No. 18-600

IN THE

Supreme Court of the United States

TEXAS ADVANCED OPTOELECTRONIC SOLUTIONS, INC., N/K/A AMS SENSORS USA INC.,

Petitioner,

v.

RENESAS ELECTRONICS AMERICA, INC., F/K/A INTERSIL CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF FOR PETITIONER

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INTRODUCTION

TAOS's petition explained that certiorari is warranted because (1) the Federal Circuit has definitively and mistakenly interpreted the foundational patent infringement statute, 35 U.S.C. § 271(a); (2) that incorrect interpretation was the basis for the decision below; and (3) the Federal Circuit's error is having and will continue to have significant practical consequences for domestic patent law and international relations. The Government agrees with the first two points and does not dispute the third. U.S. Br. 7, 19. Indeed, it emphasizes that it "does not agree with the Federal Circuit's interpretation of Section 271(a)," *id.* at 8, and that it "agrees with [TAOS] that *Transocean* was wrongly decided," *id.* at 16.

Nevertheless, the Government argues that this case "does not provide a suitable vehicle" for correcting that error. U.S. Br. 17. But as the Government acknowledges, the decision below expressly rested on *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010). U.S. Br. 6, 19.[1] This case thus presents an opportunity to address the validity of that case's reading of § 271(a)—that infringement occurs when (and only when) "the future sale that would occur pursuant to the offer," not "the offer" itself, takes place within

[1] The Government suggests that the decision below relied only "in part" on *Transocean*. U.S. Br. 19 (citing Pet. App. 50a n.12). But as the footnote cited by the Government confirms, *Transocean* was the sole authority invoked in support of the holding at issue here.

the United States, *Transocean*, 617 F.3d at 1309 (Fed. Cir. 2010), *cited at* Pet. App. 50a n.12.

In reality, the Government's sole claimed "vehicle" problem is just a merits argument: The Government has devised a new interpretation of § 271(a)—advanced by neither the Federal Circuit nor respondent—under which TAOS would lose. But even if that new reading were correct, it would be no reason to deny certiorari: Nothing about the Government now inventing its own interpretation of the statute prevents this Court from addressing whether the Federal Circuit's is right. To the contrary, the Government's view that the Federal Circuit is laboring under an incorrect construction of a foundational patent law makes the need for this Court's intervention even more pressing.

The Government's novel view of § 271(a) is also wrong. It is incompatible with the statutory text (reading the modifier "within the United States" as applying *twice*, to both "offers" and "to sell"), inconsistent with this Court's extraterritoriality analysis, and irreconcilable with statutory context and purpose. This Court should grant certiorari.

I. The Government's New Interpretation Of § 271(a) Provides Reason To Grant, Not Deny, Certiorari.

A. The decision below (following *Transocean*) read § 271(a) as covering "offer[s] made anywhere to sell a patented invention within the United States." U.S. Br. 7. As TAOS has explained (and the Government does not dispute), that view is not just legally wrong but is also creating significant real-world problems—including provoking an outcry from at least one close ally. Reply 2; *cf.* U.S. Br. 18 (acknowledging "problems" caused by *Transocean*). Accordingly, TAOS has argued that this Court should read § 271(a) as its text most naturally suggests: to prohibit offers made within the United States to sell an invention anywhere.

The Government has now put a "third interpretation" on the table, arguing that § 271(a) applies only to "an offer made within the United States to sell an invention within the U.S. market." U.S. Br. 7. By introducing a new reading of § 271(a) into the mix, the Government has both called the validity of the Federal Circuit's current rule further into question and increased the uncertainty around the meaning of this central patent statute. This Court should end the confusion and clarify once and for all which of the three interpretations now before it is the correct one.

B. Notwithstanding its disagreement with *Transocean*, the Government worries that this case does not provide an opportunity to overturn it. But that fear is misplaced. Although the offer in this case occurred within the United States while the offer in *Transocean* occurred abroad, the legal rule applied in both scenarios is, to use the Government's word, "[c]onsistent," U.S. Br. 4. In each case, the Federal Circuit holds that § 271(a) applies to (and only to) offers—made anywhere in the world—to sell a product in the United States. That is why, in cases arising in this posture, the Federal Circuit routinely performs no independent analysis of the statutory question, but simply lifts its reading of § 271(a) from *Transocean*.

