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 FAIRCHILD SEMICONDUCTOR INTERNATIONAL, INC., THE INTERNET ASSOCIATION, SAS INSTITUTE INC., SYMMETRY, LLC, AND XILINX, INC. AS *AMICI CURIAE* SUPPORTING RESPONDENT

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INTERESTS OF *AMICI CURIAE*[1]

Amicus Fairchild Semiconductor International Inc. ("Fairchild") is a U.S.-based semiconductor manufacturer with a worldwide presence. Founded in 1957, Fairchild was a pioneer in the field of integrated circuit design and manufacturing with its employees going on to found many famous Silicon Valley companies, like Intel. Fairchild's storied legacy of being a lead innovator continues today as the company presently holds thousands of issued U.S. and foreign patents. Fairchild has a strong interest in this case because the rule adopted here will have an important effect upon its sales and manufacturing operations in the global economy, and because the decision below reaffirms and extends the Federal Circuit's earlier decision in *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 900 (2014). In *Power Integrations*, the Federal Circuit correctly held, in the context of a patent-infringement claim under 35 U.S.C. 271(a), that the presumption against extraterritorial application of U.S. patent law bars the award of patent infringement damages based on foreign sales under 35 U.S.C. 284. Fairchild has relied on *Power Integrations* both in its ongoing business operations and in

[1] Pursuant to Rule 37.6, *amici* affirm that no counsel for a party authored this brief in whole or in part, and that no party, counsel for a party, or any person other than *amici* and their counsel made a monetary contribution intended to fund the preparation or submission of the brief. All parties have consented to the filing of this brief.

subsequent litigation, where it has had an important damages-limiting effect.

Amici the Internet Association, SAS Institute Inc., Symmetry, LLC, and Xilinx, Inc. are or advocate for leading companies that operate internationally and offer innovative products and services that drive the economy. *Amici* and their members have experience both in patent litigation—most often defending against abusive infringement assertions—and in the development and management of their own technologically and geographically diverse patent portfolios. In obtaining their patent assets, *amici* and their members often make business decisions based on specific rules of the individual and varied patent regimes around the world. For these companies, it is critical to understand which country's rules govern which activities, to avoid inconsistent rules, and to avoid duplicative obligations. In the view of these *amici*, a patent system in the United States that extends to injuries beyond U.S. borders raises significant practical concerns.

INTRODUCTION AND SUMMARY OF ARGUMENT

Amici agree with Respondent that the presumption against extraterritorial application of U.S. patent law applies to damages as well as liability. This Court has long held that "[t]he presumption that United States law governs domestically but does not rule the world applies with particular force in patent law." *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454-55 (2007); *see, e.g.*, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) ("Our patent system makes no claim to extraterritorial effect…, and we correspondingly reject the claims of others to such control over our markets.”).

The territorial system of patents would suffer just as much harm from the extension of damages beyond national borders as from the extension of liability. *Amici*, who have or whose members have operations and customer relationships that cross-cut national borders, write separately here to express agreement with Respondent’s argument and to underscore the negative practical consequences that would ensue if Petitioner’s and the Government’s positions were adopted. In *amici*’s view, robust enforcement of the presumption against extraterritoriality is all the more important in an increasingly global economy. Reversal here would invite imposition of increased risk on U.S. businesses for patent injuries that occur abroad, inhibiting the ability of high-tech companies and others to innovate, without any clear statement that Congress intended such a result. The decision below should be affirmed.

ARGUMENT

I. THE FEDERAL CIRCUIT PROPERLY APPLIED THE PRESUMPTION AGAINST EXTRATERRITORIALITY TO PRECLUDE RECOVERY OF PATENT DAMAGES FOR FOREIGN INJURIES

As the Federal Circuit has recognized in a series of decisions culminating in the decision below, the extraterritoriality principle confines not only patent liability but also “the damages that are to be imposed for domestic liability-creating conduct.” *Carnegie Mellon University v. Marvell Technology Group*, 807 F.3d 1283, 1306 (Fed. Cir. 2015). For example, in *Power Integrations*, 711 F.3d at 1371-72, the Federal Circuit held 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," and thus overturned an award of lost profits based on non-infringing foreign sales.

