Inc. v. Lemay Valve Co.*, 354 S.W.2d 913 (St. Louis Ct. App. 1962).

9. Cf. *Fall v. Eastin*, 215 U.S. 1, 15 (1909) (Holmes, J., concurring); A. EHRENZWEIG, *CONFLICT OF LAWS* 209-11 (1962). There are, however, two important areas—domestic relations and probate matters—where the federal courts will not act despite the existence of diversity jurisdiction. See C. WRIGHT, *FEDERAL COURTS* 72-73 (1963); Vestal & Foster, *Implied Limitations on the Diversity Jurisdiction of Federal Courts*, 41 MINN. L. REV. 1 (1956).

10. 164 F. 869 (S.D. Ohio 1908).

11. *Id.* at 872.

12. Goodyear's standing to raise the issue of the validity of the Cuban patent is established by a line of cases which create an exception to the general rule that a person has no standing to challenge the validity of a patent unless the patentee has charged such person with infringement of the patent. This exception recognizes the standing of a supplier whose business interests are adversely affected by the patentee's infringement suit (or threat thereof) against the supplier's customers. See, e.g., *Tremond Co. v. Shering Corp.*, 122 F.2d 702 (3d Cir. 1941); *Dal-Bac (Pty), Ltd. v. Firma Astorwerk Otto Berning & Co.*, 244 F. Supp. 513 (S.D.N.Y. 1965); *Foster Grant Co. v. Polymer Corp.*, 185 F. Supp. 619 (E.D. Pa. 1960).

However, in *Vanity Fair Mills, Inc. v. T. Eaton Co.*,¹³ the Court of Appeals for the Second Circuit unquestionably did advocate a rule of non-intervention with respect to foreign *trademarks* by refusing to permit the exercise of jurisdiction in a case which involved an allegedly invalid and infringing Canadian trademark.¹⁴ The plaintiff, a Pennsylvania corporation, had been engaged in selling and manufacturing under the registered American trademark "Vanity Fair" since 1914 in the United States and since 1917 in Canada. The defendant, a Canadian corporation producing and selling a similar product line, had registered the same trademark in Canada in 1915. Plaintiff's request for the registration of his trademark in Canada in 1919 had been denied because of the defendant's prior registration. After more than thirty years of peaceful co-existence between the parties, the plaintiff brought suit in a United States federal court, alleging superior rights and claiming that the defendant's Canadian trademark was invalid. Plaintiff also requested that the defendant be enjoined from using the trademark in both the United States and Canada. Fearing a conflict with the Canadian courts and envisioning difficulties of enforcing any judgment it might render, the court invoked the doctrine of *forum non conveniens* and dismissed the action.¹⁵

Two other trademark cases, *Bulova Watch Co. v. Steele*¹⁶ and *Ramirez & Feraud Chili Co. v. Las Palmas Food Co.*,¹⁷ have reached the opposite conclusion and permitted the issuance of injunctions which affected foreign trademarks. Both were situations in which plaintiffs registered their trademarks under American law and defendants subsequently registered the same mark under Mexican law.¹⁸ In granting relief, the majority opinions emphasized that they

13. 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871, *rehearing denied*, 352 U.S. 913 (1956). At least one scholar calls this "probably . . . the leading case in the field." See EHRENZWEIG, *supra* note 9, at 561 n.31.

14. Although *Vanity Fair* is a case dealing with a claim for trademark, rather than patent, infringement, the facts are sufficiently similar to provide a worthwhile analogy.

15. In invoking the doctrine of *forum non conveniens* the court said, "[w]e do not think it the province of United States district courts to determine the validity of trademarks which officials of foreign countries have seen fit to grant." 234 F.2d at 647. The court, however, allowed the plaintiff thirty days in which to amend his complaint to state separately the American issues. *Id.* at 648.

16. 194 F.2d 567 (5th Cir.), *aff'd*, 344 U.S. 280 (1952). The affirmance has no relevance to the principal case because Mexico had invalidated Steele's patent prior to the Supreme Court hearing. *Id.* at 289.

17. 146 F. Supp. 594 (S.D. Cal. 1956), *aff'd per curiam*, 245 F.2d 874 (9th Cir. 1957), *cert. denied*, 355 U.S. 927 (1958).

18. In *Bulova Watch*, the plaintiff, an American corporation, was doing business in the United States under a registered United States trademark. Although he had not registered his trademark in Mexico, he was advertising in that country, and a considerable number of purchases in the United States resulted from such advertising. Defendant, an American citizen, subsequently registered the "Bulova" trademark in Mexico and proceeded to sell watches in that country. The court found, however, that certain of defendant's watch parts were being made in the United States and furthermore,

