NO. 16-1011

In the
Supreme Court of the United States

WESTERNGECO LLC,

Petitioner,

v.

ION GEOPHYSICAL CORPORATION,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR PETITIONER

TIMOTHY K. GILMAN
LESLIE M. SCHMIDT
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, NY 10022
(212) 446-4800

PAUL D. CLEMENT
Counsel of Record
GREGG F. LOCASCIO, P.C.
JOHN C. O'QUINN
WILLIAM H. BURGESS
KIRKLAND & ELLIS LLP
655 Fifteenth Street, NW
Washington, DC 20005
(202) 879-5000
paul.clement@kirkland.com

Counsel for Petitioner

February 23, 2018

QUESTION PRESENTED

Under 35 U.S.C. §271(f), it is an act of patent infringement to supply "components of a patented invention," "from the United States," knowing or intending that the components be combined "outside of the United States," in a manner that "would infringe the patent if such combination occurred within the United States."

Under 35 U.S.C. §284, patent owners who prevail in litigation are entitled to "damages adequate to compensate for the infringement."

The question presented is:

Whether the court of appeals erred in holding that lost profits arising from prohibited combinations occurring outside of the United States are categorically unavailable in cases where patent infringement is proven under 35 U.S.C. §271(f).

CORPORATE DISCLOSURE

All parties to the proceeding are listed in the caption.

WesternGeco LLC is an indirectly, wholly owned subsidiary of Schlumberger Limited, which is a publicly traded company.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases

Statutes

Other Authorities

INTRODUCTION

In *Deepsouth Packing Company v. Laitram Corporation*, 406 U.S. 518 (1972), a bare majority of this Court held that a defendant that manufactured all the components of a patented combination in the United States did not commit a domestic act of infringement by shipping the components unassembled for combination and use in foreign markets. The dissenting Justices complained that the majority created a loophole that would leave patent holders systematically undercompensated. Congress acted to close that loophole by adding §271(f) to the Patent Act. Section 271(f) does not directly regulate the foreign combination by making that extraterritorial act a violation of U.S. law. Instead, §271(f) makes it a domestic act of infringement to "supply in or from the United States" components with the intent that they be assembled abroad in a manner that would constitute infringement if it occurred in the United States. That approach allowed Congress to close the *Deepsouth* loophole without directly prohibiting foreign combinations in a manner that could create friction with other nations.

The jury here found that respondents violated §271(f) by shipping components of petitioners' patented invention for assembly and use abroad. The intended foreign combination occurred and caused petitioners reasonably foreseeable harms including over $90 million in lost profits. The jury awarded damages accordingly, which the district court upheld. The Federal Circuit, however, through a misguided application of the presumption against extraterritoriality, reversed the award of lost profits that would have been earned abroad. The Federal

Circuit's decision systematically undercompensates patent holders and flouts Congress' will by reopening the precise loophole Congress sought to close in enacting §271(f).

The plain text of §271(f) and §284 makes clear that a patent holder bringing an infringement action under §271(f) can recover damages reasonably and foreseeably caused by the infringement, including lost sales, even where the sales would have occurred abroad. Section 271(f) specifically targets domestic conduct (supplying components in or from the United States) with an intent that the components will be assembled abroad. When that section is violated and the intended foreign combinations occur and cause harm to a U.S. patent holder, the resulting damages can be recovered under §284, a damages provision designed to facilitate full compensation.

The Federal Circuit deviated from that plain-text result by (mis)applying the presumption against extraterritoriality, but that presumption is inapposite here for multiple reasons. First, §271(f) targets domestic conduct undertaken with an intent to facilitate foreign combinations. In a case like this, where liability under §271(f) is established and the scope of foreign conduct that could trigger liability under the provision is not at issue, the presumption is inapplicable. But even if the presumption were applicable, it would be satisfied by the text of §271(f). Congress could hardly have been plainer in its intent to make it unlawful to supply components in or from the United States with the intent that they be combined abroad. When that intended *foreign* combination in fact occurs, the idea that the resulting damages should be limited because the combination occurred *abroad* beggars belief and defies Congress' unmistakable intent. Finally, the entire enterprise of applying the presumption against extraterritoriality to damages is misguided. This Court has held for over a century that when domestic infringement reasonably and foreseeably causes the patent holder to lose foreign sales, the foreign lost profits are recoverable as damages for domestic infringement, even though the foreign sales are not independent acts of patent infringement. Lower courts have long and uniformly applied the same rule in copyright cases and other contexts.

None of this means that damages associated with foreign lost profits are unlimited, but the limits come from well-established principles of proximate cause, not from a misapplication of the presumption against extraterritoriality. In the end, the Federal Circuit's decision systematically undercompensates patent holders and contradicts Congress' evident intent in enacting §271(f). The decision should be reversed.

OPINIONS BELOW

The court of appeals' panel opinion following a GVR order from this Court (136 S. Ct. 2486) is reported at 837 F.3d 1358 (Pet.App.1a-22a). Its previous panel opinion is reported at 791 F.3d 1340 (Pet.App.23a-75a). Its order denying rehearing en banc, and an opinion dissenting therefrom, are at 621 F. App'x 663 (Pet.App.176a-180a). The district court's opinion deciding post-trial motions is reported at 953 F. Supp. 2d 731 (Pet.App.76a-140a).

JURISDICTION

The court of appeals entered judgment on September 21, 2016, and WesternGeco's petition was timely filed. This Court has jurisdiction under 28 U.S.C. §1254(1).

PERTINENT STATUTORY PROVISIONS

35 U.S.C. §271, subsections (a)-(c) and (f) provide as follows:

> **Infringement of patent.**
>
> (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.
>
> (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
>
> (c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.
>
> * * *
>
> (f)(1) Whoever without authority supplies or causes to be supplied in or from the United

States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

35 U.S.C. §284 provides in relevant part:

Damages.

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

STATEMENT OF THE CASE

A. Statutory Background

In general, a U.S. patent confers rights to exclude others from taking certain actions in "the United States," 35 U.S.C. §154(a)(1), during the patent's term, *id.* §154(a)(2). A patent owner may seek remedies in federal court "by civil action for infringement." *Id.* §281. 35 U.S.C. §271 defines patent infringement. Congress added §271(f) to the statute to ensure that taking certain domestic steps with the intent to facilitate a combination of components abroad constitutes patent infringement. Section 284 is a damages provision that provides for full compensation upon proof of infringement.

1. Infringement (§271)

35 U.S.C. §271 defines several different types of patent infringement. Subsection (a) defines direct infringement as making, using, offering to sell, selling, or importing any patented invention, in the United States, without a license and during the patent's term. Subsections (b) and (c) define indirect infringement—actively inducing or contributing to another's act of direct infringement. *See generally Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920 (2015); *Glob.-Tech Appliances v. SEB S.A.*, 563 U.S. 754 (2011).

Although §271 requires domestic conduct for there to be patent infringement, there is no question that making a patented product in the United States for export constitutes patent infringement under §271(a), even if the ultimate foreign sale is consummated abroad. Section 271(a), after all, prohibits making *or* selling a patented invention in the disjunctive, so domestic making constitutes infringement even though the foreign sale does not. Indeed, the premise for this Court's decision in *Deepsouth* was that making a patented combination in the United States for export would constitute patent infringement, even if the ultimate sale took place abroad. The question that divided the Court 5-4 was whether a manufacturer that stops short of making the combination within the United States could avoid patent liability by shipping the components abroad so that the patented combination would only be made abroad.

In *Deepsouth*, the defendant sold a machine (a shrimp deveiner) covered by the plaintiff's combination patent. Earlier phases of the litigation settled the validity of the patent, established that domestic combinations constituted infringement, and enjoined those combinations. 406 U.S. at 523; *see also, e.g.*, *Laitram Corp. v. Deepsouth Packing Co.*, 301 F. Supp. 1037, 1066 (E.D. La. 1969), *aff'd* 443 F.2d 928 (5th Cir. 1971). The question that came before this Court was whether the production of components in the United States for assembly abroad constituted infringement given that the patented combination only took place abroad. The defendant shipped components in three boxes to customers abroad, who could assemble the machine within an hour. *Deepsouth*, 406 U.S. at 523-24. A bare majority of the Court held that the defendant could not be liable for infringement under then-existing 35 U.S.C. §271. The Court reasoned that the defendant did not make, use, sell, or offer to sell the combination in the United States, and while the defendant acted in the United States to induce the combination to occur abroad, the foreign combination was not patent infringement and there could be no secondary infringement (*i.e.*, inducement) without primary infringement. *Id.* at 528. Thus, the defendant had not done anything that §271 then defined as patent infringement. Four Justices dissented on the ground that the majority opinion created an unjustified loophole in the patent laws and provided a roadmap for patent infringement.