That line of Federal Circuit decisions is correct, and the Court should affirm the decision below, which properly extends that precedent to apply the presumption against extraterritoriality here. As most recently articulated in *RJR Nabisco, Inc. v. European Community,* 136 S. Ct. 2090, 2106-08 (2016), that presumption bars interpreting a federal statute to enable a plaintiff to obtain "recovery for foreign injuries" unless Congress has specifically provided for such recovery. Because Congress made no such provision here, Petitioner's claim for "foreign lost profits" should fail.

A. Foreign Injuries Are Not Compensable Under U.S. Law Absent A Clear Statement Of Congressional Intent

This Court's extraterritoriality analysis in *RJR Nabisco* provides a roadmap to answering the question presented in this case. There, too, the Court confronted putative regulation of conduct occurring abroad. There, the Court looked first to whether the statutory provisions reflected a Congressional intent to regulate such conduct abroad, and second to whether the provisions authorized a private right of action with extraterritorial reach.

Specifically, in *RJR Nabisco*, several European government entities sued RJR and related companies, alleging a racketeering scheme involving fraud and money-laundering. 136 S. Ct. at 2098. The plaintiff governments claimed that these activities caused them injury in Europe through, *inter alia*, "competitive harm to their state-owned cigarette businesses, lost tax revenue from black-market cigarette sales, harm to European financial institutions, currency instability, and increased law enforcement costs." *Id.* The question presented was whether RICO provided a private cause of action to compensate for such injuries suffered abroad.

As the Court explained, that question "really involve[d] two questions":

> First, do RICO's substantive prohibitions, contained in [18 U.S.C.] 1962, apply to conduct that occurs in foreign countries?
>
> Second, does RICO's private right of action, contained in [18 U.S.C.] 1964(c), apply to injuries that are suffered in foreign countries?

Id. at 2099 (paragraph break added). The Court applied the traditional presumption against extraterritorial application of U.S. law to each question, *see id.* at 2101-11, but its approaches to applying the presumption differed as between the two questions.

As to the first question—concerning "conduct that occurs in foreign countries"—the Court applied a "two-step framework":

> At the first step, we ask whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear,

> affirmative indication that it applies extraterritorially. We must ask this question regardless of whether the statute in question regulates conduct, affords relief, or merely confers jurisdiction.
>
> If the statute is not extraterritorial, then at the second step we determine whether the case involves a domestic application of the statute, and we do this by looking to the statute's "focus." If the conduct relevant to the statute's focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad; but if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory.

Id. at 2101 (paragraph break added). Under this framework, the Court held that Section 1962 of RICO prohibits certain forms of conduct outside the United States, because Congress expressly incorporated "extraterritorial predicates into RICO"—that is, it permitted RICO liability to be premised on specified forms of criminal activity that may take place in foreign countries. *Id.* at 2102. This finding "obviate[d]" the step-two "'focus' inquiry," because the "scope of an extraterritorial statute" such as Section 1962 "turns on the limits Congress has (or has not) imposed on the statute's foreign application, and not on the statute's 'focus.'" *See id.* at 2101 & n.5, 2102-03.

The Court did not expressly identify the "focus" of Section 1964(c)'s private-right-of-action provision. Instead, the Court simply explained that "[n]othing in § 1964(c) provides a clear indication that Congress intended to create a private right of action for injuries suffered outside of the United States." *Id.* at 2108. Absent such a "clear indication," the Court interpreted the statute to mean that a "private RICO plaintiff … must allege and prove a *domestic* injury" in order to state a claim, *id.* at 2106, and thus ruled that, because the plaintiffs' "RICO damages claims … rest entirely on injury suffered abroad," they had to be dismissed, *id.* at 2111. This was so even though the conduct underlying the injuries was subject to RICO's substantive provisions via Section 1962, *see id.* at 2106, 2108: All that mattered for purposes of ascertaining whether Section 1964(c)'s private right of action could provide a remedy for the asserted injuries was that the situs of those injuries was outside the United States. *See id.* at 2111. Thus, the Court held that the presumption against extraterritoriality applies to limit recovery under a federal statutory cause of action to damages arising from "domestic injuries." *Id.* That is, the presumption excludes compensation for "foreign injuries" absent a clear Congressional statement to the contrary.

B. The Patent Act Does Not Create A Private Right Of Action To Recover For Foreign Injuries

RJR Nabisco illuminates the right path for construing the Patent Act provisions that are relevant to this case. Here, as in that case, *see id.* at 2099, there are really two questions: The first is whether the Patent Act's substantive provisions (namely, its definitions of patent infringement) reach outside the United States. And the second is whether the Patent Act's private right of action for enforcing those prohibitions provides relief for foreign injuries. As the Court explained in *RJR Nabisco*, each of these questions must be analyzed separately: "the presumption against extraterritoriality must be applied separately to both [a statute's] substantive prohibitions and its private right of action." *Id.* at 2108.