Pet. App. 50a n.12; *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1306 n.5 (Fed. Cir. 2015) (after *Transocean,* § 271(a)'s treatment of "offers to sell" "need not [be] separately discuss[ed]"). If this Court grants certiorari, it will thus squarely confront whether the Federal Circuit's settled reading of § 271(a) is correct.

The Government's recommendation against certiorari conflates an alternative argument with an alternative ground for affirmance. The latter *is* a potential reason to deny certiorari; an alternative ground for affirmance—e.g., the party that lost on the merits also lacks standing—can thwart review by preventing this Court from addressing the question presented. There is no such problem here. The Government has merely offered an alternative answer to the question presented that (if correct) would cause TAOS to lose. That is unremarkable, and does not justify denying certiorari: It is often the case that this Court could answer the question presented differently than the lower court but still adverse to petitioner. *E.g.*, *Musacchio v. United States*, 136 S. Ct. 709, 716 (2016) (holding that the "Fifth Circuit erred" in its application of "the law-of-the-case doctrine," but nonetheless affirming under the correct rule). That the Government has identified one way the Court could do so here poses no impediment to reaching the question presented and resolving a statutory question that (the Government agrees) the Federal Circuit has answered incorrectly.

Moreover, the Government is misguided to suggest that this Court should pass on this case and simply "await" another. U.S. Br. 19. If this Court denies review here, the Federal Circuit's erroneous rule will become even more entrenched as the law of the land. (The Federal Circuit already considered its rule so settled that, in the decision below, it relegated the statutory question to just a footnote. Pet. App. 50a n.12.) And although that rule affects many cases (and many companies' conduct), Reply 3 n.2 (collecting cases), there will be little incentive for any future party to raise this issue again. Plaintiffs like TAOS will have little motive to bring claims like this one (since the decision below, reinforced by a denial of certiorari, will clearly bar such claims). And defendants like the one in *Transocean* will likely choose to conform their conduct to the Federal Circuit's rule (by declining to make offers abroad to sell into the United States), rather than violating it, incurring a potentially massive judgment, and litigating all the way to this Court in hopes of eventually securing a reversal. This case may well present the last, best chance for this Court to uproot *Transocean* and its progeny.

II. The Government's New Interpretation Of § 271(a) Is Wrong.

A. As TAOS's petition explained, a modifier following a list must apply to each term in the same way. Here, that means that "within the United States" specifies where each enumerated act (making, using, offering, or selling) must take place to constitute infringement. Pet. 16-17.

The Government *endorses* that textual analysis almost verbatim, even, citing the same sentence of the same treatise on which TAOS relies. Says the Government (nearly parroting TAOS): "[T]he phrase 'within the United States' [must] modify the remaining sequential verb 'offers' [to] maintain[] the overall parallelism of the series." U.S. Br. 17 (citing Antonin Scalia & Brian A. Garner, *Reading Law: The Interpretation of Legal Texts* 147 (2012)).

But the Government then makes an additional move: The Government concludes that "Section 271(a) should therefore be read to impose liability only when a defendant 'offers,' 'within the United States,' to sell a U.S.-patented invention *within the U.S. market*." U.S. Br. 17 (emphasis added). That last bit is key. Rather than applying the phrase "within the United States" to modify only the verb "offers" (what the Government says it is doing), the Government instead reads the modifier as applying *twice*—to both "offers" and "to sell"—reading § 271(a) as prohibiting "offers" "within the United States" "to sell" "within the United States." It notably offers no textual support for such an ungrammatical reading.[2]

B. The Government's reading is also inconsistent with this Court's framework for analyzing extraterritoriality. A statute (like the Patent Act) that lacks extraterritorial effect must be read to apply where (and only where) its "focus"—i.e., "[t]he conduct that [it]

[2] Although the Government's example, "He offered to meet me at the airport," U.S. Br. 9, sheds little light on the meaning of § 271(a) generally (since it lacks the statute's parallel list), it demonstrates a key flaw with the Government's reading: However one might understand that sentence, no one would parse it as "He offered at the airport to meet me at the airport."

regulates," *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2138 (2018)—occurs domestically. *See RJR Nabisco, Inc. v. European Community*, 136 S. Ct. 2090, 2101 (2016).

