

No. 18-779

IN THE
Supreme Court of the United States

POWER INTEGRATIONS, INC.,
Petitioner,
v.

FAIRCHILD SEMICONDUCTOR INTERNATIONAL INC.,
FAIRCHILD SEMICONDUCTOR CORPORATION,
FAIRCHILD (TAIWAN) CORPORATION,
Respondents.

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

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether a patent-holder is properly denied patent damages based on the entire market value of a product where the undisputed evidence shows that the accused product contains other valuable features, including features the same patent-holder accused of infringing different patents, and the patent-holder fails to show that those other features do not contribute to the product's value.

RULE 29.6 STATEMENT

Each of Fairchild (Taiwan) Corporation, Fairchild Semiconductor Corporation, and Fairchild Semiconductor International, Inc. is a 100% owned direct or indirect subsidiary of ON Semiconductor Corporation. Except for ON Semiconductor Corporation, none of the foregoing entities or any other direct or indirect subsidiary of ON Semiconductor Corporation is publicly traded. The Vanguard Group, Inc. (a privately held company) owns 10% or more of the shares of ON Semiconductor Corporation.

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INTRODUCTION

Respondents Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corp. and Fairchild (Taiwan) Corp. (collectively “Fairchild”) respectfully submit this brief in opposition to the petition for a writ of certiorari filed by Power Integrations, Inc. (“Power Integrations”). The unanimous decision below is a routine and correct application of the well-settled entire market value rule for patent damages, and Power Integrations’ fact-bound petition presents no basis for this Court’s review.

This Court has long held that, when seeking damages for patent infringement:

[t]he patentee . . . must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features . . . or he must show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.

Garretson v. Clark, 111 U.S. 120, 121 (1884). The Federal Circuit applied this established rule to the undisputed evidence in this case that the infringing products at issue contained multiple valuable features unrelated to the feature accused of infringement. As the court noted, Power Integrations has even alleged in a separate lawsuit that a different feature of the same products infringes a different patent. Power Integrations has now obtained a \$24

million judgment based on that allegation. Because Power Integrations prevailed at trial based solely on an entire market value theory, and presented no admissible evidence apportioning damages to the patented feature, the Federal Circuit properly vacated the judgment and ordered a new damages trial.

Power Integrations, nevertheless, seeks to fit the facts of this case into the narrow entire market value exception to the apportionment requirement. That exception applies where the patentee proves that, despite the existence of unpatented features, “the entire value of the whole machine, as a marketable article, was ‘properly and legally attributable’ to the patented feature.” *Id.* The Federal Circuit correctly rejected this attempt because the record contained undisputed evidence that those other unpatented features, in fact, had substantial value and contributed to demand for the infringing product. The court held that Power Integrations, despite being the party bearing the burden of proof on damages, failed to rebut this evidence. In so holding, the Federal Circuit did not announce any new patent damages rule, but instead correctly applied well-established law to determine that Power Integrations failed to meet its burden to prove the entire market value exception to the apportionment requirement.

Even if this Court were otherwise inclined to revisit the law, it should not do so on the record here. Power Integrations has filed multiple suits accusing the same Fairchild products of containing other features that infringe entirely different patents—in particular the “jittering” feature not accused in this case, but which is the subject of the separate recent \$24 million judgment. The narrow exception to ap-

portionment cannot apply where Power Integrations asserts that this entirely different feature is so valuable that it warrants millions of dollars in infringement damages in another case based on a different patent. This Court's precedent specifically precludes such an assertion.

The record here makes this case a poor vehicle for reexamination of the apportionment requirement for multiple other reasons as well: (1) Power Integrations' evidence improperly focused on consumer demand for its own products and not Fairchild's; (2) the undisputed evidence showed that Power Integrations' patented feature had no value for an entire market segment (*i.e.*, use in television set-top boxes); and (3) the Patent Trial and Appeals Board has issued a Final Written Decision cancelling the relevant patent claims, and thus any proceeding in this case would be mooted if the Federal Circuit affirms that decision in the pending appeal in Federal Circuit Case No. 2018-1607.

For all these reasons, the petition should be denied.