1. The first question may be addressed quickly. The substantive provisions relevant to this case, 35 U.S.C. 271(f)(1) and 271(f)(2), do not regulate extraterritorial conduct. Rather, they prohibit the "suppl[y] *in or from the United States* [of certain] component[s] of a patented invention," with the intent that the components will be combined into the patented invention outside of the United States. 35 U.S.C. 271(f) (emphasis added). Far from giving the requisite "clear, affirmative indication that it applies extraterritorially," *RJR Nabisco*, 136 S. Ct. at 2101, this statutory language unambiguously does *not* extend to or prohibit the eventual combination of components that may occur abroad. It instead prohibits the supply of device components "in or from the United States," provided only that the supplier act with the requisite *scienter*. As the parties agree (e.g., Pet'r Br. 30; Resp. Br. 27), the statute does *not* prohibit the ultimate foreign combination of the exported components.[2] Thus, contrary to the view of

[2] Petitioner's statement of the question presented in this sense misstates the law and mischaracterizes the judgment under review: Section 271(f) does not "prohibit[] combinations occurring outside the United States" (*contra*

one *amicus* (*see* Houston Intellectual Property Law Ass'n Br. 5-9), Section 271(f) does not apply extraterritorially.[3]

Thus, applying Section 271(f) ION's provision of surveying-device components is "a permissible domestic application" of the statute because all of that conduct "occurred in the United States." *RJR Nabisco*, 136 S. Ct. at 2101. But Section 271(f) does not govern third parties' *extraterritorial* combinations of some of ION's products with other components for use in extraterritorial surveying operations, in competition with WesternGeco.

2. That leaves the second question under the *RJR Nabisco* analysis, *see* 136 S. Ct. at 2099: Whether the cause of action for patent infringement under 35 U.S.C 281 and 284 "appl[ies] to injuries that are suffered in foreign countries." This question too is swiftly resolved, because (as in *RJR Nabisco*) "[n]othing in [those provisions] provides a clear indication that Congress intended to create a private right of action for injuries suffered outside of the

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Pet'r Br. i); it prohibits only the domestic supply of the components that may (or may not) *later* be combined outside the country.

[3] Section 271's other infringement provisions are even more clearly limited to domestic conduct. Section 271(a) requires that infringing conduct occur "within the United States." Induced and contributory infringement under Sections 271(b) and (c) likewise do not reach extraterritorial conduct, since they require a completed act of domestic direct infringement. *See Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014); *Deepsouth*, 406 U.S. at 526.

United States." *Id.* at 2108. Section 281 provides that "[a] patentee shall have remedy by civil action for infringement of his patent," and Section 284 calls for an award of "damages adequate to compensate for the infringement" if the plaintiff prevails. Just like Section 1964(c) of RICO, however, neither Section 281 nor Section 284 says anything about recovery for injuries suffered abroad. As in *RJR Nabisco*, it follows that a patent plaintiff "must allege and prove a *domestic* injury" in order to recover damages for infringement. 136 S. Ct. at 2106.

3. The remaining question is whether the injuries for which Petitioner seeks compensation in this case may be characterized as "domestic" rather than "foreign." *See id.* at 2111 (noting that disputes may arise on this issue). No such characterization is possible. To the contrary, the entire premise of Petitioner's lost-profits claim is that a *foreign* company lost out on *foreign* contracts to other *foreign* entities to perform marine surveys using *foreign* ships *on the high seas*. The injury for which Petitioner seeks compensation is thus based on lost *foreign* sales and lost *foreign* profits, and both Petitioner and the Government are right to describe it as such. *E.g.*, Pet'r Br. 46-47, 54 (claim seeks "lost foreign sales" and "foreign lost profits"); Gov't Br. I (claim seeks "lost profits that the patentee would have earned outside the United States" absent infringement). The presumption against extraterritoriality forecloses any interpretation of Sections 281 and 284, as currently written, as authorizing any such recovery for purely foreign injuries. *See RJR Nabisco*, 136 S. Ct. at 2106.