did not intend to invalidate the foreign trademarks, although the injunctions may have had substantially the same impact.¹⁹ Both *Bulova Watch* and *Ramirez* are distinguishable from *Vanity Fair*, however, in that they concerned defendants who were citizens of the United States and involved acts which had a significant effect on United States commerce.²⁰ Yet, the citizenship factor may be of minor importance when a substantial American policy is involved, as was stressed in *United States v. Imperial Chemical Industries, Ltd.*²¹ In the *Imperial Chemical* case, involving a suit brought by the government alleging violations of the Sherman Antitrust Act, the federal District Court for the Southern District of New York found that the violations had been effected primarily by agreements which called for exclusive licenses and an exchange of patents. The court decreed compulsory licensing of certain American patents at reasonable royalties, and, in addition, required Imperial Chemical Industries, a British corporation, to grant the licensees immunity from suit under the British patents. Thus, the American court purported to limit a foreign corporation's otherwise valid foreign patents by qualifying their use within the territory of the granting sovereign. In this case, testimony was elicited from an expert in British law that "a provision for granting immunities is contrary to British public policy and that a British court will not enforce such a provision in the judgment of a court in a foreign jurisdiction."^{21a} Nonetheless, the court justified its "regulation of the exercise of rights granted by a foreign government" by reasoning that "it is not an intrusion on the authority to remove the harmful effects on the trade of the United States."²² Ity of a foreign sovereign for this court to direct that steps be taken

that many of the watches containing these parts were being brought back into the United States. On these findings the court concluded that the "resultant damage in the United States to the reputation and good will of the Bulova Watch Company" constituted a violation of American law and consequently enjoined the defendant from further use of the Mexican trademark. 194 F.2d at 572. In applying the Lanham Trade-Mark Act [15 U.S.C. § 1051 (1964)] beyond the boundaries of the United States, the court reasoned that, although they were impinging on a valid foreign trade-mark, "[i]t could not be contended that [defendant] Steele's Mexican Trade Mark placed upon him any duty to use the name 'Bulova'. The Republic of Mexico was not interested in his exercise of the privilege purportedly granted." 194 F.2d at 571. *But see Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 647 (2d Cir.), *cert. denied*, 352 U.S. 871, *rehearing denied*, 352 U.S. 913 (1956), where the court said, "[w]e do not think it the province of United States district courts to determine the validity of trade-marks which officials of foreign countries have seen fit to grant." The facts of the *Ramirez* case are virtually identical to those of *Bulova Watch*. *See also Vacuum Oil Co. v. Eagle Oil Co.*, 154 F. 367 (D.N.J. 1907), *aff'd*, 162 F. 671 (3d Cir. 1908), *cert. denied*, 214 U.S. 515 (1909).

19. 194 F.2d 567, 572 (5th Cir. 1962) (Russell, J., dissenting).

20. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir.), *cert. denied*, 352 U.S. 871, *rehearing denied*, 352 U.S. 913 (1956).

21. 105 F. Supp. 215 (S.D.N.Y. 1952).

21a. *Id.* at 228.

22. *Id.* at 228-29.

The foregoing cases illustrate that American courts, having personal jurisdiction over the defendants, will interfere with the exercise of patent rights granted by a foreign sovereign when such an interference is necessary to enforce a significant United States policy.²³ In none of these cases, however, did a court indicate a willingness to interfere with rights conferred by a foreign government when there was no impact on American law or policy.

The reluctance of a court to determine foreign patent rights even when it has jurisdiction over the parties stems from the peculiar nature of the patent right.²⁴ A patent right is a property right, and an invasion of that right in the form of an infringement constitutes a tort.²⁵ Once the defendant alleges invalidity of the plaintiff's patent, the action assumes the appearance of an *in rem* proceeding since the court is then asked to rule on the validity of a grant of title by a foreign sovereign.²⁶ Not only does an adjudication by a court other than one of the granting country invade traditional notions of sovereignty, but also the foreign jurisdiction might not honor the decision. While the American court can always enforce its judgment domestically,²⁷ there are obvious difficulties with enforcement in the foreign state when the parties involved are not American citizens.²⁸ The problem is particularly acute should the American court hold that the plaintiff's patents are invalid. For example, if an American court invalidates the patent in a suit for infringement brought by the patentee, the foreign jurisdiction may refuse to recognize the judgment and may uphold the patent in a subsequent suit for royalties brought by the patentee against his licensees.²⁹ The patentee is

23. Cf. EHRENZWEIG, *supra* note 9, at 74-76.

24. 4 WALKER ON PATENTS § 219, at 41-46 (2d ed. 1965).

25. Sandusky Foundry & Machine Co. v. De Lavaud, 251 F. 631 (N.D. Ohio 1918).

26. Trespass to land actions are likewise said to have an "in rem" character because title to the land may be placed in dispute, and consequently, these suits are categorized as local actions in some jurisdictions. See cases collected in Annot., 113 A.L.R. 940 (1938); notes 33-35 *infra* and accompanying text.

27. If the American court has proper jurisdiction and the parties remain within the United States, the principle of *res judicata* will give sufficient force to the judgment. Both an award in favor of the plaintiff for damages [see 28 U.S.C. § 1963 (1964)] and an injunction barring domestic infringement would be honored by other federal courts. A judgment against the plaintiff, on the other hand, could be enforced by enjoining him from bringing subsequent actions in the foreign forums. See *Goodyear Tire & Rubber Co. v. Rubber Tire Wheel Co.*, 164 F. 869 (S.D. Ohio 1908).