STATEMENT OF THE CASE

A. The Parties, The Products, And The Patent-In-Suit

Fairchild and Power Integrations are manufacturers of power supply controller chips. These chips are used in power supplies, often chargers for electronic devices such as cellular telephones. The power supplies transform alternating current coming from an electrical outlet into direct current that is used to power an electronic device. After conversion

to direct current, a switching regulator in the chip directs the transistor in the circuit to turn on and off in order to send the desired amount of power to the electronic device. Although there is evidence that the parties' products compete with one another, it is also undisputed that the products offer different designs and features from one another. Fairchild C.A. Fed. Brief 47 n.13.

The patent-at-issue here, U.S. Patent No. 6,212,079 ("the '079 patent"), is generally directed to a more effective switching regulator that reduces the amount of electricity used and avoids certain disadvantages that affected earlier regulators by reducing the frequency of on-off cycles when operating under light loads.

B. The District Court Proceedings

Power Integrations filed a complaint accusing Fairchild's power-supply controllers of infringing the '079 patent. The district court held a trial on these allegations, and the jury returned a verdict finding that all accused Fairchild products literally infringed all asserted claims of the '079 patent and awarded \$105 million in damages.¹

Shortly following trial, the Federal Circuit issued its decision in *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308 (Fed. Cir. 2014), which held that a patentee is obligated to apportion damages to the pa-

¹ Power Integrations also asserted infringement of U.S. Patent No. 6,538,908, and the jury found infringement of this patent. The Federal Circuit concluded, however, "that the jury calculated damages only for the '079 patent." Pet. App. 22a.

tented features, even if those damages are based on the “smallest saleable unit.” *Id.* at 1329. Power Integrations’ damages expert, Dr. Putnam, had relied on this now-discredited exception to the apportionment requirement. The district court, therefore, ordered a new trial on damages and ordered Power Integrations to serve a new expert damages report from Dr. Putnam.

In his new report, Dr. Putnam purported to “apportion” damages in response to the district court’s new-trial order, but his new damages number *increased* to nearly \$140 million. Fairchild C.A. Fed. Br. 20. This number reflected a 32-cent per-unit royalty rate applied to products that had an average selling price of only 16 cents per unit. *Id.* This royalty, therefore, not only exceeded the profits from the sale of the accused products, but was twice their actual selling price.

Fairchild moved to exclude Dr. Putnam’s opinion, and the district court granted that motion in part, excluding Dr. Putnam’s purported “apportionment” methodology as unreliable. Pet. App. 32a. Power Integrations thus proceeded to retry damages without an admissible apportionment opinion, arguing that it could prove that no apportionment was required because it was entitled to measure its damages based on the entire market value of Fairchild’s products. *Id.* Over Fairchild’s objections, the district court permitted Power Integrations to argue to the jury that the entire market value of the accused products was attributable to the ’079 Patent. *Id.*

The evidence that Power Integrations relied on at trial to show that the patented feature alone drove

demand for Fairchild's products "almost entirely concerned Power Integrations' own products" and not Fairchild's accused products. Pet. App. 25a n.7. In particular, Power Integrations introduced:

- (1) Evidence that the '079 patent was one technology, though not the only technology, able to meet the federal government's "one watt" efficiency Energy Star program, which was essential to some customers. Fairchild C.A. Fed. Br. 45-46, 49; Fairchild C.A. Fed. Reply Br. 21-22.
- (2) Anecdotal evidence from its own officers that a single Power Integrations customer requested from Power Integrations that its products include the feature. Fairchild C.A. Fed. Br. 46-47.
- (3) Evidence that, after Power Integrations first introduced products with the patented feature, the sales of those products would, after two years, eventually outsell Power Integrations' predecessor products without the feature.²

² Power Integrations states that, once it was released in November 2000, its TOPSwitch-GX product, which used the patented feature, "rapidly outsold" its predecessor TOPSwitch-FX product, which did not, and that the sales of the FX suffered a "very rapid decline." Pet. 6; *see id.* at 9. Power Integrations attributes this to a July 2001 executive order on "one watt" power efficiency, which made the invention "indispensable." Pet. 9. To the contrary, Power Integrations' officers testified that it took more than two years for the GX to outsell the FX. Fairchild C.A. Fed. Br. 47. Sales of the FX continued to rise during

- (4) Evidence that marketing materials promoted the feature among many others. Pet. App. 22a; Fairchild C.A. Fed. Br. 43-44; Fairchild C.A. Fed. Reply Br. 25.