C. The Patent Act Does Not Depart From The Traditional Presumption Against Extraterritoriality

Petitioner and the Government raise a host of arguments against application of presumption against extraterritoriality as articulated in *RJR Nabisco*—none of which has merit, as Respondent's brief explains. *Amici* write separately to emphasize the errors in three specific arguments that, if accepted, would pose a grave threat to the many U.S. companies that do business overseas (*see* Point II, *infra*). The relevant arguments share the misconception that Petitioner and other patent-holders must be entitled to recover damages for foreign injuries traceable to U.S. infringement. That premise does not hold in view of the presumption against extraterritoriality and Congress's considered judgment *not* to authorize such awards. Petitioner's and the Government's contrary arguments should be rejected.

1. Petitioner is wrong in arguing (Pet'r Br. 28-34, 39-52) that the presumption against extraterritoriality is somehow inapplicable to its claim for damages based on foreign injuries. *First*, *RJR Nabisco* refutes Petitioner's suggestion (Br. 29-30) that the presumption applies only to the question "whether Congress intended to declare conduct occurring outside the United States to be unlawful." To the contrary, the Court "*must* ask" "whether the presumption against extraterritoriality has been rebutted" "*regardless* of whether the statute in question regulates conduct, *affords relief*, or merely confers jurisdiction." 136 S. Ct. at 2101 (emphases added). Indeed, the case-dispositive question in *RJR Nabisco* was not whether the presumption precluded application of RICO Section 1962's *substantive* provisions (it did not), but whether Section 1964(c)'s "private right of action … appl[ies] to injuries that are suffered in foreign countries." *Id.* at 2099.

Petitioner further asserts (Br. 39-40) that, if Congress provides "a cause of action that implicates certain foreign conduct, it does not need to reiterate that intention in the applicable damages provision." This contention too runs up against *RJR Nabisco*, which reversed the Second Circuit on the specific ground that the courts must "separately" apply the presumption both to substantive statutes and to remedial ones. 136 S. Ct. at 2106, 2108. Just as a substantive statute does not govern foreign conduct in the absence of a clear statement from Congress, a remedial statute does not provide relief from a foreign injury unless Congress says so expressly.

The same set of holdings defeats Petitioner's bold contention (Br. 41) that "damages provisions do not implicate the presumption against extraterritoriality at all." Yes, they do. The presumption applies, *inter alia*, to a statute that provides a "private right of action" or otherwise "affords relief," and it governs interpretation of such a statute "separately" from any effect it may have on the underlying substantive regulation. 136 S. Ct. at 2099, 2101, 2106, 2108. And the presumption gives the lie to Petitioner's assertion (Br. 41) that "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": The established presumption that Congress does not regulate or provide remedies for events that happen abroad affords ample reason to conclude that a statute has no extraterritorial effect where it is silent on that issue.

Second, Petitioner is also wrong in contending (Br. 46) that "the concerns that undergird the presumption" support refusing to apply it when interpreting a remedial statute based on a domestic violation. As Petitioner notes (*id.*) the presumption is motivated in part by "international-law concerns about sovereign nations exercising legislative power beyond their borders." Contrary to Petitioner's suggestion, however, "[a]llowing recovery for foreign injuries … presents the same danger of international friction" that is present with respect to direct regulation of foreign conduct. *See RJR Nabisco*, 136 S. Ct. at 2106-07 (collecting authorities). Reading a remedial statute to reach foreign injuries risks such friction by (among other things) creating the potential for an end-run around a foreign state's preference for a different remedial scheme. Here, there is presumably a reason that Petitioner opted to sue ION in the United States rather than to bring claims in foreign courts against the third parties that actually won the contracts and thus caused it to lose profits. If the countries with jurisdiction over the third parties' surveying operations would not allow a lost-profits remedy, or do not provide patent protection for the inventions here at issue, it risks international discord for U.S. law nevertheless to grant one. *See infra*, at 22-24.[4]

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[4] Although the surveying operations at issue occurred in international waters, that conduct is subject to the exclusive jurisdiction of the foreign nations under whose flags the third-party surveying vessels sailed. *See, e.g.*, *Mar-*