28. It is a well-established principle that courts are extremely reluctant to adjudicate a case if it appears that the judgment will not be enforced. However, courts do not always assume that a foreign tribunal will deny comity to their decision. See, e.g., *United States v. Imperial Chemical Industries Ltd.*, 105 F. Supp. 215, 229-30 (S.D.N.Y. 1952); *Hertz System, Inc. v. McIlree*, 26 Ill. App. 2d 390, 168 N.E.2d 468 (1960). An interesting sidenote to the *Imperial Chemical Industries* case is that the British court subsequently enjoined Imperial from complying with that portion of the American decree which had an adverse effect upon another British corporation which had not been a party to the American case. See *British Nylon Spinners Ltd. v. Imperial Chemical Industries*, [1952] 2 All E.R. 780 (Ct. App.); [1954] 3 All E.R. 88 (Ch.).

29. It should be noted that once a patentee has foreign licensees under his patent,

then in the ridiculous position of being able to enforce his patent against everyone except the initial infringer.³⁰

There are other reasons that have led courts to conclude that they should abstain from deciding a claim based on a foreign patent. Such claims force a court to confront a very technical area of a foreign legal system.³¹ Courts are undoubtedly justified in concluding that the respective foreign tribunal is better equipped to interpret its own laws and that it is more substantially interested in the outcome of the litigation. In addition, the underlying policy of the law to be enforced and its remedies may be so inextricably tied to the economic and social system of the granting nation that it is alien to the American system.³²

The problems that arise with respect to the adjudication of foreign patents are similar to those that arise when dealing with title to foreign land. A curious doctrine has developed in the American interstate context to assure that only local courts decide title to land within their jurisdiction.³³ The local action rule requires that local actions—that is, certain actions concerning real estate—

the argument that the court is only regulating the conduct of its citizens is no longer accurate since a declaration that a patent is invalid allows the alleged infringer to continue producing, a fact which may have a significant impact on the property rights of all the licensees.

30. Of course, an analogous result can occur in an entirely domestic situation because of the proposition that a licensee is estopped from challenging the validity of a patent in a suit for royalties by the patentee. *See, e.g.,* Automatic Radio Mfg. Co. v. Hazeltine, 339 U.S. 827 (1950); Baldwin Rubber Co. v. Paine & William Co., 99 F.2d 1 (6th Cir. 1938); JFD Electronics Corp. v. Channel Master Corp., 229 F. Supp. 514 (S.D.N.Y. 1964). *But see* Sola v. Jefferson, 317 U.S. 173 (1942). The problem in the domestic situation, however, is somewhat alleviated because of the effect of a prior judgment of patent invalidity on the licensing contract. That is, "when a licensee is actually evicted from his contract use of a patent by decision of court of its invalidity, the contract falls as to liability for further royalties, through failure of consideration." Thomson Spot Welder Co. v. Oldberg Mfg. Co., 256 Mich. 447, 449, 240 N.W. 93, 94 (1932).

31. American courts have applied foreign law on many previous occasions, and this fact *in itself* should present no problems. *See, e.g.,* Karros v. S/S Lyric, 247 F. Supp. 554 (E.D. Va. 1965) (Liberian law); Hertz System, Inc. v. McIlree, 26 Ill. App. 2d 390, 168 N.E.2d 468 (1960) (Australian law). For a discussion of some of the problems involved when foreign law is to be applied, *see* EHRENZWEIG, *supra* note 9, at 359-68. *See also* Miller, *Federal Rule 44.1 and the "Fact" Approach To Determining Foreign Law: Death Knell for a Die-Hard Doctrine*, 65 MICH. L. REV. 615 (1967).

For a basic sketch of the characteristics of the patent systems involved, *see* H. SCHADE, PATENTS AT A GLANCE (1964); Olcott, *Realistic Aspects of Working Foreign Patents*, 45 J. PAT. OFF. SOC'Y 315 (1963) (compulsory licensing); Public Lecture and Discussion Series, *Current Developments in Industrial Property Rights in Latin America and the Relation Thereto of Antitrust and Trade Practice Laws and Policies*, 7 PAT., T.M. & COPYR. J. RES. ED. 277 (1963).

32. *See* note 50 *infra*. The general rule is that an American court will not refuse to honor foreign law *per se* unless the law is repugnant to American policy or is of a penal or revenue nature. *See generally* EHRENZWEIG, *supra* note 9, at 170-73, 202-04; *cf.* Ambatielos v. Foundation Co., 203 Misc. 470, 116 N.Y.S.2d 641 (Sup. Ct. 1952).