In rebuttal, Fairchild presented evidence that the accused products contained other features unrelated to the '079 patent that contributed to the products' value. In particular, the products contained a "jitter" feature, which varied the products' switching frequency to reduce the amount of electromagnetic interference they created. The district court noted in its post-trial ruling that "there is evidence in the record that other features are important and are highlighted by the respective parties" and that "there is no question that . . . there are other valuable features." Pet. App. 24a.³ Power Integrations was, in fact, suing Fairchild in a different case and simultaneously asserting that this jitter feature in the same products was valuable and infringed a dif-

those two years, including after the issuance of the "one watt" executive order. *Id.* The fact that the FX continued to sell in large numbers long after release of the GX and after issuance of the "one watt" executive order confirms that the patented feature did not create the entire value of Power Integrations' GX product, much less all of the value for Fairchild's sales of its own accused products.

³ When asked at oral argument "you don't disagree that the evidence was that there were other features in the Fairchild products which were valuable?", counsel for Power Integrations responded, "We don't dispute that at all" C.A. Fed. Oral Argument at 53:13, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-2691.mp3>.

ferent Power Integrations patent. *Id.* at 25a. In a previous appeal, the Federal Circuit had affirmed a judgment that Fairchild infringed that patent. *Id.*; *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 843 F.3d 1315 (Fed. Cir. 2016). After a retrial in that case, the district court entered a \$24 million judgment for Power Integrations for that infringement. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, No. 08-309, Dkt. 1023 (D. Del.).

Moreover, Fairchild presented evidence that the patented feature had no value to the entire segment of purchasers who used the products in television set-top boxes. Fairchild C.A. Fed. Br. 44 (there was “no advantage for using the ’079 patent” because those products did not utilize the power saving advantages it offered); *id.* (customers purchasing the accused products for use in set-top boxes “wouldn’t be considering the ’079 patent or the benefits it provides in [their] purchasing decision”).

At the conclusion of the damages retrial, the jury implicitly adopted Power Integrations’ damages demand and awarded \$139,800,000. Pet. App. 5a. The district court denied post-trial motions for judgment as a matter of law or a new trial. *Id.*

C. The Decision Below

Fairchild appealed, arguing among other things that the district court had erred in awarding damages based on the entire market value of the products. The Federal Circuit unanimously agreed, vacated, and remanded for a new trial on damages. Pet. App. 19a-26a.

The Federal Circuit began its analysis by citing and applying this Court’s well-established rule that a patentee “must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features.” *Id.* at 19a (quoting *Garretson*, 111 U.S. at 121). Because “it is only the patented technology that is taken from the owner . . . the value to be determined is only the value that the infringing features contribute to the value of an accused product.” *Id.* at 19a-20a.

The Federal Circuit evaluated whether Power Integrations met the entire market value rule exception to the apportionment requirement and concluded that it did not. *Id.* at 21a. The court recognized that this exception could not be met where the accused product “has other valuable features that also contribute to driving consumer demand—patented or unpatented.” *Id.* Under those circumstances, “the damages for patent infringement must be apportioned to reflect the value of the patented feature.” *Id.* But apportionment would not be required where, for example, the claimed feature “define[d] the entirety of the commercial product” or where “other features are simply generic and/or conventional.” *Id.*

The Federal Circuit considered the evidence that Power Integrations proffered to meet this standard, namely that the ’079 patent was one technology necessary to meet the federal government’s Energy Star program, which was essential to some customers; that one customer requested the feature; that products with the feature would, after two years, eventually outsell products without; and that marketing

materials promoted the feature among others. *Id.* at 22a, 25a. Even Power Integrations agreed, however, that the products “contained other valuable features as well,” *id.*, such as the jitter feature that Power Integrations had accused of infringing a different patent in a separate case. The Federal Circuit noted that “Power Integrations presented no evidence about the effect of those features on consumer demand or the extent to which those features were responsible for the products’ value.” *Id.* Because the record contained undisputed evidence that the accused products contained “features that would cause consumers to purchase the product beyond the patented feature, i.e., valuable features,” it was incumbent on Power Integrations, as the party bearing the burden of proof on damages, “to establish that these features do not cause consumers to purchase the product.” *Id.* at 24a. The court explained that Power Integrations could have met this burden by presenting evidence that the patented feature was what “alone motivates customers to purchase the [infringing product] in the first place.” *Id.* (quoting *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 69 (Fed. Cir. 2012)). But it was not enough, as Power Integrations attempted, to merely show that the patented feature was one feature among many that drove demand, that it was “viewed as essential, that the product would not be commercially viable without the patented feature, or that consumers would not purchase the product without the feature,” *id.*, since this will often be true for many of a product’s features simultaneously.