As this Court has recognized, Congress enacted §271(f) in 1984, in direct response to *Deepsouth*. *See Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 742 (2017); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 444 (2007). Congress added subsection (f) to §271 to change the result in *Deepsouth* and close what it viewed as "a loophole in patent law." 130 Cong. Rec. H10525 (daily ed. Oct. 1, 1984), *reprinted in* 1984 U.S.C.C.A.N. 5827, 5828 (1984). The Senate Report accompanying the final bill described §271(f) as a "reversal of *Deepsouth*." S. Rep. No. 98-663, at 2-3 (1984). Section 271(f), however, did not close the *Deepsouth* loophole by making the foreign combination *itself* a violation of U.S. patent law. Doing so would have deviated from the basic territorial approach of §271 and could have created friction with other nations. Instead, Congress closed the loophole by treating specific domestic action (supplying components "in or from the United States"), with a particular foreign-oriented intent (that the components be combined "outside of the United States in a manner that would infringe the patent if such combination occurred within the United States"), as an act of domestic patent infringement. 35 U.S.C. §271(f). In other words, while Congress did not make the foreign combination itself an act of infringement, it treated inducing that foreign combination by supplying components from the United States with the intent that they be combined abroad as infringement and did so fully understanding that the intended combination and resulting damages would occur abroad.[1]

2. Damages (§284)

Patent owners that prove infringement are entitled to damages under 35 U.S.C. §284. Section 284 is a general damages provision that does not distinguish among types of infringement: "the court shall award the claimant damages *adequate to compensate for the infringement*, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. §284 (emphasis added). By its terms, "a reasonable royalty" is an absolute floor to recovery; the statutory entitlement is to "damages adequate to compensate for the infringement."

Congress enacted §284 as part of the Patent Act of 1952. Pub. L. No. 82-593, §284, 66 Stat. 792, 813. In 1946, Congress amended an earlier damages provision by eliminating a reference to disgorgement of the infringer's profits as a remedy available in addition to the plaintiff's actual damages caused by the infringement. Act of Aug. 1, 1946, Pub. L. No. 79-587, 60 Stat. 778. Predecessor statutes were otherwise similar to §284, and entitled prevailing

---

[1] Section 271(f), reproduced *verbatim* at pp. 4-5, *supra*, includes two subsections, but the differences between the two subsections do not affect the analysis here. Under the district court's judgment, ION was liable for infringement under both subsections, *see* Pet.App.35a, and the Federal Circuit affirmed the judgment of infringement on the basis of ION's liability under subsection (f)(2), without reaching certain of ION's arguments that related only to subsection (f)(1) and are not implicated here. Pet.App.37a-38a.

patent-infringement plaintiffs to recover actual damages sustained as a result of the infringement.[2] Consistent precedent holds that a prevailing patent owner's damages may include lost profits that the patent owner can prove it would have earned absent the infringement. *See, e.g.*, *Yale Lock Mfg. Co. v. Sargent*, 117 U.S. 536, 552-53 (1886).[3]

This Court examined §284 in *General Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983). The Court recognized that while Congress eliminated the disgorgement of profits, which had proven cumbersome to calculate, Congress fully intended to provide broad and full compensation to the patent holder. *Id.* at 654-56. The Court rejected an

[2] *See, e.g.*, 35 U.S.C. §67 (1946) ("the actual damages sustained"); *id.* §70 ("for an infringement the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor, together with such costs, and interest, as may be fixed by the court"); Patent Act of 1870, ch. 230, §59, 16 Stat. 198, 207 ("the actual damages sustained"); *id.* §55, 16 Stat. 206 ("for an infringement, the … complainant shall be entitled to recover … the damages the complainant has sustained thereby"); Patent Act of 1836, Pub. L. 24-357, §14, 5 Stat. 117, 123 ("the actual damages sustained by the plaintiff").

[3] *See also, e.g.*, *Siemens Med. Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269, 1287-88 (Fed. Cir. 2011); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc); *Panduit v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978); *Am. Safety Table Co. v. Schreiber*, 415 F.2d 373, 377-78 (2d Cir. 1969); *McComb v. Brodie*, 15 F. Cas. 1290, 1294-95 (C.C.D. La. 1872); Dan B. Dobbs, *Handbook on the Law of Remedies* 436-38 (1st ed. 1973); 3 William C. Robinson, *The Law of Patents for Useful Inventions* 337-38 & n.2 (1890).

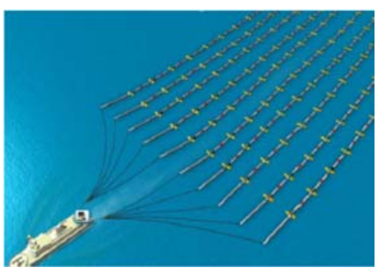
argument that pre-judgment interest was available only in exceptional cases and concluded that §284 entitles a patent owner to "full compensation for 'any damages' he suffered as a result of the infringement." *Id.* at 654-55 (citation omitted). The Court underscored that "[w]hen Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly." *Id.* at 653.

B. Factual Background

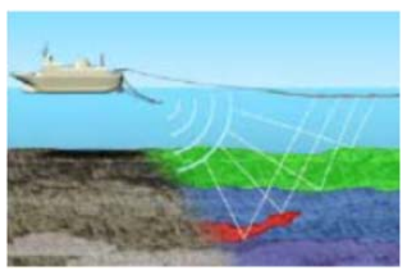
1. WesternGeco's Patents

WesternGeco developed and patented technology used in surveys to search for oil and gas under the ocean floor.

Under preexisting technology, a ship tows an array of streamers (miles-long cables filled with sensors) over the survey area, and an air gun sends soundwaves toward the ocean floor. Sensors in the streamers detect reflected soundwaves and use them to map the geology under the ocean floor. Pet.App.24a-25a.



ship towing streamer array



streamers detecting reflected sound waves

Surveys are expensive and time-consuming, but the resulting data are valuable to oil exploration companies. High-quality data are important because a company stands to lose hundreds of millions of dollars or more when it drills a well and finds no oil. C.A.App.3072:1-18.[4]

WesternGeco invented and patented "lateral steering" technology, which allows surveyors to control the movement of the streamers, rather than simply pulling them behind the ship. Without lateral steering, the miles-long streamers may drift, tangle, or space unevenly as a result of conditions on the high seas, such as currents, waves, debris, or wakes from other vessels. Lateral steering enhances the surveyor's control over the streamers, which facilitates more efficient surveys, enhanced survey features, and higher-quality data. C.A.App.531, 1281:16-1282:6, 1283:10-1288:2, 1293:3-9, 1294:8-1298:3, 1513:14-1514:10.

After nearly a decade of research and a hundred million dollars of investment, WesternGeco created the "Q-Marine," the first surveying system with lateral steering. C.A.App.1776:9-22, 2612:18-2613:7, 2622:9-19. Rather than selling the Q-Marine system or licensing its patents to competitors, WesternGeco used its patented invention itself to perform lateral-steering-enabled surveys for oil companies. Because no one else was offering lateral steering, WesternGeco could charge a premium over conventional surveys, and could negotiate directly (rather than engage in competitive bidding) with customers that wanted higher-quality surveys. For approximately six years, WesternGeco had 100% of the lateral-steering market segment. In 2007 alone, it earned more than $500 million from surveys. C.A.App.2695:8-12, 3302:11-23.

---

[4] Citations to C.A.App. refer to the Federal Circuit appendix.

2. ION's Infringement

In late 2007, ION began selling a competing survey system featuring lateral steering. ION shipped components of its system—"DigiFIN" streamer positioning devices and a "Lateral Controller"—from its warehouse in Harahan, Louisiana, to surveying companies abroad, intending for those companies to combine the components into a surveying system that undisputedly practices WesternGeco's patents.

It is undisputed that ION knew of WesternGeco's patents before it made its first sale. C.A.App.3790:11-16, 3996:20-3997:13. Indeed, it is undisputed that ION's customers concluded that surveys using ION's system would infringe WesternGeco patents, and requested indemnity from ION for such infringement. C.A.App.8070-74, 7072-73, 7338, 2099:16-2100:9, 7091-99, 8062-68, 5243:6-5244:16, 8069, 5553:17-5554:13. In ION's own words, ION developed its system as part of a plan "to compete in the market space that WesternGeco has created." C.A.App.8052, 7000, 7006.

Equipped with ION's system, ION's customers competed directly with WesternGeco for survey contracts—including contracts that required the lateral-steering technology only WesternGeco had previously been able to provide. Pet.App.40a; C.A.App.7000, 7006, 4474:4-8, 1312:3-1313:9, 1491:9-1492:18. Trial evidence showed that ION's infringement generated more than $3 billion for ION and its customers. C.A.App.3271:11-17, 10185-86, 10244-45.

Using ION's system, ION's customers performed 101 lateral-steering-enabled surveys. WesternGeco proved at trial that it lost at least ten specific survey contracts (worth $6 million to $45 million each) to ION's customers using ION's system. Pet.App.40a-41a. In the absence of ION's infringement under §271(f), the jury found, WesternGeco would have obtained and performed at least those ten contracts and earned the associated profits. Pet.App.175a (jury verdict).

C. District Court Proceedings

WesternGeco sued ION for, *inter alia*, infringement under 35 U.S.C. §§271(f)(1) and (f)(2). ION "supplie[d] … from the United States … components of a patented invention" for combination outside the United States by its customers, and otherwise met all elements of both subsections of §271(f).[5] The jury found ION liable for infringement, and awarded damages, consisting of $12.5 million in royalties, and $93.4 million for lost profits. Pet.App.170a-175a. The district court denied ION's post-trial motions to set aside the verdict. Pet.App.76a-105a.

D. Appellate Proceedings

The court of appeals unanimously affirmed ION's liability for infringement. *See* Pet.App.28a-40a (majority decision, addressing ION's liability arguments); Pet.App.54a (dissenting opinion, agreeing that ION is liable).