The risks to comity would be magnified if the Court accepts the United States' invitation (Br. 24-28) to authorize recovery of extraterritorial damages for *all* forms of patent infringement (rather than only for claims under Section 271(f)). For example, the plaintiff in *Power Integrations,* 711 F.3d 1348, which lacked foreign patent coverage for three of its asserted patents, alleged infringement under Section 271(a) based on the defendant's manufacture and sale of a small number of infringing microchips in the United States, and then sought damages based on *foreign* lost profits attributable to the defendant's *worldwide* sales—including chips that were neither made nor sold in the United States—on the theory that the infringer's customers bought the chips on a worldwide basis, such that the defendant sold the foreign chips only as a consequence of its U.S. infringement. *See id.* at 1370. Although the Federal Circuit correctly refused to allow such damages, they would have been permitted under Petitioner's theory here that foreign injuries "can support damages awards as long as they are proximately caused by law-offending activity [such as patent infringement]

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tha's Vineyard Scuba Headquarters, Inc. v. Unidentified, Wrecked, and Abandoned Steam Vessel, 833 F.2d 1059, 1066 (1st Cir. 1987). And the presumption in any event militates against *any* extraterritorial application of U.S. law, and thus applies equally to conduct occurring in territory not governed by any sovereign. *See Smith v. United States*, 507 U.S. 197, 204 & n.5 (1993) (applying presumption with respect to conduct occurring in Antarctica).

in the United States." Pet'r Br. 46.[5] The result would have been to project U.S. patent law out into the world at large, effectively prohibiting sales of goods patented in the United States—even if such sales would not infringe any patent effective where the sales were made.

Similarly in *Carnegie Mellon*, 807 F.3d 1283, the plaintiff claimed infringement based on the defendant's U.S.-based uses of a patented error-correction method in the design and testing of certain microchips, and then sought a royalty award based on worldwide sales of the defendant's microchips—including chips that were made, sold, and used entirely outside the United States. *See id.* at 1305. The Federal Circuit again correctly rejected this damages claim, but Petitioner's theory here, if adopted, would uphold it—even though the result would be to substantially increase the cost of products that are otherwise outside the reach of U.S. law at the expense of foreign nations whose markets stand to suffer.

Congress could of course decide to accept these risks and to provide a remedy for injuries occurring abroad. But the point of the presumption against extraterritoriality is that Congress should not be understood to have done so absent a clear statement to that effect. And while the risk and extent of such

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[5] The Court denied certiorari when Power Integrations pressed a similar foreseeability theory to try to overturn the Federal Circuit's decision. *See* Pet. for Writ of Cert., *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, No. 13-269, at 5-7 (explaining theory), *cert. denied*, 134 S. Ct. 900 (2014).

transnational conflict may vary from case to case, that is no reason not to apply the presumption to Section 284: Even the "*potential* for international controversy … militates against recognizing foreign-injury claims without clear direction from Congress." *RJR Nabisco*, 136 S. Ct. at 2107 (emphasis added). Indeed, whenever (as in the case of Section 284) "such a risk is evident, the need to enforce the presumption is at is apex." *Id.*

2. The Government at least acknowledges that Section 284 is susceptible to the presumption against extraterritoriality, and admits (U.S. Br. 25) at step one of the *RJR Nabisco* analysis that the statute does not provide the requisite clear indication that Congress intended it to apply outside our borders. But the Government nonetheless contends (Br. 25-33) that allowing recovery of *foreign* lost profits under Section 284 would not constitute a *foreign* application of the statute. This is not only wrong but paradoxical.

At the second step of *RJR Nabisco*, the Court asks whether the case at hand involves a foreign application of the statute or a domestic one. *RJR Nabisco*, 136 S. Ct. at 2101. In a case concerning a remedial statute, that question is answered by the location of the particular injury at issue. Thus, the claims in *RJR Nabisco* failed because the plaintiffs' injuries had all been suffered in Europe as a result of unpaid taxes, increased law enforcement costs, and the like. *See id.* at 2098, 2111.[6] By the same reason-

[6] The Section 1964(c) claims could theoretically have survived to the extent that they rested on *domestic* inju-

ing, Petitioner's claim in this case for recovery of foreign lost profits must fail, because the injuries at issue were the result of sales lost outside the United States.[7]

The Government attempts to avoid this conclusion by suggesting (*see* U.S. Br. 27, 31) that Section 284 has a different "focus" than RICO Section 1964(c). This is implausible on its face: Both statutes are addressed to providing monetary remedies for violations of separate statutory prohibitions (Section 271 and RICO Section 1962, respectively), so the only reasonable conclusion is that they have equivalent focuses for purposes of the presumption. The very fact that the Government casts about for several different "focuses," rather than settling on just one, strongly suggests it recognizes the dubiousness of its analysis.