The Federal Circuit then again observed that it was undisputed that the products contained many

valuable features. *Id.* The court noted, for example, that “Power Integrations sought infringement damages from Fairchild on the jittering feature in these same products in a separate lawsuit based on different patents, and we affirmed that judgment of infringement,” and that Fairchild’s marketing documents mention this jitter feature. *Id.* at 25a. At trial, Power Integrations opted to ignore these features instead of submitting evidence that they did not also affect consumer demand. Without such evidence, Power Integrations failed to meet its burden of proving that the patented feature “alone motivated consumers to buy the accused products.” *Id.* The court, therefore, vacated the judgment and remanded for a new trial at which Power Integrations would be required to introduce evidence of a properly apportioned damages demand.

REASONS FOR DENYING THE WRIT

I. THE DECISION BELOW IS A ROUTINE AND CORRECT APPLICATION OF WELL-SETTLED LAW

A. The Decision Below Correctly Applies This Court’s Longstanding Patent Damages Apportionment Cases

Contrary to Power Integrations’ argument, the decision below followed this Court’s settled precedent in holding that, “[w]hen the product contains other valuable features, the patentee must prove that those other features did not influence purchasing decisions” in order to invoke the entire market value rule and avoid the apportionment requirement. Pet. App. 23a. That principle is over one hundred years old:

The patentee . . . must in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative; or he must show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that *the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.*

Garretson, 111 U.S. at 121 (emphasis added).

This Court has reiterated this rule many times. For example, in *Westinghouse Electric & Manufacturing Co. v. Wagner Electric & Manufacturing Co.*, 225 U.S. 604 (1912), it held that, where the defendant adds “noninfringing and valuable improvements that contributed to the profits” of the accused product, “the burden of apportionment was then logically on the plaintiff.” *Id.* at 617. *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915), similarly held that, where the value of the accused product “was not entirely attributable to the invention, but was due in a substantial degree to the unpatented parts or features . . . it was essential . . . that they be separated or apportioned between what was covered by the patent and what was not covered by it.” *Id.* at 646.

Westinghouse well illustrates that the Federal Circuit's application of the entire market value rule is not a “new rule,” as Power Integrations contends,

but instead a routine application of this Court’s precedent. The invention in *Westinghouse* was a more efficient electric transformer that produced less heat than prior transformers. 225 U.S. at 606-07. The defendant argued that apportionment was required because “the infringing transformers contained elements of the patent that were not embraced in the [asserted claim], and that no profit due to those elements could be recovered in this case, unless the plaintiff apportioned the gains due solely to claim 4.” *Id.* at 609. The defendant specifically presented evidence that its products contained additional unpatented features, such as “spaces (b) between the coils and (c) between coil and core which, it contended, were additional and noninfringing improvements, contributing to the profits.” *Id.* The plaintiff then, in reply, submitted evidence that these unpatented features “added nothing to the profits, but on the contrary, had crippled the coil and lessened the electrical efficiency of the transformer.” *Id.* at 616-17. This Court noted, however, that if it had “prima facie appeared that these [non-infringing features] had contributed to the profits” and the patentee had failed to rebut that showing, then “the burden of apportionment was then logically on the plaintiff.” *Id.* at 617.⁴

⁴ *Westinghouse* further held that, where the patentee proves that “it is impossible to make a mathematical or approximate apportionment,” the patentee may be relieved of the duty to apportion. 225 U.S. at 620; *see also Dowagiac*, 235 U.S. at 646 (patentee has the burden to either “effect an apportionment [or] attempt[] to show that one was impossible”). *Power Integrations* has not

The decision below is an unremarkable application, similar to *Westinghouse*, of this longstanding rule. Fairchild introduced undisputed evidence that its products contained other valuable features, such as the jitter feature. The burden was then on Power Integrations to either rebut that showing by demonstrating that, despite these unpatented features, “the entire value of the whole machine, as a marketable article, is [nevertheless] properly and legally attributable to the patented feature,” *Garretson*, 111 U.S. at 121, or to apportion the damages, *Westinghouse*, 225 U.S. at 617.