By a 2-1 vote, however, the court reversed the jury's award of lost profits (approximately $93 million of the $106-million award). Pet.App.40a-48a. Relying primarily on the presumption against

---

[5] WesternGeco also sued ION's customer Fugro. Fugro settled during trial. *See* JA15 (entry 145); JA30 (entry 525).

extraterritoriality and an earlier Federal Circuit decision applying the presumption (*Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013)), the panel majority concluded that profits lost outside of the United States are unavailable as a matter of law even in an action for infringement under §271(f). Pet.App.40a-48a.

In *Power Integrations*, the patentee sued under 35 U.S.C. §§271(a) and (b) for infringement of a patent covering chips used in electronic power supplies. The patentee contended that, in its industry, sales contracts were awarded on a worldwide basis and that the defendant's domestic infringement thus caused the patentee to lose sales inside and outside the United States. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 589 F. Supp. 2d 505, 510-11 (D. Del. 2008). The Federal Circuit held that, as a matter of law, the patentee could not recover damages for sales lost to chips that were neither made nor sold in the United States. 711 F.3d at 1371. The Federal Circuit assumed, *arguendo*, that those lost sales were "the direct, foreseeable result of [the defendant's] domestic infringement." *Id.* Nonetheless, the court believed that the presumption against extraterritoriality required a rule in patent cases that "the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement." *Id.* at 1371-72.

In this case, the panel majority treated *Power Integrations* as controlling. The majority understood *Power Integrations* to have ruled that "under §271(a) the export of a finished product cannot create liability for extraterritorial *use* of that product." Pet.App.42a (emphasis added). In the panel majority's view, "§271(f) was designed to put domestic entities who export components to be assembled into a final product into a similar position to domestic manufacturers who sell the final product domestically or export the final product." Pet.App.45a. Thus, if, under *Power Integrations*, the presumption against extraterritoriality prevented §271(a) plaintiffs from recovering so-called "foreign profits," then that presumption should bar that same category of damages for §271(f) plaintiffs. *Id.* ("Just as the United States seller or exporter of a final product cannot be liable for use abroad, so too the United States exporter of the component parts cannot be liable for use of the infringing article abroad."). The majority found that WesternGeco was "still entitled to a reasonable royalty," Pet.App.45a, but eliminated the $93-million lost-profits portion of the jury's $105 million damages award. Pet.App.40a-48a, 52a-53a.

Judge Wallach dissented from the reversal of lost profits. Pet.App.54a-75a. In his view, the majority read *Power Integrations* too broadly, conflated damages with liability, failed to account for differences between §271(a) and §271(f), and created a "near-absolute bar to the consideration of a patentee's foreign lost profits [that] is contrary to the precedent both of this court and of the Supreme Court." Pet.App.75a.

WesternGeco petitioned for rehearing en banc, which the court denied. Pet.App.176a-177a. Judge Wallach, joined by Judges Newman and Reyna, dissented. Pet.App.178a-180a. The en banc dissent reiterated many of the points from Judge Wallach's panel dissent and noted that the panel decision relied on a rule of law "at odds with" copyright law's analogous "predicate act doctrine," under which "a copyright owner 'is entitled to recover damages flowing from the exploitation abroad of … domestic acts of infringement.'" Pet.App.179a.

WesternGeco petitioned for certiorari. Following a GVR order from this Court on a separate issue,[6] the Federal Circuit panel majority issued a new opinion that "reinstate[d] [its] earlier opinion and judgment," Pet.App.2a-3a, with respect to lost-profit damages. Pet.App.4a-5a & n.1. Judge Wallach again dissented in part, elaborating on his disagreement with the rule the majority announced in its earlier (now-reinstated) opinion. Pet.App.13a-22a; *see id.* at 22a (majority opinion established "[a]n unduly rigid rule barring the district court from considering foreign lost profits even when those lost profits bear a sufficient relationship to domestic infringement").

WesternGeco again petitioned for certiorari. After requesting and receiving the views of the Solicitor General, 137 S. Ct. 2206 (2017), this Court granted WesternGeco's petition.

---

[6] In a clause no longer at issue here, 35 U.S.C. §284 permits trial courts to "increase the damages up to three times the amount found or assessed." Following this Court's GVR order, the Federal Circuit ordered a partial remand to the district court to reconsider, in light of *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), whether to enhance damages. Pet.App.1a-2a. Those proceedings have concluded, and neither party appealed. *See* JA35 (entry 770).

SUMMARY OF ARGUMENT

The plain text of §271(f) and §284 makes clear that a victim of patent infringement under §271(f) can recover damages reasonably and foreseeably caused by the infringement, including lost sales, even where the lost sales would have occurred abroad. Indeed, given the specific form of infringement targeted by §271(f) and the particular loophole Congress sought to close, it is entirely predictable that damages for a §271(f) violation will include lost foreign sales. Section 271(f) prohibits certain domestic acts (supplying components in or from the United States) with a particular foreign-oriented intent (that they be combined abroad in a manner that would constitute patent infringement if it occurred in the United States). There is no question that ION violated §271(f) here; the violation is now undisputed. Section 284, in turn, authorizes an award of damages "adequate to compensate for the infringement." This Court has long allowed for the recovery of lost profits caused by patent infringement, *Yale Lock*, 117 U.S. at 552-53, and has emphasized that §284 embodies a congressional policy of "full compensation," *General Motors*, 461 U.S. at 655-56. Thus, putting together those two straightforward provisions, there is no reason that a victim of §271(f) infringement would not be able to recover lost profits associated with lost foreign sales. Indeed, because §271(f) requires the infringer to intend that the components to be combined "*outside* the United States," it would be more than passing strange if damages were limited because the combination occurred *abroad*. Thus, absent some atextual principle limiting damages, the damages at issue here are plainly authorized by the text of §271(f) and §284.

The Federal Circuit thought that the presumption against extraterritoriality supplied the atextual principle that precluded a damages award calculated by reference to foreign lost profits. But the presumption against extraterritoriality is inapplicable here for multiple reasons. First, it is inapplicable because §271(f) principally defines an act of domestic infringement, and there is no question here about the scope of foreign conduct or foreign copying that triggers liability under §271(f). Thus, the presumption against extraterritoriality, which is primarily concerned with statutes making foreign conduct unlawful and secondarily concerned with the scope of such prohibitions, has no application here.

Second, even if the presumption against extraterritoriality were applicable here, it would plainly be satisfied by the text of §271(f). In enacting §271(f), Congress focused its attention on transnational transactions and identified a specific form of domestic conduct that constituted infringement if it occurred with an intent to facilitate foreign combinations. When the intended combinations in fact occur, Congress wanted to supply a remedy and plainly contemplated that damages would be inflicted by foreign combinations and lost sales abroad. That inescapable conclusion is reinforced by the fact that Congress was acting to close a loophole created by this Court's decision in *Deepsouth*, which caused a patent holder to be undercompensated when components were exported for combination abroad. To find the presumption unsatisfied by Congress' deliberate effort to close that loophole is to defy Congress' will.

Third, the Federal Circuit was wrong to think that the presumption against extraterritoriality applies to damages awards calculated with reference to foreign conduct. Even when Congress legislates to prohibit only domestic conduct, there is no reason to assume that Congress intended to provide less than a full remedy when the domestic misconduct directly causes an injury that is measured in part by foreign conduct. Indeed, this Court embraced that rule in patent cases over a century ago. *Goulds Mfg. Co. v. Cowing*, 105 U.S. 253 (1881). *Goulds* makes clear that when a domestic act of infringement (there, manufacturing infringing pumps in the United States) foreseeably causes patent holders to lose sales in both the United States and abroad (*e.g.*, in Canada), the patent holder can recover damages for the domestic infringement as measured by the lost sales both here and abroad. The fact that the foreign sales do not constitute an independent act of infringement (because they occur abroad) does not make them unrecoverable when they are a direct consequence of the domestic infringement. Lower courts have applied the same rule in a wide variety of contexts including copyright. Any other rule would lead to systematic undercompensation.

None of this means that damages for domestic infringement are unlimited. But the limits come not from a misapplication of the presumption against extraterritoriality, but from generally applicable principles of proximate cause and related doctrines. The alternative, embraced by the Federal Circuit below, is to adopt a rule that defies Congress' evident intent in enacting §271(f). Having specified that supplying components of a patented invention in or from the United States with the intent that the components be combined abroad constitutes infringement, and having included a generous damages provision in the Act, Congress was under no obligation to specify that damages should be awarded when the intended foreign combination occurred abroad. The Federal Circuit's decision reflects an unwarranted and unprecedented extension of the presumption against extraterritoriality that systematically undermines Congress' will and undercompensates victims of §271(f) infringement. The decision should be reversed.

ARGUMENT

I. The Plain Text Of §271(f) And §284 Makes Clear That WesternGeco Can Recover For The Lost Profits Caused By ION's Infringement Under §271(f).

The correct result in this case follows naturally from the text of the two provisions of the Patent Act directly at issue here: §271(f) and §284. Section 271(f) specifies that supplying components of a patented invention "in or from the United States," with the intent that the components be "combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States" is an act of patent infringement under the patent laws. In §271(f), Congress specifically focused on the precise quantum of domestic conduct (supply components in or from the United States) and requisite intent (that the components be combined abroad in a manner that would constitute infringement if it occurred domestically) that gives rise to liability for patent infringement. Section 284, in turn, provides that a patent holder who proves an act of infringement is entitled to "damages adequate to compensate for the infringement." As the Court has explained, §284 reflects a policy of full compensation for the patent holder for losses caused by infringement. *General Motors*, 461 U.S. at 654-55.