33. *See* F. JAMES, CIVIL PROCEDURE § 12.1, at 616-18 (1965); 1 J. MOORE, FEDERAL PRACTICE ¶ 0.142[2.-2], at 1463-66 (1960) [hereinafter cited as MOORE].

be brought in the jurisdiction where the land lies.³⁴ The distinction between local and transitory actions represents the vestige of an early doctrine developed under the British common law.³⁵ Under pre-fourteenth century English practice, all claims were litigated where the cause of action arose. This allocation of judicial business complimented the early jury's function as a fact-gathering body. The only court which could exercise jurisdiction was one which could produce jurors familiar with the dispute.³⁶ However, when litigation became so complex that no jury could be familiar with all the facts, the jury evolved into an impartial trier of fact, and the local action rule disappeared except in a few cases in which the claim was uniquely associated with one locale, a situation which usually involved land.³⁷ It was this limited exception which gave rise to the distinction between local actions, which could be brought only where the res was situated, and transitory actions, which could be brought wherever jurisdiction over the parties could be obtained.³⁸

The local-transitory distinction became imbedded in American jurisprudence with Chief Justice Marshall's opinion in *Livingston v. Jefferson*.³⁹ As a concept the local action has survived,⁴⁰ although it is unclear what types of actions are local⁴¹ and whether the rule relates to venue or subject-matter jurisdiction.⁴² While the historic

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.*

38. See Currie, *The Constitution and the "Transitory" Cause of Action*, 73 HARV. L. REV. 36, 66-69 (1959).

39. 15 F. Cas. 660 (C.C.D. Va. 1811). In *Livingston*, the plaintiff brought suit in a Virginia federal court on grounds of diversity of citizenship and charged the defendant, a Virginia resident, with trespass to land located in New Orleans. The defendant objected to the venue of the action, and the court, applying English law, found the action to be local in nature and therefore dismissed the claim. The court ruled that venue was proper only in Louisiana and that the plaintiff could obtain relief only if the defendant was served and suit begun in that state. The defendant, of course, avoided entering Louisiana, and the plaintiff was denied any opportunity for relief.

40. See Note, *Local Actions in the Federal Courts*, 70 HARV. L. REV. 708 (1957). Several jurisdictions, however, have refused to follow *Livingston v. Jefferson*. See *Reasor-Hill Corp. v. Harrison*, 220 Ark. 521, 249 S.W.2d 994 (1952); *St. Louis Smelting & Refining Co. v. Haban*, 357 Mo. 436, 209 S.W.2d 119 (1948); *Ingram v. Great Lakes Pipeline*, 153 S.W.2d 547 (Kan. City Ct. App. 1941); N.Y. REAL PROP. ACTIONS § 121 (McKinney 1963).

41. Congress has never defined the distinction between transitory and local actions. Lord Mansfield, however, believed that the distinction should parallel the in personam—in rem distinction, but not all courts have followed this line of reasoning. For a complete discussion and list of exemplary cases, see 1 W. BARRON & A. HOLTZOFF, FEDERAL PRACTICE AND PROCEDURE § 72, at 366 (Wright ed. 1960) [hereinafter cited as BARRON & HOLTZOFF]; 1 MOORE ¶ 0.142[2.-1], at 1454-61. It is also unclear whether state or federal law is to be applied to determine whether a particular action is local or transitory. As early as *Livingston v. Jefferson*, it was suggested that the federal courts could make their own determinations without reference to state law. See 1 BARRON & HOLTZOFF, § 72, at 367; 1 MOORE, ¶ 0.142[2.-1], at 1461-62.

42. Most courts treat the matter as one of venue and thus as a defense which is

reasons for the local-transitory dichotomy have disappeared, other policies give viability to the difference between venue rules for the two types of actions. The venue requirements applicable to a transitory action insure that the lawsuit will be tried in a forum convenient to the litigants: they are framed in terms of residence, doing business, or place of occurrence of the cause of action.⁴³ When the action is local, venue requirements protect the sovereignty or peculiar local interest of the state in which the res is located⁴⁴ by requiring that the action be brought there.⁴⁵

In his concurring opinion in *Ortman*, Judge Fairchild recognized the possible characterization of a foreign patent claim as a local action.⁴⁶ Although he never gave a definitive answer to the question whether a foreign patent claim is a local or transitory action, he did note that "[t]heoretically it is possible for a state to regard almost any sort of extrastate cause of action as local, but the current trend is toward readier enforcement of claims arising under foreign laws."⁴⁷ While infringement claims based on American patents are regarded by courts of the United States as transitory actions,⁴⁸ arguably infringement claims based on foreign patents are local actions since the existence of the patents relies on the exercise of the sovereign power of a foreign nation.⁴⁹ In addition, foreign in-

waived if not properly raised. Other courts have held that the commencing of an action in a district other than where the res is situated is an incurable defect, implying that the issue is jurisdictional and goes to the competence of the forum. See 1 BARRON & HOLTZOFF, § 72, at 367; 1 MOORE ¶ 0.142[2.1], at 1463.

43. 28 U.S.C. § 1391 (1964).

44. See 1 BARRON & HOLTZOFF, § 71, at 358; EHRENZWEIG, *supra* note 9, at 140.

45. Cf. 28 U.S.C. § 1392(b) (1964); see also 1 BARRON & HOLTZOFF, § 72, at 363-64; 1 MOORE ¶ 0.142[2.-1], at 1455.

46. 371 F.2d 159-60.

47. *Id.* at 159.