Power Integrations did neither. Power Integrations opted not to introduce evidence at trial that the jitter feature did not also drive demand for Fairchild’s products, no doubt because it was constrained by its litigation positions in its co-pending lawsuit in which it would eventually obtain a \$24 million judgment against Fairchild for infringing a different patent based on allegations that the jitter feature in the same products was valuable. Power Integrations’ petition conspicuously fails to acknowledge its allegations in a separate lawsuit that the jitter feature is valuable, or the resulting \$24 million judgment against Fairchild.

The Federal Circuit decision, therefore, unremarkably concludes that Power Integrations, by simply ignoring evidence that specific unpatented features contributed to the value of the accused products, failed to meet its burden of proof in estab-

contended or attempted to show that an apportionment is impossible.

lishing entitlement to damages based on entire market value.

B. The Decision Below Correctly Applies This Court's Precedent Requiring Apportionment To Prevent Duplicative Damages Awards

The Federal Circuit's decision likewise follows the fundamental purpose underlying this Court's apportionment precedents: the need to avoid awards exceeding the value of the patented invention. In *Seymour v. McCormick*, 57 U.S. 480 (1853), this Court explained that, if a machine contains multiple patented improvements, and apportionment were not required, then the defendant could improperly

be compelled to pay treble his whole profits⁵ to each of a dozen or more several inventors of some small improvement in the engine he has built. By this doctrine even the smallest part is made equal to the whole, and 'actual damages' to the plaintiff may be converted into an unlimited series of penalties on the defendant.

Id. at 490-91.

⁵ Historically, a patentee could seek to recover the infringer's profits as a remedy in a suit in equity. *Tilghman v. Proctor*, 125 U.S. 136, 143-44 (1888). As held in *Garretson*, 111 U.S. at 121, the apportionment requirement applies equally when the patentee seeks to recover damages, as in this case, or the defendant's profits, as discussed in *Seymour*.

This Court reiterated its concern that the risk of overlapping damages awards motivates the apportionment requirement in *Mowry v. Whitney*, 81 U.S. 620 (1871). There, the patent concerned an improvement to the process for making wheels for railcars. After concluding that the evidence did not support a finding that the profits from the wheel were entirely attributable to the patented method and ruling that apportionment was, therefore, required, this Court explained this purpose of the rule:

[T]here are many processes in the manufacture [of railcar wheels], for each of which it is conceivable there might be a patent, and as every one of the processes is necessary to make a marketable wheel, an infringer might be mulcted in several times the profits he made from the whole manufacture. We cannot assent to such a rule.

Id. at 651.

Power Integrations' argument that it should be permitted to obtain damages based on the products' entire market value here while simultaneously seeking patent damages for infringement by the same products in other lawsuits is precisely what this line of authority forbids. Here, there is not merely a hypothetical risk of overlapping damages should a later patentee assert that the Fairchild products contain other valuable patented features; Power Integrations itself has pursued that assertion successfully to a \$24 million judgment.

At oral argument, the members of the panel below each expressed concern that Power Integrations'

damages theory ran afoul of this principle. One judge noted at oral argument:

Frequency jitter is something they already had to pay for in an earlier patent infringement action. That obviously suggests that the frequency jitter feature of these controller chips are pretty darn important and valuable because they had to pay several million dollars on those for that particular feature. . . . The point is they are liable apparently for several million dollars on the frequency jitter feature of these Fairchild controller chips. So why . . . doesn't that create some doubt, maybe considerable doubt, about whether we can really hold that all the value of these controller chips are legally attributable to the '07[9] patented technology?

C.A. Fed. Cir. Oral Argument at 54:09, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-2691.mp3>. A second member of the panel similarly noted

That creates a situation where you could have overlapping damages between two cases, one feature in one case, one feature in another case, and in one case you apply EMVR and you recover on the entire market value theory a value that is attributable to another feature where there should have been apportionment.