The combined effect of those two provisions provides a straightforward answer to the question presented. Respondent engaged in the precise conduct that §271(f) prohibits by supplying components from the United States with the intent that they be combined abroad in a manner that would violate WesternGeco's patents if it had occurred in the United States. Those intended foreign combinations occurred and had the reasonable and foreseeable effect of causing WesternGeco to lose profits. The fact that those lost profits would have been earned abroad (or on the high seas) and flowed from the foreign combination of components is hardly remarkable. Indeed, given the conduct specifically prohibited by §271(f), the fact that damages flow from *foreign* combinations and lost sales *abroad* is all but inevitable and certainly no basis for denying Petitioner a make-whole recovery under §284.

1. There is no longer any dispute that ION committed acts of infringement under §271(f). Enacted in response to this Court's decision in *Deepsouth*, *see* pp. 6-9, *supra*, §271(f) creates infringement liability for anyone who "supplies or causes to be supplied in or from the United States" components "of a patented invention," knowing or intending that the components will be combined "outside of the United States in a manner that would infringe the patent if such combination occurred within the United States." 35 U.S.C. §271(f)(1).

That is precisely what ION did here. Indeed, that is no longer in dispute, and there is no issue here about the scope of conduct, foreign or domestic, that triggers liability under §271(f). ION shipped components of its system from a warehouse in the United States to surveying companies abroad, expecting and intending that those companies would combine the components into a surveying system that practices WesternGeco's patents. Before enactment of §271(f), that conduct would not have been an act of infringement, even though it plainly injured the patent holder in ways practically indistinguishable from making the product domestically and shipping the assembled machine from the United States. *Deepsouth*, 406 U.S. at 527-28. But Congress closed the *Deepsouth* loophole with §271(f) and removed the opportunity for domestic exporters to circumvent the patent laws by supplying components from the United States, having the components combined abroad, and then relying on technicalities to treat domestic supply and foreign assembly as separate, legally unrelated acts. In doing so, Congress specified the precise degree of domestic conduct that sufficed and made equally clear that it was not indifferent to the consequences of the combination that would occur outside the United States.

2. Once it proved acts of infringement under §271(f), WesternGeco was entitled under §284 to damages "adequate to compensate for the infringement." That is not a narrow or grudging standard. To the contrary, this Court has made clear in several ways that patent holders are entitled to full recovery for the harm inflicted by acts of infringement.

To begin with, this Court has confirmed that damages for patent infringement—as with most torts—should provide a make-whole recovery, *i.e.*, damages should put the patentee in the position that it would have occupied absent the infringement. *Yale Lock*, 117 U.S. at 552 (patentee may recover "the difference between his pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred"); *Coupe v. Royer*, 155 U.S. 565, 582 (1895); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964); *see also Albemarle Paper Co. v. Moody*, 422 U.S. 405, 418-19 (1975) (applying the same principle for other torts: "[t]he injured party is to be placed, as near as may be, in the situation he would have occupied if the wrong had not been committed" (quoting *Wicker v. Hoppock*, 73 U.S. (6 Wall.) 94, 99 (1867)).

In particular, the Court has recognized that a prevailing patent owner's damages may include, if proved, lost profits the patent owner would have earned if the infringement had not occurred. *Yale Lock*, 117 U.S. at 552-53.[7] To be sure, a patent owner (like any other plaintiff) seeking lost-profits damages must meet stringent evidentiary burdens and provide specific proof—including proving to a reasonable certainty the amount of the lost profits, and that the defendant's tortious conduct in fact proximately caused the full amount of lost profits. *See, e.g.*, *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995)

---

[7] *See also, e.g.*, *Siemens*, 637 F.3d at 1287-88; *Rite-Hite*, 56 F.3d at 1545; *Panduit*, 575 F.2d at 1156; *Am. Safety Table*, 415 F.2d at 377-78; *McComb*, 15 F. Cas. at 1294-95; 3 Robinson, *supra*, at 337-38 & n.2; Dobbs, *supra*, at 436-38.

(en banc); Dobbs, *supra*, at 153-57. But when, as here, those burdens are met, lost profits are a traditionally available element of recovery in patent cases as in other tort cases. *See*, *e.g.*, *Yale Lock*, 117 U.S. at 552-53.

Finally, this Court has made plain that §284 entitles prevailing patentees to "full compensation" consistent with general tort principles. *General Motors*, 461 U.S. at 656-57. Rejecting the argument that interest should only be awarded in exceptional circumstances, the Court in *General Motors* explained that §284 grants a patent holder the right to "receive *full compensation* for 'any damages' he suffered as a result of the infringement." *Id.* at 654-55 (emphasis added) (quoting H.R. Rep. No. 79-1587 at 1-2 (1946); S. Rep. No. 79-1503 at 2 (1946), and U.S. Code Cong. Serv. 1946, at 1387). The Court further noted that, "[w]hen Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly," 461 U.S. at 653, and Congress had not done so with respect to interest in the broad language of Section 284.[8]

In this case, full compensation for WesternGeco necessarily includes the profits lost as a result of ION's violations of §271(f). As noted above, the jury found that the specific actions that ION took in the United States that constitute infringement under §271(f), caused WesternGeco to lose out on at least ten

---

[8] Instances where Congress has said so explicitly include 35 U.S.C. §§ 271(e)(4)(C), (e)(6)(B), which make limited exceptions to the availability of money damages in circumstances not relevant here.

specific survey contracts which would have generated over $90 million in profits. *See* pp. 13-14, *supra*.

The facts that the damages followed the combination of components outside the United States and that the lost profits involved surveys on the high seas are neither surprising nor relevant given the precise conduct §271(f) targets and the nature of the loophole that §271(f) closed. Congress specified the precise domestic conduct that suffices to constitute domestic patent infringement and it did so with full knowledge that the principle consequences of that infringement would flow from the "combination of such components outside the United States." Under those circumstances, there is no plausible basis for denying the patent holder the full measure of damages, including lost profits, that §284 provides, just because the lost profits stemmed from conduct abroad or on the high seas. Instead, the plain text of §271(f) and §284 makes clear that WesternGeco may recover the lost profits that were reasonably and foreseeably caused by ION's acts of infringement in violation of §271(f).

II. The Decision Below Misunderstands And Misapplies The Presumption Against Extraterritoriality And Impermissibly Narrows The Relief Available Under §284 for Infringement Under §271(f).

The Federal Circuit resisted the seemingly self-evident conclusion that the lost profits at issue here were recoverable under the plain text of §271(f) and §284 by misapplying the presumption against extraterritoriality. The Federal Circuit held that, absent a clear congressional indication to the contrary, the presumption prohibited recovery of profits that would have been earned outside the United States. That proposition is a dramatic, wholly unwarranted, expansion of the extraterritoriality doctrine. It is flawed for at least three reasons. First, the presumption against extraterritoriality is inapplicable here. Given that §271(f) focuses on specific domestic actions that constitute infringement, and the scope of foreign conduct that could trigger liability is not at issue here, the presumption against extraterritoriality is inapplicable. Second, even if the presumption were applicable, it would be overcome by the plain text of §271(f). Given what §271(f) prohibits and the loophole it closed, any extraterritorial effect of §271(f) was fully intended. Indeed, to deny damages for the very foreign combinations that the infringer must intend to facilitate on the ground that the foreign combinations occur abroad is to defy Congress' will. Third, and finally, the presumption is not properly applied to damages provisions at all, as long as Congress clearly intended to reach the underlying conduct that gives rise to the liability. That is the rule applied by this Court to patent cases for at least a century and uniformly by lower courts in copyright and other contexts. Applying the presumption and clear statement principles to damages provisions asks of such provisions something they cannot supply.

A. The Presumption Against Extraterritoriality Is Inapplicable Here Because §271(f) Prohibits Domestic Infringement and There Is No Question Here About the Scope of Foreign Conduct or Foreign Copying That Triggers Liability Under §271(f).

The presumption against extraterritoriality is an interpretive canon. *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2100 (2016). Pursuant to that canon, courts generally presume that federal statutes do not apply extraterritorially unless traditional tools of statutory interpretation reveal "a clear, affirmative indication" to the contrary. *Id.* at 2101. The canon thus provides a "stable background" for legislation, *Morrison v. Nat'l Austl. Bank, Ltd.*, 561 U.S. 247, 261 (2010), avoids "the international discord that can result when U.S. law is applied to conduct in foreign countries," *RJR Nabisco*, 136 S. Ct. at 2100, and reflects the "commonsense notion that Congress generally legislates with domestic concerns in mind," *id.* (quoting *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993)).

The presumption against extraterritoriality has traditionally come into play in cases where a litigant contends that Congress has declared conduct outside the United States to be unlawful. *See Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 116 (2013) ("We typically apply the presumption to discern whether an Act of Congress regulating conduct applies abroad."). As Justice Holmes observed over a century ago, "the general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done." *Am. Banana Co. v. United States*, 213 U.S. 347, 356 (1909); *see also Microsoft*, 550 U.S. at 455 ("Foreign conduct is [generally] the domain of foreign law" (alteration in original)). As a result of that "general and almost universal rule," it is a fair assumption that congressional legislation that does not clearly indicate an intent to make foreign conduct unlawful is intended only to apply domestically. Accordingly, when a plaintiff asserts that United States law makes foreign conduct unlawful, this Court will decline to apply that law absent a clear indication that Congress meant to make foreign conduct unlawful.