48. With respect to actions arising out of the patent laws of the United States, at least one early case explicitly held that infringement was a transitory tort. See *Sandusky Foundry & Mach. Co. v. De Lavaud*, 251 F. 631 (N.D. Ohio 1918). The subsequent passage of title 28 U.S.C. § 1400(b) (1964), however, has removed any need for speculation. This section provides that: Any civil action for patent infringement *may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.* (Emphasis added.)

49. The infringement of a foreign patent may be so analogous to a trespass to land action that a foreign infringement action should be deemed local in nature. See generally 1 BARRON & HOLTZOFF § 72, at 361-69; EHRENZWEIG, *supra* note 9, at 103-07; 1 MOORE ¶ 0.142[2.-1]-[2.-3], at 1454-72; Currie, *The Constitution and the "Transitory" Cause of Action*, 73 HARV. L. REV. 36, 66-68 (1959); Note, *Local Actions in the Federal Courts*, 70 HARV. L. REV. 708 (1957).

The patent is a sovereign grant of property which has vitality or "existence," and can be infringed only within the territory of the issuing sovereign. It thus becomes essential to understand the difference between a local action vis-à-vis separate countries and a local action vis-à-vis separate states within a country. In other words, an American patent can be infringed anywhere in the country, and since the patent is a federally-created right against which the states cannot exert barriers, it is logical to define the venue in transitory terms. However, once the relationship in question is between two sovereign nations rather than two states within a country, the problem is

fringement claims are similar to traditional local actions, such as disputes over land titles, in that their proper adjudication is totally governed by a body of local law and related to a body of local records which are most thoroughly understood by the courts of the granting state.⁵⁰

While the local action doctrine has been severely criticized as perpetuating the myth of the sovereign state in a federal system, where in fact the states can be compelled by the federal government to implement each other's judgments,⁵¹ it would appear to have continuing vitality in the international setting. Furthermore, the argument that the question is peculiarly one of local law is much more persuasive when dealing with actions under foreign patents than with actions based on the property law of another state in the same federal system.

The majority in *Ortman* in relying on ancillary jurisdiction⁵² apparently believed that it did not have to resolve the question of whether the foreign infringement action was local or transitory.⁵³

modified significantly since it is clear that the particular infringement in question could have occurred only within one country, and that country may be deeply interested in adjudicating such actions. The difficulty then, is simply that, while a patent is not *totally* immovable in the sense that land is, it is immovable in a very real sense as between nations. Moreover, once the defense of invalidity is raised, an action on a foreign patent appears even more characteristically local since the title of a foreign *res* must now be examined.

On the other hand, a court can, for the most part, define issues as it chooses, and torts, other than those involving real property, have always been denominated as transitory. Here, as in any other tort action, the relief sought is in personam, and even with respect to the question of invalidity which is really just incidental to the main action, the court can bind only those parties which are before it. In addition, in view of the origin and development of the local-transitory concept, there is ostensibly no logic for preserving the doctrine, much less for extending it.

50. In the area of patent law, a court will be unlikely to arrive at the correct result if it is only familiar with the technical rules which in theory control questions of patentability and infringement, because the proper application of these rules is in turn governed by various national economic and social policies. Thus, an American court deciding a claim of infringement based on a foreign patent would be required to delve deeply into the legal, economic, and social fabric of the patenting nation in order to make an informed disposition of the claim. Even then it would be dealing with highly complex and extremely delicate matters better left for consideration by the foreign forum.

51. Kurland, *The Supreme Court, the Due Process Clause and the In Personam Jurisdiction of State Courts*, 25 U. CHI. L. REV. 569, 585 (1958); cf. Currie, *Full Faith and Credit to Foreign Law Decrees*, 21 U. CHI. L. REV. 620, 666-67 (1954); Note, 73 HARV. L. REV. 909, 912 (1960).

52. The court in *Ortman* did not distinguish between ancillary and pendent jurisdiction. Pendent jurisdiction, which deals with the joinder by the plaintiff of multiple claims, only one of which is cognizable as a matter of federal jurisdiction, is recognized today as an example of ancillary jurisdiction. See 1 BARRON & HOLTZOFF § 23, at 93-102. For the original limitations of ancillary jurisdiction, see Note, *Pendent Jurisdiction: An Expanding Concept in Federal Court Jurisdiction*, 51 IOWA L. REV. 151, 155-56 n.29 (1965). While *Ortman* technically involved the application of pendent jurisdiction, this Note will use the terms ancillary and pendent interchangeably as did the court.