Here, the "focus" of § 271(a)'s "offers to sell" prohibition is the offer itself, not the sale the offer contemplates. Indeed, the only *conduct* that occurs when a person offers to sell a patented invention is the making of the offer. The sale, at that point, is purely hypothetical—and may forever remain that way. *See Transocean*, 617 F.3d at 1308 ("[A]n offer to sell need not be accepted to constitute an act of infringement."). Moreover, if such a sale ever does occur, it will be separately regulated by § 271(a)'s prohibition on "sell[ing]." Still more, it will often be impossible to tell where any putative sales will occur at the time the offer is made—and hence, under the Government's rule, whether the offer violates § 271(a). All that an "offer[] to sell under § 271" requires is a "description of the allegedly infringing merchandise and the price at which it can be purchased." *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1379 (Fed. Cir. 1998). The locations of any putative sales need not be specified. The location of the *offer*, by contrast, will nearly always be clear.[3]

Because the relevant portion of § 271(a)'s focus is the offer, this Court's extraterritoriality analysis dictates that provision should be read exactly as TAOS

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[3] To the extent "the object of the statute's solicitude," *WesternGeco*, 138 S. Ct. at 2137—i.e., the evil that Congress sought to forestall (in this case, price erosion, *see infra* p.8-9)—is relevant to the focus, that too arises solely from the offer itself.

urges: to apply when (and only when) that offer takes place domestically.

The Government agrees that TAOS's interpretation of § 271(a) is consistent with this Court's extraterritoriality precedents, acknowledging it "would *not* result in the actual extraterritorial application of U.S. patent law," because the "activities … triggering liability" would "occur[] within the United States." U.S. Br. 15 (emphasis added). But it nevertheless advocates a far more restrictive reading of § 271(a), claiming that such a narrowing is warranted in light of various policy considerations, such as encouraging "the use of the United States as a negotiating site for contracts to sell U.S.-patented inventions anywhere else in the world." *Id.* Whatever the merits of those asserted policy preferences, they provide no license to countertextually constrict the statute's scope.

C. The Government's unduly restrictive reading of § 271(a) would also critically undermine that provision's function. As commentators have recognized, Congress prohibited "offers to sell" to prevent "price erosion," which reduces the incentive to innovate. Timothy R. Holbrook, *Liability for the "Threat of a Sale,"* 43 Santa Clara L. Rev. 751, 789-97 (2003); Lucas S. Osborn, *The Leaky Common Law: An "Offer to Sell" as a Policy Tool in Patent Law and Beyond*, 53 Santa Clara L. Rev. 143, 174-75 (2013). The Government's rule, however, allows companies to cause just that harm with impunity.

The facts of this case are a perfect illustration. TAOS originally sold its sensors to Apple for the first iPhone at $0.69 apiece. Intersil then undercut TAOS, offering in California to sell its (copied) sensors for $0.35—and thus replaced TAOS in the second iPhone. To get back into iPhones, TAOS had to drop its own price to $0.31. PX307A Ex.9. Even though TAOS regained those subsequent sales, it still suffered a loss—in the United States—in the form of lower prices and profits purely as a result of Intersil's offer.

To be sure, the Patent Act does not bar every act that might harm a patentee's market power. International comity provides an important limit on the conduct that Congress determined to regulate with the Patent Act. When a competitor sells a patented invention abroad it can injure the patentee no less than if the same sale occurred domestically. But Congress refrained from proscribing such acts, because doing so would interfere with our relationship with other nations—it would require impinging on other countries' sovereignty by regulating conduct that occurs solely within their borders. Instead, Congress chose to regulate more narrowly: Although making, using, offering to sell, or selling a patented invention can, wherever it takes place, cause economic harm to the inventor, U.S. law will come into play only when that enumerated conduct occurs "within the United States."