With the substantial increase in international trade and "globalization" in recent decades, the Court has had numerous opportunities to apply this principle. For example, in *EEOC v. Arabian American Oil Co.*, 499 U.S. 244, 255 (1991), the Court concluded that Title VII did not apply to alleged employment discrimination by United States employers employing United States citizens abroad. Likewise, in *Morrison*, the Court rejected the idea that §10(b) of the Securities Exchange Act of 1934 "provide[d] a cause of action" in so-called foreign cubed cases—*i.e.* "to foreign plaintiffs suing foreign and American defendants for misconduct in connection with securities traded on foreign exchanges." 561 U.S. at 250-51. And in *Microsoft,* the Court refused to interpret §271(f) so that it would reach the copying of software from a master disk abroad. 550 U.S. at 451-54.

The question to be answered in those and other similar cases—whether Congress intended to declare conduct occurring outside the United States to be unlawful—is simply not present in this case. The unlawful conduct here, *i.e.*, the conduct that constitutes infringement, is unquestionably domestic, and there is no question here (in contrast to *Microsoft*) about whether foreign conduct is prohibited by the statute or instead suffices to break the link between domestic supply and foreign assembly. In §271(f), Congress did not make any foreign conduct directly unlawful. Instead, Congress focused on a specific kind of domestic conduct with intended consequences abroad, and deemed that domestic conduct to be sufficient to constitute a domestic act of infringement. For a violation of §271(f) to occur, a person must supply (or cause to be supplied) a component of a patented invention "in or from the United States." If a person takes that domestic action, and does so with the intent that the component be combined outside the United States in a manner that would practice the patent, the person has committed an act of infringement. Thus, while §271(f) requires an intent that the combination take place abroad, the act of infringement is domestic (supplying in the United States). And in a case like this, where liability is conceded and neither party is trying to expand the scope of foreign conduct that triggers the statute, the presumption against extraterritoriality is not even implicated.

To be sure, the Court invoked the presumption in *Microsoft* to remove any doubt about the statutory construction it had already reached by construing §271(f)'s "terms 'in accordance with [their] ordinary or natural meaning.'" *Microsoft*, 550 U.S. at 449 (alteration in original) (quoting *FDIC v. Meyer*, 510

U.S. 471, 476 (1994)).[9] But the question in *Microsoft* was very different as the question of liability under §271(f) was hotly contested and turned on whether foreign copying of Microsoft's software from a master disk and subsequent installation of those copies on computers abroad resulted in a violation of the statute. In that case, Microsoft supplied its customers a master disk from the United States, the customers made copies abroad from that master disk, and then installed the foreign-copied software (but not the master disk) on computers abroad in a way that created an infringing combination. Thus, Microsoft's liability turned on whether the foreign copying broke the link between the supply of the master disk from the United States and the combination of copied software and computers abroad. In that circumstance, the Court rejected the Federal Circuit's decision to impose "§271(f) liability for th[e] foreign-made copies," *id.* at 452, and instead concluded that only "the very components supplied from the United States, and not [foreign] copies thereof, trigger §271(f) liability when combined abroad," *id.* at 453.

Thus, in *Microsoft*, the question before the Court turned on whether foreign copying of software triggered §271(f) liability or instead broke the link between domestic supply and foreign assembly, and

[9] More recently, this Court resolved a question concerning the scope of §271(f) without reference to the presumption against extraterritoriality. *See Promega*, 137 S. Ct. at 742. That the Court resolved *Promega* without reference to the presumption even though that case, unlike this one, directly implicated the scope of the statute underscores that the presumption has limited relevance in interpreting §271(f) outside the unusual circumstances of *Microsoft.*

the Court found the presumption helpful in concluding that Congress did not intend to reach the foreign copying. There is no analogous question here. As this case comes to the Court, the issue of §271(f) infringement is settled and there is no question about whether some intervening foreign act puts ION's conduct beyond the statute's reach. The jury found that ION engaged in the requisite domestic conduct (supplying components) with the requisite intent (that they would be combined abroad in a manner that would violate the patent laws if the combination occurred in the United States). No matter how this Court decides this case, no additional foreign conduct will be either made directly unlawful (as in cases like *Arabian American* and *Morrison*) or even implicated by expanding the reach of §271(f) to effectively reach foreign copying (as in *Microsoft*).

As this Court made clear in *RJR Nabisco*, even once it is clear that Congress has decided to make some foreign conduct unlawful, the presumption may still inform the scope of Congress' intent to make foreign conduct unlawful by applying to questions such as which plaintiffs can sue, and what causes of action they can bring, for injuries arising out of the foreign conduct that Congress made unlawful. In *F. Hoffmann-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155 (2004), for example, the Court concluded that, even though the Foreign Trade Antitrust Improvements Act applied to some foreign anticompetitive conduct, it did not follow that the statute provided a cause of action for claims that depended on allegations of foreign injury. *Id.* at 158-59. Similarly, in *RJR Nabisco*, the Court (citing *Empagran*) reasoned that, although Congress had declared some foreign conduct to be actionable under

RICO (for example, in cases brought by the federal government), that did not necessarily mean that Congress had made all of that same foreign conduct subject to RICO's private right of action, 18 U.S.C. §1964(c). 136 S. Ct. at 2106. Rather, the Court concluded that RICO's private cause of action applied only to plaintiffs that sustained injuries to their business and property in the United States. 136 S. Ct. at 2106; *see also, e.g.*, *Kiobel,* 569 U.S. at 116-24 (Alien Tort Statute does not confer federal-court jurisdiction over causes of action for international-law violations committed in Nigeria); *RJR Nabisco*, 136 S.Ct. at 2100-01 (discussing *Kiobel*).

That extension of the presumption makes sense because questions about which plaintiffs can sue or whether a domestic injury is necessary inform the degree to which foreign conduct is made unlawful. There is, for example, a substantial difference in the extent to which a statute providing a private cause of action will reach foreign conduct or engender diplomatic friction relative to a statute that can be enforced only by the federal government. There is likewise, a substantial difference in the amount of foreign conduct addressed by a statute that applies only to violations that "touch and concern" the United States as opposed to a statute that reaches all foreign conduct anywhere in the world.

But, once again, this second-level extraterritoriality concern does not fit the situation here. As noted above, WesternGeco's claims are not based on unlawful *foreign* conduct; they are based on unlawful *domestic* conduct. Moreover, nothing in this case addresses the scope of either the domestic conduct or foreign conduct that triggers liability under §271(f).

At this stage in the litigation, it is beyond dispute that ION engaged in the requisite domestic conduct with the requisite intent that a foreign combination of the components would ensue. The scope of "supplying," "components," or any other term that might impact the statute's breadth is not at issue. Moreover, there is no question what kind of injury a plaintiff must suffer to be able to bring an infringement action. The action is available only to the holder of U.S. patent whose patent is infringed in one of the specific manners proscribed in §271. Thus, the presumption against extraterritoriality has no work to perform here. By importing the presumption into this wholly different context, the Federal Circuit was simply pounding a square peg into a round hole.

B. Even if the Presumption Applied, the Plain Text and Evident Intent of §271(f) Would Satisfy It.

Even if the presumption against extraterritoriality were applicable, it would plainly be satisfied by §271(f). This is not a situation where Congress was legislating with wholly domestic considerations in mind or a situation where there is an ambiguous term that could potentially expand the statute's foreign reach. To the contrary, Congress enacted §271(f) with *transnational* considerations firmly in mind and prohibited specific domestic conduct if and only if subsequent foreign combinations of components were intended. Congress hardly could have been any more explicit and the background of the legislation—as a direct response to this Court's decision in *Deepsouth*—removes all doubt. Under those circumstances, to restrict the damages that the patent holder can recover for the very *foreign* combination that must be intended for liability to attach because the combination occurred *abroad* is simply to flout Congress' will. In short, whatever clarity is necessary to overcome any applicable presumption against extraterritoriality is amply supplied by §271(f). A party like ION that violates §271(f) cannot escape the consequences of the foreign combinations it intended just because they occur abroad.

By its terms, §271(f) makes clear that patent holders can establish infringement, and the consequent right to full compensation, only upon a showing that the accused infringer intended to bring about further activity outside the United States. Specifically, §271(f) forbids the "suppl[y]" of "component[s] of a patented invention" "in or from the United States," with the requisite intent to facilitate combination "outside of the United States in a manner that would infringe the patent if such combination occurred within the United States." 35 U.S.C. §271(f)(1)-(2). By its terms, therefore, §271(f) captures conduct with both a domestic grounding and an intended and all-but-certain foreign impact. The conduct is the supply of components from the United States, with the requisite intent to facilitate combination abroad of those components in a manner that practices another's patent. *See Microsoft*, 550 U.S. at 451-52; *Promega*, 137 S. Ct. at 743. Thus, when the components shipped from the United States are, in fact, combined abroad, any indirect regulation of that foreign combination is fully intended by Congress and fully compensable if Congress' will is to be given effect.

It is, of course, theoretically possible for an infringer to violate §271(f) without the combination abroad actually being consummated. The statute requires a domestic act (supplying the components) with an intent that an extraterritorial combination ensue. Proof that the foreign combination actually ensued is not necessary. But in the vast, vast majority of cases the intended foreign combination will occur. And if the virtual inevitability that the combination abroad will occur is enough to trigger the presumption, it is equally enough to satisfy it.