In any event, the Government's proposed "focuses" do not lead to a different rule. The concepts of "damages," "compensation," and "the requirement that the [damages] award be 'adequate to compensate' the patentee" (U.S. Br. 29, 31), are not "events" (*contra id.* at 31) or occurrences. Thus, to the extent any of them is Section 284's "focus," the Court must

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ries resulting from the defendants' foreign RICO violations, but plaintiffs waived such claims. *See id.* at 2111.

[7] Just as the *RJR Nabisco* plaintiffs might have recovered for domestic injuries, Petitioner may recover reasonable royalty damages to compensate for the notional domestic injury caused by ION's domestic acts of infringement—and it has indeed done so, to the tune of $22 million (Pet. App. 139a, 168a, 175a).

identify the "conduct relevant to" that focus—and in each case, that is the injurious conduct that generated the plaintiff's claimed damages. *See RJR Nabisco*, 136 S. Ct. at 2101.

The relevant "conduct" for purposes of Section 284 is *not* the acts constituting domestic infringement (*contra* U.S. Br. 31). Infringement is the focus of the underlying *substantive* statute (Section 271), and to collapse the inquiry would be contrary to the requirement to analyze the statutes "separately." *See RJR Nabisco*, 136 S. Ct. at 2106, 2108; *supra*, at 12. Rather, as *RJR Nabisco* indicates, the relevant conduct is that which directly caused the injuries for which the plaintiff seeks recovery—here, the foreign third-party commercial activity that caused Petitioner to lose sales.

3. Finally, contrary to Petitioner's and the Government's submissions (*e.g.*, Pet'r Br. 48-49; U.S. Br. 28), the presumption against extraterritoriality does not give way to the general rule that a successful patent plaintiff is entitled to "full compensation." While Congress does in general legislate against the backdrop of such common-law rules, *see Astoria Fed. Savings & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991), it likewise legislates against the background principle that its laws are presumed not to operate extraterritorially. And the latter principle carries special weight in this context: Not only does the presumption against extraterritoriality "appl[y] with particular force in patent law," *Microsoft Corp.*, 550 U.S. at 454-55, but this Court specifically alerted Congress to its significance in *Deepsouth*, 406 U.S. at 531. Congress then enacted Section 271(f) *specifically with the presumption against extraterritoriality in* *mind*. Rather than include a provision authorizing damages for foreign injuries, however, Congress was careful to limit the new provision to conduct that occurred within the United States. That Congress did not see fit to provide for the kind of recovery that Petitioner and the Government now advocate, even when the Patent Act's territorial reach was top-of-mind, affords powerful confirmation that it intended to privilege the presumption against extraterritoriality over other competing considerations.

Even setting aside Section 271's evidently deliberate silence regarding extraterritorial recoveries, there is good reason for the courts to give greater weight to the presumption against extraterritoriality than to a common-law rule favoring "full compensation." Whereas the common-law rule affects only individual litigants within the judicial system, the presumption against extraterritoriality is grounded in broader and more significant concerns about international relations. *See supra*, at 13-16. Moreover, the legislative and executive branches are far better suited than the judiciary to make sensitive judgments about the United States' role in and effects on international trade. *Cf. Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 116 (2013) (foreign policy concerns in recognizing cause of action under Alien Tort Statute "'should make courts particularly wary of impinging on the discretion of the Legislative and Executive Branches in managing foreign affairs'") (quoting *Sosa v. Alvarez-Machain*, 542 U.S. 692, 727 (2004)).

Nor is Petitioner's rule supported by precedent. Petitioner and *amicus* Power Integrations, Inc. rely on *Goulds' Manufacturing Co. v. Cowing*, 105 U.S.

253 (1881), but (as Respondent explains, Br. 40-41) the issue of extraterritorial damages was not presented or decided there: The oil pumps at issue were manufactured in the United States, *see* 105 U.S. at 256, and the parties stipulated to the number of sales on which profits were awardable (Resp. Br. 40). The issue before the Court was *apportionment—i.e.*, the *extent* of the infringer's profits that were recoverable by the plaintiff under the then-effective version of the Patent Act.[8] The Court thus *assumed* that profits were available on all of the stipulated sales. It did *not* consider or decide whether the sales and associated profits were legally sited in in Canada. And, therefore, the Court cannot have considered or decided whether profits that accrue in Canada would be outside the reach of U.S. patent law. *Goulds* thus simply does not bear on the issue here.

