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April 9, 1985

TO : House Judiciary Committee
Attn: David Beier

FROM : American Law Division

SUBJECT : Patents for Inventions Made or Used in Outer Space on a Space Vehicle

An October 11, 1984 letter comment by the Office of Legislative and Intergovernmental Affairs of the Department of Justice indicates that the current state of the law would not support the issuance of a United States patent for an invention made or used in outer space on a United States space vehicle because the patent laws do not have any effect outside the territorial limits of the United States. While this may be true as a general proposition, our review of the "state of the law" reveals that such an assertion is not as clearly defined or applicable as that comment would lead one to believe. Particularly would this seem to be the situation with regard to space vehicles in outer space over which the United States has jurisdiction and control. In fact, as revealed by the letter, this would seem to be an issue in a pending case (Hughes Aircraft Company v. United States, Ct. Cl. No. 426-73) in the Court of Appeals for the Federal Circuit, and probably the strongest stance to be made to counter this position as expressed could be found in the plaintiff's briefs and arguments.

Generally, the United States patent laws are not intended to operate beyond the limits of the United States, but acts committed outside of the

the territorial boundaries of the United States can affect the enforceability of a United States patent and may serve as a basis for liability in the United States. Safran, Protection of Inventions in the Multinational Marketplace: Problems and Pitfalls in Obtaining and Using Patents, 9 N.C.J. INT'L & COMM. REG. 117 (1983). While the international law of industrial property is based primarily on the territorial principle, as concerns "incorporeal", invisible, and intangible rights, such as patents, "there is strictly speaking no situs within a given territory. The demarcation lines of power are more difficult to draw here and the territorial principle more awkward to apply." Kegel, Seidl-Hohenveldren and Darby, On the Territoriality Principle in Public International Law, 5 HAST. INT'L & COMP. L. REV. 245, 255 (1982).

The Department of Justice cites Ocean Science & Engineering, Inc. v. United States, 595 F.2d 572 (Ct. Cl. 1979) as expressly declining to follow earlier precedents in which the patent laws were given extraterritorial effect concerning U.S. flag ships on the high seas. Our reading of that case, however, does not support the persuasiveness of such a broad assertion. It would appear that all the Court was saying was that it is not at all clear whether Congress intended the patent laws to apply to a United States flag vessel or plane, that the patent bar might want to invite Congress to consider such a possible "loophole" in the law, and that courts would do well to adjudicate cases on other grounds instead of using such "juridical props" if it is possible to do so. The Court's own language is as follows (at 573-574):

> We have deleted from the trial judge's opinion the portion discussing the issue of extra-territoriality in order to avoid the impression that the issue is easily disposed of in this case, and we do not decide this issue.

He admitted that this would be dictum if we agreed with him, as we do, on the infringement issue. The novelty of Bascom's concept is his creative combination of traditional devices to obtain the desired result—the location of underwater objects. The method used by the United States for this purpose and allegedly infringing Bascom's patent was operational only on the high seas—outside the United States, as defined in the patent laws as "the United States of America, its territories and possessions." 35 U.S.C. § 100(c). Yet the patent laws protect only against the manufacture, use, or sale of a patented invention "within the United States." 35 U.S.C. § 271. Referring to this country's historical distaste for monopolies, the Supreme Court has strictly limited the scope of patent laws (which create monopolies) to the express provisions of the statute. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229–30, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964). Faced with these narrow limits, the Supreme Court ruled that the assembly of spare parts of a device to devein shrimp could not infringe U. S. patent laws although the parts were manufactured in the United States, because the novelty that made the idea patentable was in the combination of the parts, and that combination took place outside the territorial United States. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 92 S.Ct. 1700, 32 L.Ed.2d 273 (1972). *See also* Decca, *Ltd. v. United States*, 544 F.2d 1070, 210 Ct.Cl. 546 (1976) for a discussion of this problem.

In *Decca* we decided not to apply or reject the fiction that a United States flag ship or plane is an ambulatory portion of United States territory. Deeming it a "juridical prop" that could be dispensed with, we found jurisdiction in the fact that the alleged infringing device, the Omega worldwide system to fix the location of ships and planes, employed beside receivers on the ships and planes and "slave" stations in foreign countries, its necessary "master" stations wholly in the United States.

The trial judge relied on *Steele v. Bulova Watch Co.*, 344 U.S. 280, 73 S.Ct. 252, 97

> L.Ed 252 (1952) which, however, interprets the Lanham Act to authorize an injunction against a trademark infringement in a foreign country. The opinion construes the legislation as stating an affirmative intent to apply as broadly as the constitutional powers of Congress permit. Of course, the constitutional power of Congress to make our patent laws applicable to processes carried out on U. S. flag ships and planes at sea is not challenged; the question is whether Congress has done so in view of the Supreme Court's doctrine of strict construction.
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> Perhaps the patent bar will note the possible loophole in the coverage of the U. S. patent laws and will invite the attention of Congress to it. Meanwhile, it is well to adjudicate cases on other grounds when possible, as we do this case.

If a case can be made that the patent laws could apply to an invention made or used on a United States flag vessel on the high seas or a United States airplane in airspace above no territorial sovereign, the contention would seem to be even more convincing regarding a United States space vehicle in outer space. One legal commentator has presented just such a argument-Saragovitz, The Law of Intellectual Property in Outer Space, 17 IDEA 86 (1975) (a copy is enclosed). That view would seem to be bolstered by later treaty and domestic statutory developments. Among other things, the Convention on the Registration of Objects Launched into Outer Space, January 14, 1975 [1976], 28 U.S.T. 695, calls for a national registry by a launching State of space objects launched into Earth orbit or beyond, and for the establishment of a public registry by the United Nations for the recordation of information supplied by launching states. The Treaty was designed to facilitate the exercise of jurisdiction and control by a launching State over its space objects. C.Q. Christol, The Modern International Law of Outer Space (1982), at 214. One of the stated purposes in the "Commercial Space Launch Act", P.L. 98-575, is "to

promote economic growth and entrepreneurial activity through utilization of the space environment for peaceful purposes." This legislation also extends United States licensing authority over certain private space launchings outside the territory of the United States. P.L. 98-473, Chapter XII, Part H, amends 18 U.S.C. § 7 to, in effect, extend United States criminal law to its nationals in outer space, although such extension of jurisdiction is based on the nationality principle rather than the territoriality principle.

Concerning the proposed amendment that would extend United States patent laws to space vehicles in outer space under the jurisdiction and control of the United States, while such might resolve the dilemma that some courts may have faced, the fact that Congress might indicate that such a provision is to have prospective effect might not necessarily be binding on a court either in determining in a given case what the Congress may have intended in enacting the original law or in ousting any rights which may be determined as vested under such prior existing law.

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