While the text of §271(f) is more than sufficient to overcome any applicable presumption against extraterritoriality, the well-known history that led to its passage removes all doubt on the score. In *Deepsouth*, a bare majority of this Court concluded that a manufacturer that produces all the readily assembled components of a combination patent could avoid liability if it shipped the components abroad with the intent that the components be assembled abroad. The Court reasoned that while combining the components in the United States would constitute making the invention in violation of §271(a), the patent laws would not reach the foreign combination and there could be no secondary liability for inducement in the absence of a primary violation by the foreign purchaser. Whatever one thinks of that reasoning as an original matter, there is no question that Congress thought that *Deepsouth* created a loophole that needed closing.

Congress could have responded to *Deepsouth* by directly extending U.S. patent law to make the foreign combination unlawful. If Congress had taken that tack, there would be no question that the presumption against extraterritoriality would apply and no question that it would be satisfied and that damages from the foreign combination, including foreign lost profits, would be fully recoverable.

Congress instead addressed *Deepsouth* in a manner that was more consistent with the basic territorial focus of §271 and more respectful of foreign sovereigns, but equally effective in closing the loophole. Rather than directly regulate the foreign combination and deem the actions of the foreign company receiving and assembling the components unlawful, Congress created an exception to the rule that there can be no secondary liability in the absence of primary liability by providing that if the foreign combination would be an act of infringement if it occurred in the United States, then inducing that foreign combination from the United States constitutes an act of domestic infringement.

In other words, rather than making the foreign combination itself a primary act of infringement, Congress created a specialized form of secondary infringement. *See Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2118 (2014) (observing that the text of §271(f) "illustrates [that] when Congress wishes to *impose liability* for inducing activity *that does not itself constitute infringement*, it knows precisely how to do so") (emphases added). Section 271(f) makes it unlawful to induce domestically a hypothetical act of primary infringement that is not actually infringement (because it occurred abroad) but would be infringement if it occurred in the United States.

Congress having expressly addressed the foreign combination (albeit in this distinct, indirect and hypothetical way), there is absolutely no basis for limiting the damages caused by the foreign combination just because it occurred abroad. Doing so would frustrate Congress' will in overruling *Deepsouth*. Congress plainly thought that if the requisite domestic conduct and intent were present, the fact that the combination occurred abroad in no way lessened responsibility or the need for full compensation. To treat the fact that the combination occurred *abroad* as a reason to lessen responsibility for the infringer or reduce compensation for the victim is to ignore the nature of the loophole Congress was closing. The fact that the combination occurred abroad is not some unintended overreach but the whole point of the statute. Thus, it is clear beyond cavil that any indirect effect on the extraterritorial combination was fully intended, and thus if the presumption of extraterritoriality is applicable it is plainly satisfied.

The court of appeals appeared to believe that it had to adopt its atextual reading of §271(f) because it had previously limited recovery based on foreign lost profits under §271(a), Pet.App.42a-44a, and it believed that Congress intended to align damages for infringement under §271(f) with damages for infringement under §271(a). Pet.App.45a. But that gets matters exactly backwards. The Federal Circuit's rule limiting recovery under §271(a) is itself mistaken, as shown in the next section. This is clear from this Court's case law, including *Deepsouth*. The premise of this Court's decision there was that if the combination were made in the United States and the completed machines were shipped abroad intact, as opposed to as components, there would have been a domestic act of infringement (by making the combination here) and not one word in *Deepsouth* suggests that the damages for that infringement would not have extended to the lost sales abroad. Thus, while it is no doubt true that by closing the *Deepsouth* loophole Congress thought it was placing a patent holder in the same position under §271(f) as a comparable patent holder in a case where assembly of the components occurred here before shipment abroad, that comparable position included the ability to recover lost profits due to the foreign sales. *See generally infra*. But whatever doubt on that score there may be with respect to §271(a), where Congress' primary focus was on domestic infringement, recovery for lost profits from foreign assembly cannot be denied in a §271(f) case for all the reasons detailed above. Congress clearly focused on domestic activity done with the specific intent to induce a foreign combination. Denying damages because the intended *foreign* combination took place *abroad* "sounds absurd, because it is" absurd. *Sekhar v. United States*, 133 S. Ct. 2720, 2727 (2013).

C. The Presumption Against Extraterritoriality Has No Application to Available Damages for Conduct Congress Plainly Intended to Make Unlawful.

The Federal Circuit decision seems to rest on the notion that no matter how clearly Congress indicates that it wants to provide a cause of action that implicates extraterritorial conduct, Congress must separately make clear that it intends for damages to be awarded for harm that implicates extraterritorial conduct. That notion is doubly mistaken. First, where Congress indicates clearly that it wants to provide a party a cause of action that implicates certain foreign conduct, it does not need to reiterate that intention in the applicable damages provision. Thus, given how clearly §271 indicates Congress' intent to provide a remedy to the holder of a U.S. patent for the intended foreign combination of domestically supplied components, it is of no moment that §284's generally-applicable damages provision does not separately indicate an express intent to award damages for the intended foreign combinations. Indeed, numerous federal statutes that directly and expressly prohibit certain extraterritorial conduct are complemented by a general damages provision that does not separately address foreign damages, but merely provides for damages for a statutory violation (defined elsewhere in terms that reach certain foreign (mis)conduct).[10] Having made its intent to reach certain foreign conduct clear elsewhere in the statute, Congress need not specify in the corresponding damages provision that harm caused by that extraterritorial conduct is recoverable

---

[10] *See, e.g.*, 29 U.S.C. §623(f)(1), (h) (certain extraterritorial acts of age discrimination prohibited); *id.* §626(b)-(c) (remedies, cross-referencing *id.* §§211(b), 215-217); 42 U.S.C. §§12111(4), 12112(c) (certain extraterritorial acts of disability-based discrimination prohibited); *id.* §12117 (remedies, cross-referencing *id.* §§2000e-4 to 2000e-6, 2000e-8, 2000e-9); *id.* §1981a(b) (remedies for intentional discrimination in employment); 15 U.S.C. §77v(c) (federal-court jurisdiction over government-initiated proceedings alleging that certain foreign conduct violated securities laws, cross-referencing *id.* §77q(a)); *id.* §§77t, 77x (remedies); *id.* §78aa(b) (federal-court jurisdiction over government-initiated proceedings alleging that certain foreign conduct violated antifraud provisions of securities laws); *id.* §§78ff, 78u (remedies); 46 U.S.C. §70503(b) (certain extraterritorial acts on various vessels relating to controlled substances, property subject to forfeiture, and currency or other monetary instruments prohibited); *id.* §§70506-70507 (remedies).

notwithstanding that it involved foreign conduct. This Court requires clarity, not redundancy, to overcome the presumption. That alone is sufficient to resolve this case.

But there is a deeper flaw underlying the assumption that Congress must make its intent to make damages incurred abroad recoverable—namely, damages provisions do not implicate the presumption against extraterritoriality at all. Instead, even when a statute regulates only territorially, as does §271(a), there is no basis for assuming that Congress did not intend for reasonably foreseeable damages to be fully recoverable just because the domestic violations caused harm that was suffered abroad or associated with foreign conduct, such as foreign lost profits. Numerous examples illustrate the point. A foreign visitor to the United States rendered unable to work for 8 weeks through the negligence of a federal worker would have a cause of action under the Federal Tort Claims Act, and the plaintiff could recover lost wages to the same extent as a U.S. victim, notwithstanding that the lost wages would have been earned abroad. *See* Brief for the United States as Amicus Curiae at 13 (filed Dec. 6, 2017). Likewise, a foreign company that comes to the United States and enters a contract with a U.S.-based wholesaler to ship components from the United States to the foreign company can recover for foreign lost sales in the event of a breach. *See infra* n.10.

This Court has applied the same commonsense rule in patent cases for over a century. In *Goulds*, for example, this Court relied in part on sales of gas pumps in Canada to calculate an award of lost profits for infringement occurring in the United States. The infringement occurred when the infringing pumps were manufactured in the United States. But the patent holder's injury from that domestic infringement included lost sales of the pumps both in the United States and Canada. As damages for the domestic infringement, the Court allowed the patent holder to recover its lost profits associated with subsequent sales both in the United States and Canada, even though, then and now, the sales in Canada did not constitute independent acts of infringement. Based on the proof submitted by the patentee, the Court in *Goulds* explained that the profits from sales abroad were, in fact, lost because of the domestic infringement because the patentee "could easily, and with reasonable promptness, [have filled] every order that was made" by the defendant. Pet.App.57a-58a (Wallach, J., dissenting in part) (quoting *Goulds*, 105 U.S. at 256). The lost profits, though tied to lost sales outside the United States, were a proper element of damages for the acts of domestic infringement.

Thirty-three years later, in *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.,* 235 U.S. 641 (1915), the Court reaffirmed the rule followed in *Goulds*, while rejecting a portion of the damages award at issue as insufficiently tied to domestic infringement. In *Dowagiac*, some of the defendants were wholesalers who had purchased drills in Canada and then resold them in Canada. 235 U.S. at 643, 650. Pointing to *Goulds*, the Court acknowledged that the plaintiff could have received compensation for its lost profits in Canada if, as had been the case in *Goulds*, "the defendant [had] made the infringing articles in the United States." *Id.* at 650. In *Dowagiac*, however, the plaintiffs had sued defendants who were guilty of no domestic act of infringement and thus there was no basis for collecting damages from the sales in Canada. *See also* Pet.App.58a (Wallach, J., dissenting in part) (discussing *Dowagiac*).