Id. at 56:00. The third member of the panel asked:

Isn't this a royalty stacking problem? You've got a lot of different patents on a given mul-

ticomponent product and now manufacturers are having to pay out a royalty on this, royalty on that, royalty on the other thing, and oh now, we've got to pay entire market value rule for this particular patent. Isn't there some type of problem there? A disconnect?

Id. at 56:25. The panel members' concerns are addressed by this Court's precedent. Even if Power Integrations may receive more than one damages award on the same Fairchild products by asserting more than one patent, this Court's precedent precludes it from asserting that the entire market value of those products is attributable solely to one of the patented features.

C. The Decision Below Does Not Overrule This Court's Prior Decisions "Sub Silentio"

Contrary to Power Integrations' assertion (Pet. 3, 24-25), the decision below is consistent with this Court's prior decisions holding that, under the facts of those cases, the patentee was entitled to measure damages based on the entire market value of the product. Rather than undermining the decision below, these prior opinions instead illustrate the type of evidence a patentee could introduce to invoke the entire market value exception, but which Power Integrations did not.

Power Integrations, for example, incorrectly argues (Pet. 24) that *Gould's Manufacturing Co. v. Cowing*, 105 U.S. 253 (1882), would not "survive" the Federal Circuit's decision. The invention there concerned an improvement in pump technology, namely

the first pump specifically designed to draw gas from oil wells and conduct that gas to an engine. *Id.* at 254-55. This Court did not require the patentee to apportion its damages. Power Integrations' argument that the decision below is inconsistent with *Gould's Manufacturing* ignores, however, that the patentee introduced critical evidence in that case that is absent here. Specifically, the patentee sought to recover damages from 298 pumps sold to specific customers. These customers were all in "a limited locality [that] required a particular kind of pump," the prior art was "useless without the improvement" for these customers' purposes, and, for those customers' purpose, "no other pump could at the time be sold." *Id.* at 256. The evidence, therefore, showed that "[w]ithout [the invention] no such sales would have been effected" at all. *Id.* In other words, without the invention, neither party would have made any of the 298 sales that were at issue because those customers simply would not have bought a pump of any kind. This Court, therefore, described *Goulds' Manufacturing* as "an exceptional case." *Id.*

There is no similar evidence here. There is no evidence that, had the invention been unavailable, Fairchild's customers would not have purchased any power supply controller chips at all. Indeed, the evidence is to the contrary. It is undisputed that device manufacturers purchased non-infringing power supply controllers for use in the same types of products, such as cell phone chargers, both before and after creation of the patented invention.

Hurlbut v. Schillinger, 130 U.S. 456 (1889), another case relied on by Power Integrations (Pet. 25), is distinguishable on similar grounds. *Hurlbut* con-

cerned a patent for an improvement in concrete pavements. This Court specifically noted that the defendant's pavement "derived its entire value from the use of the plaintiff's invention, and that, if it had not been laid in that way, it would not have been laid at all." *Id.* at 472. In other words, the evidence showed that, without the invention, the defendant would have laid no pavement at all. There is no similar evidence in this case that, had the invention been unavailable, Fairchild's customers would not have purchased power supply controllers at all.

Rather than showing that the Federal Circuit's decision was incorrect or that it imposed an "insurmountable" barrier to reliance on entire market value, these decisions illustrate the type of circumstances, not present here, where a patentee may overcome evidence of other valuable unpatented features. Specifically, if the patentee can demonstrate that, absent the patented feature, the defendant's customers would have purchased no product at all, the patentee may overcome evidence of other valuable features and rely on entire market value. Because Power Integrations did not attempt to make this showing, the Federal Circuit decision is entirely consistent with this Court's precedents.⁶

⁶ The decision below is equally consistent with the earlier Federal Circuit decisions that Power Integrations relies on (Pet. 25-26). As the decision below notes, "[n]one of the earlier cases . . . discussed other valuable features that made the application of the entire market value rule inappropriate." Pet. App. 23a (citing *Bose Corp. v. JBL, Inc.*, 274 F.3d 1354, 1361 (Fed. Cir. 2001); *Tec Air, Inc. v. Denso Mfg. Mich., Inc.*, 192 F.3d 1353, 1362 (Fed. Cir.