53. It should be noted that the plaintiff also relied on the Convention of Paris for the Protection of Industrial Property of March 20, 1883, as a basis for federal jurisdic-

But the court should have directed its attention to whether it could exercise ancillary jurisdiction if, in fact, the foreign patent claim was a local action.⁵⁴ The doctrine of ancillary jurisdiction allows federal courts to entertain a claim not otherwise within their jurisdiction when that claim is so closely connected with another claim having a federal jurisdictional base that it forms "one constitutional case."⁵⁵ The concept developed as the result of an effort by the federal judiciary to cope with procedural problems created by parallel state and federal litigation for invasion of the same, or similar, legal rights. Originally, its application was restricted to cases in which a federal court exercised jurisdiction over property which was also the subject of a related proceeding in a state court. In such circumstances, the use of ancillary jurisdiction assured the plaintiff a forum in which he could obtain total relief, since a state court was powerless to render a judgment regarding property within the control of a federal court.⁵⁶ Subsequently, due to considerations of "judicial economy, convenience, and fairness to litigants,"⁵⁷ the scope of the ancillary jurisdiction doctrine was expanded to allow the adjudication of non-federal claims when the court believed justice would be furthered by a single disposition of the case.⁵⁸

If the local action rule is one of subject-matter jurisdiction,⁵⁹ the determination of whether to take ancillary jurisdiction over a local action requires a choice between conflicting jurisdictional theories. The usual justification for the exercise of ancillary jurisdiction stresses the additional convenience to the litigants and to the judicial system of having related claims adjudicated in one proceeding. But the policies underlying the local action rule—the protection of sovereignty, the reluctance to enter unenforceable judgments, and the hesitancy to expend judicial time to investigate the peculiari-

tion. This Convention has since undergone numerous revisions, but the most recent, the Lisbon Text of 1958, was ratified by this country in 1960 and came into effect in 1962. See 13 U.S.T. 1 (1962). Plaintiff sought to rely on art. 2(1) which provides that:

Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals, without prejudice to the rights specially provided by the present convention. Consequently they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed upon nationals.

13 U.S.T. 1, 26 (1962). The court rejected this alleged basis of jurisdiction on the grounds that the Convention is not self-executing and that its ratification by the United States, without more, could not serve to make the provisions a basis for federal jurisdiction.

54. The question whether ancillary jurisdiction extends to local pendent claims never arose under the "single cause of action" test of *Hurn v. Oursler* [289 U.S. 238 (1933)] because under that test a local claim could not be pendent to a transitory claim for there would then have been two causes of action.

55. *United Mine Workers of America v. Gibbs*, 383 U.S. 715, 725 (1966).

56. See 1 BARRON & HOLTZOFF § 23, at 93-95.

57. *United Mine Workers of America v. Gibbs*, 385 U.S. 715, 726 (1966).

58. *Id.* at 727.

59. See note 42 *supra*.

ties of another jurisdiction's body of law and procedure—provide a serious counterweight to any cavalier assumption that convenience is being promoted. When the local claim is based on the law of a foreign country, as in the principal case, the considerations affecting the choice of jurisdictional principles become even more complicated.

The court's application of the ancillary jurisdiction doctrine to a claim based on foreign law, whether that claim is transitory or local, is itself unusual. For the most part, ancillary jurisdiction has been utilized to adjudicate related claims based on state law. Although the court cited no precedent for its position and appeared to struggle⁶⁰ with the language of the Supreme Court in *United Mine Workers v. Gibbs*,⁶¹ the decision's extension of ancillary jurisdiction to claims based on foreign law is not wholly novel. The court's reliance on the "reasoning . . . in Gibbs" to support its conclusion that ancillary jurisdiction is proper regardless of the source of the law involved appears sound.⁶² The goal of convenience is served by this extension, since had the court in *Ortman* declined to dispose com-

60. 371 F.2d at 158.

61. 385 U.S. 715 (1966).

62. Although the vast majority of cases have utilized the doctrine of pendent jurisdiction to adjudicate claims based on state law, there have been some exceptions which indicate that the nature of the ancillary claim is irrelevant. *See, e.g.,* *Romero v. International Terminal Operating Co.*, 358 U.S. 354, 380 (1959) (related claims based on the federal maritime law may be pendent to claims arising under the Jones Act); *Kane v. Central American Mining & Oil, Inc.*, 235 F. Supp. 559 (S.D.N.Y. 1964) (related claims based on Panamanian corporate law can be pendent to claims based on the Securities and Exchange Act of 1934); Note, *Pendent Jurisdiction: An Expanding Concept in Federal Court Jurisdiction*, 51 *IOWA L. REV.* 151, 157 (1965). More specifically, although 28 U.S.C. § 1338(b) (1964) grants ancillary jurisdiction in patent cases to the federal courts only where the related claim is one of unfair competition, the legislative background of the statute would seem to indicate that it was not intended to be restrictive, but rather was written to extend federal jurisdiction by codifying the rule of *Hurn v. Oursler*. *Barron, The Judicial Code*, 8 *F.R.D.* 439, 442 (1949), states in pertinent part that:

Subsection (b) of section 1338 is new. It is added to give to district courts original jurisdiction of any civil action asserting a claim for unfair competition when joined with a substantial and related claim under the patent, copyright or trade-mark laws. The Supreme Court in *Hurn v. Oursler* [citation omitted] held that such a claim of unfair competition of which a federal court has no original jurisdiction is nevertheless within its ancillary jurisdiction when it arises from the same acts which give rise to the claim of copyright infringement.