While this Court did not address damages in its *Deepsouth* decision, the premise of the decision is that the assembly of the components in the United States immediately before shipping the intact machine to foreign markets would have infringed the patent. And if the combination occurred in the United States and was then immediately shipped to a foreign market, there is every reason to think that an appropriate, indeed, a principal, measure of damages would have been the lost foreign sales. The foreign sales would not have been an independent act of infringement but, as in *Goulds*, they would be an important component of damages for the domestic infringement.

Numerous lower-court decisions before and after *Goulds* have awarded damages for foreign harm caused by unlawful domestic acts, necessarily rejecting the theory (embraced only recently by the Federal Circuit) that foreign conduct "under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement." Pet.App.43a (quoting *Power Integrations*, 711 F.3d at 1371-72). For example, in an influential decision issued three months before this Court's decision in *Goulds*, a New York Circuit Court rejected an effort to limit the recovery of foreign profits for domestic infringement on the ground that it improperly conflated liability and proof of damages. *See Ketchum Harvester Co. v. Johnson Harvester Co.*, 8 F. 586, 587 (C.C.N.D.N.Y. 1881). In doing so, the court noted: "It is true that the sale is the fruition, and gives the profit, and that the sale is abroad and the patent does not cover the sale abroad. *But the unlawful act of making is made hurtful by a sale, wherever made*." *Id.* (emphasis added). Later cases have taken that same view. *See Fishel v. Lueckel*, 53 F. 499, 501 (C.C.S.D.N.Y. 1892) (citing *Ketchum* for the same principle in a copyright case); *see also, e.g.*, *R.R. Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1519 (Fed. Cir. 1984) (discussed at Pet.App.59a); *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 827 (Fed. Cir. 1989) ("It is undisputed that Datascope is entitled to a reasonable royalty on SMEC's foreign infringing sales."); *Schneider (Eur.) AG v. Scimed Life Sys.*, 60 F.3d 839, Nos. 94-1317, 94-1410, 94-1456, 1995 WL 375949, at *3 (Fed. Cir. 1995) ("We are aware of no rule that a plaintiff cannot recover lost profits for foreign sales of infringing products manufactured in the United States."); Pet.App.15a (Wallach, J., dissenting in part on remand) ("The issue is not one of infringement, where foreign use generally does not count, but one of damages, where it may.").

This understanding is hardly unique to patent law. As discussed below, this principle has long governed in copyright cases. *See, e.g.*, *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939) (L. Hand, J.), *aff'd* 309 U.S. 390 (1940); *Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 307-08 (4th Cir. 2012), *cert. denied* 133 S. Ct. 846 (2013). Indeed, in most civil cases, the proposition that foreign harm from domestic wrongful conduct is compensable is treated as virtually self-evident. Where a claim is founded on a defendant's unlawful domestic conduct, and the plaintiff prevails, courts routinely award damages quantified by reference to foreign evidence or activities, without any suggestion that the presumption against extraterritoriality has any bearing on the damages available.[11] These cases stand for the simple

[11] *See also, e.g.*, *Multiflex, Inc. v. Samuel Moore & Co.*, 709 F.2d 980, 997 (5th Cir. 1983) (an antitrust plaintiff injured by anticompetitive conduct in the United States may recover for lost profits from contracts entered in the United States, even if the contracts would be performed abroad), *abrogated in part on other grounds*, *Deauville Corp. v. Federated Dep't Stores, Inc.*, 756 F.2d 1183, 1192 n.5 (5th Cir. 1985); *Piaggio & C. v. Cushman Motor Works*, 416 F.2d 683, 691 (7th Cir. 1969) (foreign manufacturer entitled to lost profits for American distributor's breach of contract); *Edwards Mfg. Co. v. Bradford Co.*, 294 F. 176, 182-84 (2d Cir. 1923) (for breach of supply agreement, buyer can recover lost profits based on planned resale to company in Japan); *Hardwood Lumber Co. v. Adam & Steinbrugge*, 68 S.E. 725, 726-29 (Ga. 1910) (similar, planned resale in Netherlands); *Delafield v. J.K. Armsby Co.*, 116 N.Y.S. 71, 80-81 (N.Y. App. Div. 1909) (similar, resale in England); *Kirby Lumber Co. v. C.R. Cummings & Co.*, 122 SW. 273, 274-76 (Tex. Civ. App. 1909) (similar, resale in Netherlands and Germany); *Robinson v. Hyer*, 17 So. 745, 751-52 (Fla. 1895) (similar, resale in Europe); *Bende & Sons, Inc. v. Crown Recreation, Inc.*, 548 F. Supp. 1018, 1022-23 (E.D.N.Y. 1982) (similar, resale to government of Ghana), *aff'd* 722 F.2d 727 (2d Cir. 1983) (table); *Sun-Maid Raisin Growers v. Victor Packing Co.*, 194 Cal. Rptr. 612, 615-16 (Cal. Ct. App. 1983) (similar, resale in Japan); *Great White Bear, LLC v. Mervyns, LLC*, No. 06 Civ. 13358, 2008 WL 2220662, at *5 (S.D.N.Y. May 27, 2008) (for a retailer's breach of a purchase agreement, clothing company can recover lost deposits to overseas suppliers and factories who were otherwise going to make the clothing); *Millmaker v. Bruso*, No. H-07-3837, 2008 WL 219551, at *3 (S.D. Tex. Jan. 25, 2008) (in action to enforce arbitral award for breach of contract between two U.S. companies, damages included reimbursement for foreign travel expenses and "all costs of foreign travel/medical/evacuation insurances"); *Snead v. United States*, 595 F. Supp. 658, 667 (D.D.C. 1984) (spouse of a USAID employee, injured by medical malpractice at a clinic in Washington D.C., can recover damages stemming from her

proposition that foreign effects can support damages awards as long as they are proximately caused by law-offending activity in the United States, and as long as the plaintiff can otherwise prove its case.

That the presumption against extraterritoriality has no application to damages for domestic misconduct makes perfect sense in light of the concerns that undergird the presumption. Unlike a direct effort to render conduct outside the United States unlawful, allowing lost foreign sales to form a measure of damages for domestic misconduct raises no serious question of international law and no serious prospect of international discord. As the Court explained in *Lauritzen v. Larsen*, 345 U.S. 571 (1953), the presumption against extraterritoriality stems in large measure from international-law concerns about sovereign nations exercising legislative power beyond their borders. *Id.* at 577-78; *see also Am. Banana*, 213 U.S. at 356 ("[T]he general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done," and a contrary rule "would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent."); *United States v. Palmer*, 16 U.S. (3 Wheat.) 610, 632-33 (1818); *Murray v. Schooner*

inability to live overseas); *Wallingford v. Kaiser*, 84 N.E. 295, 296 (N.Y. 1908) (in action for conversion of horses, plaintiff could recover damages based on plaintiff's planned sale of horses in England); *Carleton v. Lombard, Ayres & Co.*, 43 N.E. 422, 426 (N.Y. 1896) (in product liability case, trial court erred by excluding evidence that defendant seller knew that plaintiff buyer had contracted to resell product in India).

Charming Betsy, 6 U.S. (2 Cranch) 64, 118 (1804); Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 510-16 (1997). Those international-law concerns are plainly relevant when the issue is whether "U.S. law [should be] applied to conduct in foreign countries." *RJR Nabisco,* 136 S.Ct. at 2100.

But such concerns are not seriously implicated when damages for domestic misconduct compensate for foreign lost profits or foreign lost wages. In those circumstances, Congress is not overstepping its traditional bounds, and any attention paid to foreign events is solely in the interest of providing an adequate remedy to those injured by unlawful domestic acts taken in violation of domestic law. Indeed, if a contrary rule were applied systematically, it would likely lead to undercompensation of foreign companies and foreign nationals injured by misconduct in the United States, as they would be the most likely to have their damages measured in part by foreign activity. Thus, consistent application of a presumption against allowing compensation for foreign lost sales or wages would be at least as likely to cause friction with foreign nations as to ameliorate it. While it has long been common for U.S. courts to take foreign events into account as part of their effort to afford relief for unlawful domestic conduct, that practice has not led to comity concerns or complaints by foreign governments.

The Federal Circuit's recent decisions concerning foreign lost profits seem to be motivated less by any coherent application of the presumption against extraterritoriality and more by a concern that Congress' deliberate decision not to make foreign sales an independent act of infringement should somehow make it particularly difficult to recover damages in any way associated with lost foreign sales. *See*, *e.g.*, *Power Integrations*, 711 F.3d at 1371-72 ("the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement"). If that is indeed the case, there are three fundamental problems with using Congress' decision to refrain from making foreign sales an independent act of infringement as an impediment to recovering damages for other domestic acts of infringement when those damages are associated with foreign sales.

First, it is flatly inconsistent with this Court's precedents. This is the precise dynamic at issue in *Goulds*, and yet the Court held that while the sales of the infringing pump in Canada were not an independent violation of the statute, they were a viable basis for awarding damages for the domestic act of manufacturing infringing pumps in the United States. Any other rule would conflate liability and damages.

Second, the sound rule of *Goulds* is supported by the text of §271(a) which prohibits a disjunctive list of acts of infringement. Congress prohibiting making *or* selling a patented invention in the United States. When an infringer violates the former prohibition, but not the latter, in a manner that reasonably and foreseeably deprives the inventor of profits from foreign sales, there is no reason to deny full compensation. The failure of the defendant to violate two independent, disjunctive prohibitions is not a good reason to excuse it from providing full compensation for one adjudicated violation.