**D. The Decision Below Does Not
Impose An “Insurmountable
Hurdle” Or “Effectively Abolish”
The Entire Market Value Rule**

Power Integrations’ petition likewise fails in contending (Pet. 13) that the decision below “effectively abolishes the EMVR” or that the standard is so “doubly burdensome” (Pet. 22) that it cannot, as a practical matter, be satisfied. To the contrary, the decision below illustrates how the test could be satisfied, and this Court’s prior decisions provide further examples consistent with the decision below but inconsistent with the evidence Power Integrations presented at trial. Power Integrations simply ignores that the decision below, itself, provides explicit and non-exclusive examples of how the Rule may be met:

In some circumstances, for example, where the other features are simply generic and/or conventional and hence of little distinguishing character, it may be appropriate to use the entire value of the product because the patented feature accounts for almost all of the value of the product as a whole.

Pet. App. 20a. The decision also notes that apportionment may not be required where the patented feature “define[s] the entirety of the commercial product.” *Id.* Thus, the decision below allows a patentee to avoid apportionment by, for example, showing that the invention is itself an entire commercial

1999); *Fonar Corp. v. Gen. Elec. Co.*, 107 F.3d 1543, 1552-53 (Fed. Cir. 1997)).

product or additional value is contributed only by “generic and/or conventional” additional features.⁷

This Court has provided further examples, of how Power Integrations could have triggered, but did not, the entire market value exception to apportionment. As discussed, this Court’s decisions in *Hurlbut*, 130 U.S. at 472, and *Gould’s Manufacturing*, 105 U.S. at 256, permit damages to be based on the entire value of the product where, without use of the patent, the parties could not have made any of the sales at all. This Court has also permitted a patentee to rely on the entire market value where it has proved that the accused product was “worthless” without the patentee’s invention. *Crosby Steam-Gauge & Valve Co. v. Consolidated Safety-Valve Co.*, 141 U.S. 441, 444, 453-54 (1891). Neither of these circumstances applies here, where products without the patented feature continued to be sold for years after introduction into the market of products practicing the invention.

Similarly, in the context of an invention for an improved electrical transformer, this Court noted

⁷ Power Integrations did not attempt to and could not have shown that the patented feature defines the entirety of Fairchild’s product or that other features in the accused Fairchild products are “generic and/or conventional.” As the decision below observes, Fairchild’s accused products contained additional unconventional features, including “jittering” features. Pet. App. 24a. Power Integrations did not and could not contend that this feature was “generic and/or conventional” because, as the decision notes, *see id.* at 25a, Power Integrations had sought damages against Fairchild for infringing other patents related to these jittering features.

that the patentee may rebut a defendant's claim that an unpatented feature contributed significant value to the product by proving that the unpatented feature actually "added nothing to the profits, but, on the contrary, had crippled the coil and lessened the efficiency of the transformer." *Westinghouse*, 225 U.S. at 616-17.⁸ But Power Integrations did not attempt to make this showing. Nor could it, since Power Integrations concedes the jitter feature's value by having sought (and later obtained) a \$24 million patent infringement judgment against the same products based on that feature.

Nor is Power Integrations correct when it contends (Pet. 22-23) that the standard articulated below is, as a practical matter, impossible to meet. Power Integrations argues that "[t]he Federal Circuit's decision seemingly requires Power Integrations to gather information about each feature of *Fairchild's products*, and the choices of *Fairchild's customers*, in order to bear its burden." *Id.* at 23 (emphasis in original). Power Integrations' objections rest on a misreading of the decision below and are, in any event, inapplicable to the facts of this

⁸ Other methods of showing entitlement to measure damages using the entire market value of a product in the face of evidence of other features can readily be imagined. For example, the patentee might introduce evidence that products with the allegedly valuable unpatented feature did not sell in greater numbers or for higher prices than otherwise equivalent products without the unpatented feature. Power Integrations did not, however, attempt to show that products with the jitter feature did not sell in greater numbers and for the same amount as products without the jitter feature.

case. The decision below nowhere states that it is imposing on Power Integrations the initial burden of identifying every feature in Fairchild's products and separately showing that each of them lacked value. Instead, it was Fairchild that met that initial burden by introducing evidence that its products contained specific other valuable features, primarily the jitter feature. Pet. App. 24a ("Here, the power supply controllers had other valuable features, such as jittering. The district court noted that 'there is evidence in the record that other features are important and are highlighted by the respective parties' and that 'there is no question that . . . there are other valuable features.'"). In light of this evidence, it was incumbent on Power Integrations to offer some evidence in rebuttal to show that these identified features did not actually contribute to the value of the product as a marketable article. *See Westinghouse*, 225 U.S. at 616-17. Power Integrations did not do so—not because this burden was insurmountable, but instead because it asserts that the jitter feature is, in fact, quite valuable by alleging in a separate lawsuit that this feature infringes a different Power Integrations patent, which has now led to a \$24 million judgment against Fairchild.