The rule in *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915), likewise does not support reversal (*contra* Pet'r Br. 42-43; Power Integrations Br. 14-15). In fact, the Court held in that case that, because "no part of [the complained-of] transaction[s] occur[ed] within the United States, … as to them there could be no recovery of either profits or damages." 235 U.S. at 650. The plaintiffs there cited *Goulds* as standing for the erroneous contrary proposition, but the Court summarily rejected the argument by pointing out that in *Goulds* "the defendant made the infringing articles in the United States." *Id.* Petitioner and Power In-

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[8] Power Integrations mischaracterizes *Goulds* in asserting (Br. 13) that the case concerned a claim for *the plaintiff's* lost profits.

tegrations contend that *Dowagiac* implied that goods *made* domestically and *sold* abroad can support infringement recovery, but the Court's summary distinction of *Goulds*—a case that *did not consider* the extraterritorial-damages issue—cannot have established the sweeping rule that Petitioner and Power Integrations would now have this Court announce.

Finally, Petitioner (*e.g.*, Br. 20-21, 47) and the Government (*e.g.*, Br. 21-22) are in any event wrong to worry that application of the presumption would leave patent holders without adequate compensation. For one thing, the rights conferred by a patent extend only within the United States, 35 U.S.C. 154(a)(1), and "the infringement" for which Section 284 provides compensation can likewise only occur domestically, 35 U.S.C. 271. A territorial limit on damages does not result in undercompensation, but instead provides a remedy that is calibrated to the limited geographic scope of the rights conferred by a U.S. patent. In contrast, as shown below, a rule under which patent damages are unbounded by the Nation's borders would provide substantial *overcompensation* relative to the value of an invention patented in the United States. Moreover, there is a ready solution available to a patent-holder who views Section 284 as providing insufficient compensation by precluding recovery of foreign damages: "its remedy today lies in obtaining and enforcing foreign patents." *Microsoft*, 550 U.S. at 456. Under that approach, each nation remains sovereign over the extent of patent protection available within its borders. Unless and until Congress expressly upsets this traditional arrangement (which it has not yet done), the presumption against extraterritorial application of U.S. law precludes any damages award to compensate for a foreign injury.

II. A CONTRARY HOLDING WOULD HAVE NEGATIVE POLICY CONSEQUENCES BOTH FOR THE PATENT SYSTEM AND U.S. BUSINESSES

Affirmance of the Federal Circuit's rule against extraterritorial patent damages is particularly important because a contrary rule would have negative fallout for economic policy, U.S. commerce, and foreign relations—areas that are properly left to Congress and the Executive.

A. *First*, a rule allowing extraterritorial patent damages would create new and unnecessary conflicts with foreign law. As the Government "accurately conveyed" in *Microsoft*, "'[f]oreign conduct is [generally] the domain of foreign law,' and in the [patent context], in particular, foreign law 'may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions.'" 550 U.S. at 455 (quoting Br. for United States as *Amicus Curiae* at 28). Indeed, the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights, to which the United States has been a party for more than two decades, recognizes in its preamble that there are substantial "differences in national legal systems," creating a corresponding imperative for "effective and appropriate means for the enforcement of trade-related intellectual property rights" that take those differences into account. Agreement on Trade-Related Aspects of Intellectual Property Rights, *adopted*, 1869 U.N.T.S. 299 (Dec. 8, 1994).

A rule allowing extraterritorial damages in U.S. patent disputes would violate that imperative and sow conflict by allowing litigants to evade foreign patent regimes whose rules are more restrictive than ours. An inventor who never obtained a foreign patent, or whose rights in another country have expired, could nonetheless sue in the United States to recover damages for conduct occurring abroad. Similarly, another country's patent examiner may issue a patent with a narrower scope than that issued in the United States; a rule permitting extraterritorial damages would allow recovery based on claims that the foreign country disallowed. Even where a U.S. patent-holder also holds equivalent foreign patents, the damages available for infringement abroad are frequently far less generous than those available in the United States—differing by an order of magnitude or more.[9] A worldwide-damages regime would thus give patent holders powerful incentive to find ways to leverage U.S. patent rights in U.S. courts, even when relief might be available directly in other countries. *See* Bernard Chao, *Patent Imperialism*, 109 Nw. U. L. Rev. 77, 86-87 (2014).