D. This recognition that U.S. patentees may be harmed by acts abroad, coupled with restraint to regulate only domestic conduct, recurs throughout the Patent Act. Section 271(f)(1), for instance, "prohibit[s]" certain "preparatory domestic conduct" leading to sales of patented products "abroad." U.S. Br. 13. Although Congress opted not to regulate the foreign sales themselves, it nevertheless chose to bar domestic conduct leading up to them. And as the Government admits, it did so for exactly the reason described above: because it "determined [that the domestic conduct] would facilitate" acts "abroad" that would harm "U.S. patent holders." *Id.* at 13-14.

Indeed, § 271(f) reflects how Congress thinks about not just that particular provision, but the Patent Act as a whole. Originally, the Patent Act did not include § 271(f); rather Congress thought that the rest of the statute, including § 271(a), would bar domestic conduct designed to facilitate foreign sales. Congress added § 271(f) only after this Court departed from that original understanding in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), which reasoned that because "it is not infringement to make or use a patented product outside of the United States," neither was domestic conduct that facilitates or encourages those foreign acts, *id.* at 527-29. In other words, § 271(f) is not (as the Government suggests) a one-off dealing with a "narrow" circumstance, U.S. Br. 13, but a broader statement from Congress about how it intended the Patent Act—all of it—to work all along.

Section 284 is much the same. That provision permits a plaintiff to recover damages from foreign sales that occur as a result of domestic infringement. *WesternGeco*, 138 S. Ct. at 2134. It thus reflects, on the one hand, Congress's recognition that a dollar lost abroad harms the patentee just as much as a dollar lost domestically; and on the other, Congress's restraint to regulate only when those foreign harms are connected to domestic conduct. *See id.* at 2138-39.

The Government's view here—that § 271(a) is indifferent to domestic acts simply because they (potentially) precede a sale in a foreign market—is thus out of step with the Patent Act generally.

E. More fundamentally, the Government misunderstands the reason § 271(a) requires that the infringing conduct occur "within the United States." The Government assumes this geographic limitation reflects congressional indifference to sales abroad. If Congress thinks that foreign sales do not injure a patentee, this argument runs, then Congress could not have thought that domestic offers to engage in such transactions do either. But the premise of that argument is wrong: Congress's decision to regulate certain conduct only when it takes place within the United States is not a statement that it thinks that same conduct is harmless when it occurs abroad. As this Court has explained, while jurisdictional elements "may limit" the scope of a statute's application, *Scheidler v. Nat'l Org. for Women, Inc.*, 547 U.S. 9, 18 (2006), they do not reflect Congress's view that "the harm or evil the law seeks to prevent" is similarly limited, *Luna Torres v. Lynch*, 136 S. Ct. 1619, 1624 (2016). This is why although the federal criminal code punishes murder if committed "[w]ithin the special maritime and territorial jurisdiction of the United States," 18 U.S.C. § 1111(b)—thus excluding murders committed abroad—it nevertheless punishes *conspiracies* committed "within the jurisdiction of the United States" to commit murder abroad, *id.* § 956(a)(1).[4] In the

[4] The Government's suggestion (at 11-12) that § 271(i) refutes this principle is baseless. That provision states only that

same way (and for the same reasons), although the Patent Act does not prohibit sales of patented inventions abroad, it nevertheless prohibits offers made "within the United States" to engage in such sales. § 271(a). In each instance, Congress regulates domestic conduct to protect important U.S. interests.

CONCLUSION

This Court should grant the petition.

Respectfully submitted,

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no "offer to sell" liability exists after the patent expires. That makes sense—price erosion is not a concern (indeed, it is desirable) once the patent-granted monopoly ends. The Government, however, insists that Congress must have intended that "temporal … limit[] on the scope of U.S. patent protection" to imply a "geographic" one, too. U.S. Br. 12. But Congress does not write statutes as if it were playing Taboo. Had it meant § 271(i) to impose a geographic limit on § 271(a) it would have said so directly.