The statutory confirmation of the jurisdiction of federal courts in cases like these should not be regarded either as an extension or limitation of ancillary jurisdiction in other cases or other circumstances.

See C. WRIGHT, *FEDERAL COURTS* § 20, at 57 (1963); *River Brand Rice Mills, Inc. v. General Foods Corp.*, 334 F.2d 770 (5th Cir. 1964); *Kleinman v. Betty Dain Creations*, 189 F.2d 546 (2d Cir. 1951); *Artvale, Inc. v. Rugby Fabrics Corp.*, 232 F. Supp. 814, 821-23 (S.D.N.Y. 1964) (the court in a patent case utilized ancillary jurisdiction to adjudicate a compulsory counterclaim although § 1338(b) was clearly inapplicable to the particular claim); *Finnerty v. Wallen*, 77 F. Supp. 508 (N.D. Cal. 1948) (the court stated, about a month before the enactment of § 1338, that the rule of *Hurn v. Oursler* applied to a claim of patent infringement joined with a claim based on a royalty contract); Note, *The Evolution and Scope of the Doctrine of Pendent Jurisdiction in the Federal Courts*, 62 *COLUM. L. REV.* 1018 (1962); Note, *Pendent Jurisdiction: An Expanding Concept in Federal Court Jurisdiction*, 51 *IOWA L. REV.* 151 (1965).

pletely of the foreign patent claims, the plaintiff might have been forced to bring separate suits in the foreign countries.

Moreover, in terms of the history of the ancillary jurisdiction doctrine, there is perhaps even less reason to object to encompassing foreign claims within its scope. One of the greatest apprehensions expressed by critics of the doctrine was that a constant expansion of federal jurisdiction would cause intrusions on judicial business more appropriately within the province of the states.⁶³ When foreign patent claims are involved, state courts, having no state policy to advance, could not possibly claim a more relevant nexus than a federal forum.⁶⁴

Thus, in deciding whether the exercise of ancillary jurisdiction is appropriate, if the foreign law claim is transitory, the considerations of convenience outweigh the inconvenience to the federal court of acquiring sufficient expertise in the relevant foreign law to adjudicate the claim, and the inconvenience to the litigants of resolving their dispute before a court which may have an imperfect grasp of the relevant law. If the foreign claim is a local one, however, and if the local action rule is considered jurisdictional, the problems of inconvenience to the court are raised to jurisdictional stature. A balancing of ancillary jurisdiction's promotion of single-action adjudication convenience against the local action rule's promotion of the convenience of local adjudication of certain foreign law matters does not result in an equilibrium of scales. Those foreign law matters with which the local action rule deals are peculiarly complex for they are concerned with a res of the foreign sovereign. Arguably, the anti-convenience aspects combined with the policy of protecting sovereignty underlying the local action rule outweigh the convenience policies behind the ancillary jurisdiction rule, and ancillary jurisdiction should not be extended to encompass this type of local claim.

The same considerations are applicable if the local action concept is one of venue.⁶⁵ When a court takes ancillary jurisdiction over a transitory action, fulfillment of the venue requirement for the main claim satisfies the venue requirement for the entire action.⁶⁶

63. *United Mine Workers v. Gibbs*, 383 U.S. 715, 726, n.15 (1966).

64. 28 U.S.C. § 1333(a) (1964) divests the state courts of jurisdiction only with respect to claims arising out of the patent laws of the United States. Therefore, at least in theory, it is possible for the state courts to adjudicate claims based on foreign patents if there is personal jurisdiction over the parties. However, it is highly unlikely that a state court would ever assert its power in such a case. It is even more unlikely that a state court would assert jurisdiction over a foreign claim after its federal counterpart had just dismissed the action on grounds of *forum non conveniens*. *Cf. Ohio ex rel. Popovici v. Agler*, 280 U.S. 379 (1930).

65. *See* note 42 *supra*.

66. 1 BARRON & HOLTZOFF § 72, at 360, nn.9, 10; 1 MOORE ¶ 0.140(5), at 1334; Note, 73 HARV. L. REV. 1164 (1960).

However, since the local action rule is not predicated on litigant convenience but rather is intended to protect the right of a sovereign state to adjudicate a dispute involving its res,⁶⁷ the usual justification for ancillary venue—no additional inconvenience to the litigants—is irrelevant. Thus, whether the local action doctrine is one of subject matter jurisdiction or of venue, the court in the principal case should have dismissed the foreign patent infringement claims if they were found to be local actions.

Despite these analytical difficulties, the court in *Ortman* held that the foreign claim could be properly adjudicated in the lower court. If it reached this result by assuming that ancillary venue applied to a local action,⁶⁸ it may have engaged in an exercise of label-swapping. Recall that Judge Fairchild noted that there was diversity of citizenship in the principal case.⁶⁹ As he pointed out, if the claim were transitory, venue was proper since the action was brought where the plaintiff resided.⁷⁰ However, if the claim were local, venue was improper and the claim should have been dismissed. The majority, by choosing to characterize its jurisdiction as ancillary and by ignoring its diversity jurisdiction, obliterated the venue problems. This result suggests that whenever a court can characterize its jurisdiction as either ancillary or diversity, it can adjudicate a foreign local claim by labeling it ancillary, even though the venue defect would require dismissal should the court characterize its jurisdiction as diversity. Such a manipulation appears to be a perversion of the underlying premise of ancillary jurisdiction, which assumes that a claim rides the coattails of the main claim only because there is no other jurisdictional base. Furthermore, by engaging in this type of semantic game, the court effectively undermines whatever policies justify the local action rule.