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[9] Between 2012 and 2016, the median award of patent-infringement damages in the United States was $5.8 million; in cases that proceeded past summary judgment, the figure was $8.9 million. PriceWaterhouseCoopers, 2017 Patent Litigation Study: Change on the horizon?, at 9 (May 2017), *available at* https://pwc.to/2HZ2Orr. As one point of comparison, the average recovery in French patent cases in 2015 appears to have been "well under €100,000." Thomas F. Cotter, *Patent Damages in France*, Comparative Patent Remedies (Oct. 5, 2016), https://bit.ly/2pDTp0X.

The upshot would undermine other nations' patent regimes, interfering with their ability to decide what products may be made and sold, and on what terms. This would be particularly problematic where a U.S. patent holder has no rights in another country—the U.S. courts in that circumstance would reach into another country's public domain. Companies would find themselves obligated to alter their behavior in foreign markets in order to avoid crushing liability in the United States. And if the U.S. were to adopt such a worldwide-damages regime—particularly if done via judicial fiat, without robust public debate—other nations would naturally deem it necessary to adopt reciprocal or even retaliatory measures. This is precisely the sort of conflict that the presumption against extraterritoriality is meant to avoid.

B. Permitting damages awards based on conduct occurring abroad also breeds a serious danger of duplicative recoveries and overcompensation—even apart from the risk of overcompensation created by allowing an inventor to elect U.S. law and U.S. courts to seek damages for overseas conduct. A patent-holder with both a U.S. patent and a foreign one may sue twice seeking damages for the same foreign conduct; the foreign court may permit a second recovery even if the U.S. court would not.

A similar problem would arise if U.S. and foreign rights in the same invention are held by different entities. Both might sue for damages based on the same foreign conduct, in which case the infringer could be forced to pay twice. The alternative would be yet another form of international discord: If foreign law protected the infringer from a second suit, an overreach of U.S. patent law could leave the holder of the foreign patent without recovery for infringement in its own country.

C. A rule allowing worldwide damages would also create a grave risk of overcompensation, even apart from the double-recovery problem, because it would massively increase the scale of available damages. The foreign lost profits in this case ($93.4 million) were more than four times the amount of the domestic reasonable royalties ($22 million). Pet. App. 139a, 168a, 170a-175a. Similarly in *Power Integrations*, more than 80% of the damages award derived from foreign sales. *See* 711 F.3d at 1370. Rather than truly encouraging innovation, such gargantuan recoveries would create new incentives to monetize patent rights through aggressive enforcement—particularly for patent trolls. One side effect would be a further expansion of the federal courts' already-crowded patent docket. Conversely, accused infringers would face enormous pressure to settle patent suits, even where the patent is of poor quality or the infringement claim is not strong.

The threat of multinational patent damages in a single lawsuit before a U.S. jury will also discourage potential inventors and innovators from undertaking any activity in the United States that could arguably create exposure to such liability. Some inventors will simply choose not to take the risk. Others will take their business elsewhere—a risk that is particularly acute in cutting-edge fields. *Carnegie Mellon* provides an example: The defendant developed a microchip that was found to infringe the plaintiff university's patented error-detection method. *See* 807 F.3d at 1291. Had the defendant known that this U.S.-based research-and-development activity might later give rise to damages for *every one* of the more than *2.3 billion* chips it would go on to sell around the world, and that a friendly jury could thus award a Section 284 "reasonable royalty" of *$1.17 billion*, *see id.* at 1291-92, 1305-06, it surely would have thought twice about locating its research facility in the United States. While the Federal Circuit vacated the award to the extent it rested on chips that never entered the United States, *id.* at 1305-07, reversal in this case would reinstate the threat of such lawsuits.

That threat would encourage important industries to relocate abroad, even if only to avoid the threat of multinational patent damages. Computer chip and other hardware manufacturers commonly engage in research, development, and testing activities that are broadly similar to the *Carnegie Mellon* defendant's. So do software companies, and pharmaceutical companies, and medical-device manufacturers, and on and on. Under Petitioner's and the Government's theory, any company that designs new products in the United States before selling them abroad would find itself at risk of catastrophic damages awards. Such companies would thus face a powerful incentive to move their facilities abroad, taking jobs and revenues with them. Affirming the judgment, and the rule against extraterritorial application of the Patent Act, would avoid these dire consequences.

CONCLUSION

The judgment should be affirmed.

Respectfully submitted,

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