Finally, while this concern about allowing damages calculated based on foreign sales not independently prohibited by §271(a) is incoherent generally, it makes absolutely no sense when it comes to §271(f). That provision prohibits only domestic acts taken with a specific intent about subsequent foreign combinations. The fact that the foreign combinations are not independently prohibited by §271(a) is not some reason for short-changing the victim of §271(f) infringement, it is the *raison d'etre* of the subsection.

The lower courts ran into a similar phenomenon in the copyright context long ago and reached the correct answer relying in part on *Goulds*. Copyright law, like patent law, generally prohibits domestic infringement, but not copying that occurs abroad. That dynamic raises a comparable question of what happens when a domestic act of copying leads directly and foreseeably to foreign copying that injures the copyright holder. Is the damage suffered as a reasonable and foreseeable result of domestic infringement recoverable or does the fact that foreign copying is not independently prohibited somehow limit the recovery for domestic infringement? The courts of appeals, beginning with a decision by Judge Learned Hand, have long allowed full recovery for the domestic infringement by applying the so-called "predicate act" doctrine.

In *Sheldon*, the defendant produced a movie using copyrighted material, made negatives in the United States, and showed the film abroad. 106 F.2d at 52. The act of copying the negatives in the United States was forbidden by U.S. copyright law. *Id.* Thus, Judge

Hand reasoned, "[t]he plaintiffs acquired an equitable interest in [the copies] as soon as they were made, which attached to any profits from their exploitation." *Id.* And, because the exhibition abroad was based on the antecedent unlawful copying in the United States, it did not matter that U.S. law did not independently prohibit the foreign copying and the court "need not decide whether the law of those countries" recognized the plaintiff's copyright. *Id.* In reaching that conclusion, Judge Hand cited both *Goulds* and *Dowagiac*. This Court affirmed (albeit without directly addressing the predicate act doctrine). 309 U.S. 390 (1940).

Following *Sheldon*, the Second Circuit has repeatedly reaffirmed the predicate act doctrine, *Update Art, Inc. v. Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988). Other circuits have adopted the doctrine, and none has rejected it. *See Tire Eng'g*, 682 F.3d at 306 (describing the doctrine as "fundamental").[12] Each circuit has given due consideration to the presumption against extraterritoriality and concluded that that presumption is not violated because the predicate act

[12] The Sixth and Eleventh Circuits have either acknowledged the doctrine in dictum or applied the same principle without explicitly calling it the "predicate act doctrine." *See Liberty Toy Co. v. Fred Silber Co.*, 149 F.3d 1183, 1998 WL 385469, at *3 (6th Cir. 1998) (unpublished) ("[A]s long as some act of infringement occurred in the United States, the Copyright Act applies."); *Palmer v. Braun*, 376 F.3d 1254, 1258 (11th Cir. 2004) (per curiam) (citing *Sheldon*)). Over a dissent, the Ninth Circuit in *Los Angeles News Service v. Reuters Television International, Ltd.* recognized the predicate act doctrine, but limited the plaintiff's damages to the infringer's profits. 340 F.3d 926, 931 (9th Cir. 2003); *see also id.* at 932-33 (Silverman, J., dissenting).

doctrine demands domestic wrongful conduct and awards only those damages that are consistent with other limitations such as proximate cause and statutes of limitations. *See, e.g.*, *id.* at 306-08; *Palmer*, 376 F.3d at 1258. Multiple district courts have reached the same conclusion.[13]

The Court need not ratify copyright law's predicate act doctrine to decide this case. But eight decades of decisions in a closely analogous field show that every circuit to confront arguments about shutting off "extraterritorial damages" reasonably and foreseeably caused by domestic infringement has declined to extend the presumption against extraterritoriality even though the copyright law does not independently prohibit infringement abroad. Rather—consistent with *Goulds* and *Dowagiac*—those courts have examined questions of damage quantification through the lens of proximate cause and related general principles.

This Court has recognized the "historic kinship" between patent law and copyright law, *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984), and historically construed both statutes with reference to the same background principles—including on question of remedies. *See, e.g.*, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (injunctions); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932) (royalties). To be sure, copyright law and

---

[13] *See ICONICS, Inc. v. Massaro*, 192 F. Supp. 3d 254, 262-63 (D. Mass. 2016); *Palmer/Kane LLC v. Houghton Mifflin Harcourt Publ'g Co.*, 2014 WL 183774, at *3 (D. Mass. Jan. 16, 2014); *Bavendam v. Pearson Educ., Inc.*, 2013 WL 5530008, at *5-*6 (D.N.J. Oct. 3, 2013); *Geophysical Serv. Inc. v. ConocoPhillips Co.*, 2016 WL 2839286, at *3-*5 (S.D. Tex. May 13, 2016).

patent law "are not identical twins," and differences between the statutes must be respected. *Sony*, 464 U.S. at 439 n.19. But neither ION nor the Federal Circuit has ever pointed to any unique features of the Patent Act that would justify a patent-law-specific doctrine of extending the presumption against extraterritoriality to bar or limit damages proximately caused by domestic acts of infringement. *See generally Ketchum Harvester*, 8 F. at 587 ("[T]o deprive the patentee of all damages for unlawful making here, because the article is sold abroad, is to deprive him of part of what his patent secures to him."). To the contrary, both statutes prohibit domestic infringement while not prohibiting foreign infringement, and neither statute, properly construed, imposes any artificial limitation on damages for the prohibited domestic infringement.

D. Principles of Proximate Cause and Related Doctrines Can Sensibly Limit Damages Without Flouting Congress' Intent in Enacting §271(f).

The extensive body of copyright precedent underscores that a reversal here poses no threat of opening floodgates to inflated damage demands and awards in patent cases. Patent infringement is a tort. *Schillinger v. United States*, 155 U.S. 163, 169-70 (1894); *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931), *supplemented* 283 U.S. 420 (1931); *Aro*, 377 U.S. at 500-01. In patent cases, as in copyright cases, and other tort cases, principles such as proximate cause, foreseeability, and reasonable certainty keep damages awards within their proper scope. *See Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1390-91 (2014) (discussing proximate cause); Dobbs, *supra*, at 150 ("The plaintiff must not only establish the *fact* of damage with reasonable certainty; he must go further and establish the *amount* of damage with reasonable certainty."); Restatement (Second) of Torts §912 (1979) (similar); *Rite-Hite Corp.*, 56 F.3d at 1545; 3 Robinson, *supra*, at 321-22, 339-42, 367-69 (plaintiffs in patent cases must prove damages to a reasonable certainty). For lost profits in particular, patentees who seek such relief continue to face stringent evidentiary burdens not affected by this case, and must generally practice their inventions. *Seymour v. McCormick*, 57 U.S. (16 How.) 480, 490-91 (1853) (vacating award of lost profits and ordering new trial where erroneous instructions permitted jury to substitute speculation for required proof); *see also, e.g.*, *Rite-Hite*, 56 F.3d at 1545-46; *Panduit*, 575 F.2d at 1156. Those boundaries have long proved sufficient to cabin unjustified awards, and they will continue to be available to do so.

By contrast, affirmance of the decision below would needlessly extend the presumption against extraterritoriality and reopen the very loophole Congress sought to close by enacting §271(f). The presumption against extraterritoriality has never been construed to apply to damages provisions corresponding to provisions that expressly apply abroad or to limit damages for domestic torts that inflict damages measured in part by reference to foreign conduct. Even when Congress expressly addresses certain extraterritorial conduct, it often cross-references general damages provisions that do not expressly distinguish between domestic and extraterritorial applications of the statute. *See supra* at 40 & n.10. The Patent Act is a case in point.

Section 271(f) addresses the precise relationship between domestic conduct and intended foreign combinations with specificity. But when the conduct violates §271(f) the question of damages is left to the generic damages provision in §284 that applies to all infringement. Expecting a specific indication in §284 that Congress intended damages to extend to foreign lost profits is to look for the wrong thing in the wrong place. And even when a statute prohibits domestic conduct without expressly considering extraterritorial considerations, there is no reason to artificially limit damages for domestic infringement, based on the happenstance of whether reasonable and foreseeable damages include foreign lost profits or lost wages.

Whatever may be true in other contexts, applying the presumption to limit damages caused by foreign combinations and foreign sales under §271(f) would completely frustrate Congress' intent. Congress enacted §271(f) to close the loophole created by this Court's decision in *Deepsouth*. Putting aside the merits of this Court's decision as a matter of secondary patent liability or statutory construction, Congress reached the quite reasonable judgment that someone should not be able to extract profits from someone else's patented combination through the simple expedient of stopping short of assembling the combination inside the United States but shipping the components abroad for quick assembly outside the United States. Having expressly acted to close that loophole, it would make no sense to limit the recovery of the patent holder just because the intended foreign combination occurs abroad. Yet that is precisely the misguided result embraced by the court below. That decision has nothing to recommend it as a matter of statutory construction, the presumption against extraterritoriality or commonsense. This Court should reverse the decision and keep the *Deepsouth* loophole closed.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

TIMOTHY K. GILMAN	PAUL D. CLEMENT
LESLIE M. SCHMIDT	*Counsel of Record*
KIRKLAND & ELLIS LLP	GREGG F. LOCASCIO, P.C.
601 Lexington Avenue	JOHN C. O'QUINN
New York, NY 10022	WILLIAM H. BURGESS
(212) 446-4800	KIRKLAND & ELLIS LLP
	655 Fifteenth Street, NW
	Washington, DC 20005
	(202) 879-5000
	paul.clement@kirkland.com

Counsel for Petitioner

February 23, 2018