On the other hand, it might be entirely proper for a court to finesse the venue problem by relying on ancillary jurisdiction. Otherwise, the anomaly results that when the appended foreign patent claim involves diverse parties, it will be dismissed for improper

67. See notes 44 & 45 *supra*.

68. Most likely, the court never engaged in any of this analysis but rather summarily applied ancillary jurisdiction.

69. 371 F.2d at 159.

70. Presumably, 28 U.S.C. § 1391 (1964) is the venue provision governing a foreign patent claim where jurisdiction is based on diversity of citizenship. An argument can be made, however, that 28 U.S.C. § 1400(b) (1964) is applicable to foreign infringement claims, notwithstanding § 1338 which limits federal jurisdiction to American patents. The language of § 1400(b) refers to venue over "claims of patent infringement" while the jurisdictional statute § 1338 refers specifically to claims arising out of acts of Congress. Furthermore, § 1400(a) refers to venue over copyright infringement actions only where they arise under acts of Congress. While the discrepancy between § 1400(a) and (b) may be attributed to inaccurate draftsmanship, perhaps it indicates an intention that § 1400(a) should operate as the appropriate venue provision when a foreign patent claim is before the court on diversity grounds.

venue, but when the parties are not diverse the court will cure both jurisdiction and venue defects through the doctrine of pendent jurisdiction.⁷¹ This illogic merely enhances the original suggestion of this Note that the court should initially examine the appended claim to determine whether it is local or transitory and apply ancillary venue only to transitory actions.⁷²

Even if a court should characterize the foreign patent claim as transitory and decide that ancillary jurisdiction and venue are theoretically sound, it should remember that the exercise of such jurisdiction is always discretionary. On the one hand, a court might invoke the long-standing doctrine that American courts can regulate the conduct of American citizens even when that conduct extends beyond the boundaries of this country.⁷³ Also, a court may find that it will be implementing, rather than interfering with, the policies of the foreign state.⁷⁴ In addition, an American policy is involved to the extent that ancillary jurisdiction promotes expediency, convenience, and maximum justice in the management of judicial affairs. On the other hand, the policies discussed in connection with the local action rule are still relevant,⁷⁵ and the considerations that usually lead a court to dismiss on *forum non conveniens* grounds are still present.⁷⁶ There are notions of sovereignty, difficulties in ascertaining the nature of the foreign patent system, intrusions into local administrative systems, and problems of enforcement. What is called for is a delicate and careful balancing to determine whether the furtherance of the underlying policies of ancillary jurisdiction outweighs the political and practical consequences of an intrusion upon rights granted by a foreign sovereign.

71. Note that the venue problem arises only when dealing with a local action. When the main claim is within the federal patent jurisdiction granted by § 1338, no venue problem can arise as to a related transitory claim even if cognizable as a diversity suit for which independent venue must be satisfied. Since § 1400(b) allows patent claims to be brought "where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business," it is clear that any forum proper for such an action would also satisfy the venue requirements for a transitory diversity claim, which under § 1391(a) may be brought "where all plaintiffs or all defendants reside, or where the claim arose."

72. See text accompanying notes 58-65 *supra*.

73. See, e.g., *Bulova Watch Co. v. Steele*, 194 F.2d 567 (5th Cir.), *aff'd*, 344 U.S. 280 (1952); *Ramirez & Feraud Chili Co. v. Las Palmas Food Co.*, 146 F. Supp. 594 (S.D. Cal. 1956), *aff'd per curiam*, 245 F.2d 874 (9th Cir. 1957), *cert. denied*, 355 U.S. 927 (1958); *Goodyear Tire & Rubber Co. v. Rubber Tire Wheel Co.*, 164 F. 869 (S.D. Ohio 1903) (dictum); E. Messner, *The Jurisdiction of a Court of Equity Over Persons To Compel the Doing of Acts Outside the Territorial Limits of the State*, 14 MINN. L. REV. 494 (1930).

74. *Bulova Watch Co. v. Steele*, 194 F.2d 567 (5th Cir.), *aff'd*, 344 U.S. 280 (1952); *Ramirez & Feraud Chili Co. v. Las Palmas Food Co.*, 146 F. Supp. 594 (S.D. Cal. 1956), *aff'd per curiam*, 245 F.2d 874 (9th Cir. 1957), *cert. denied*, 355 U.S. 927 (1958); *United States v. Imperial Chem. Indus., Ltd.*, 105 F. Supp. 215 (S.D.N.Y. 1952).

75. See text accompanying notes 50-51, & 53-59 *supra*.

76. Cf. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871, *rehearing denied*, 352 U.S. 913 (1956).