Power Integrations' complaint that it could not meet its burden of proof because doing so required it to gather information about "the choices of *Fairchild's* customers . . . in order to bear its burden" (Pet. 23) is similarly misplaced. As an initial matter, the objection is misplaced because Power Integrations itself argues that "Fairchild and Power Integrations shared the same customers." Pet. 24 n.8; *see also id.* at 7 (asserting that the customers "were

the same for Power Integrations and SG/Fairchild”). Even if the parties had different customers, Power Integrations could have, for example, introduced discovery from Fairchild concerning information it had about what features its customers valued, subpoenaed customers and introduced their deposition testimony, introduced testimony from Fairchild’s sales people, conducted a customer survey, or called customers at trial as witnesses. But Power Integrations opted not to perform any market survey, subpoena customers, or introduce any customer testimony, instead relying (*see* Pet. 9-10) almost entirely on self-serving testimony from its own officers about why customers purchased Power Integrations’ own products, not why customers purchase Fairchild’s accused products.

E. The Decision Below Does Not Conflict With This Court’s “Rejection Of Rigid Rules” In The Patent Context

Contrary to Power Integrations’ assertion (Pet. 29), the decision below does not “contravene[] this Court’s recent guidance *against* the adoption of new, and more stringent requirements for longstanding patent doctrines.” The decision below is a routine application of this Court’s longstanding patent damages precedent. Nor is that longstanding law “rigid” or unduly “stringent.” As explained above, the decision below and this Court’s precedent describe many ways that a patentee may base damages on the entire market value. There is nothing “rigid” or even rule-like about a requirement that a patent-holder seeking entire market value damages may not ignore undisputed evidence that the accused product con-

tains other valuable features, including features that the patentee separately asserted had value by virtue of their infringement of other patents.

In light of this settled precedent, the decisions cited by Power Integrations (Pet. 29 (citing *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016), and *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014))), are irrelevant here. Those decisions each held that a Federal Circuit ruling was inconsistent with the relevant statutory text.⁹ No such inconsistency with statutory text is presented here. And in neither of those cases did the Federal Circuit’s holding follow directly from this Court’s own long line of cases, as the decision below does here.

II. THIS CASE PRESENTS A POOR VEHICLE FOR RECONSIDERING THE APPORTIONMENT REQUIREMENT FOR PATENT DAMAGES

Even if the Court were inclined to reconsider its patent damages apportionment case law, this is not an appropriate case for doing so. As the decision below notes, Power Integrations has “sought infringe-

⁹ Power Integrations’ argument (Pet. 30) that the decision below is “inflexible” because 35 U.S.C. § 284 requires that a patentee require damages “adequate to compensate for the infringement” simply begs the question of what compensation is “adequate” when the patent creates only a portion of the value of the accused product. “Adequate” compensation does not mean compensation that is divorced from the value the invention conferred on the defendant or compensation for value that was contributed by unpatented features.

ment damages from Fairchild on the jittering feature in these same products in a separate lawsuit based on different patents.” Pet. App. 23a. That assertion has now resulted in a separate \$24 million patent infringement judgment. Yet Power Integrations contends here that an entirely different patent creates the entire market value of the same accused products. The petition ignores this fatal inconsistency.

Even apart from that flaw in Power Integrations’ petition, this case presents a poor vehicle for certiorari for multiple other reasons:

1. The evidence that Power Integrations relied on to show that the patented feature supposedly drove demand “almost entirely concerned Power Integrations’ own products” and not what drove demand for Fairchild’s different accused products. Pet. App. 23a-24a n.7. Power Integrations called no customer to testify about why they purchased Fairchild’s products, and it conducted no consumer survey or market study concerning Fairchild’s products. Instead, it relied almost entirely on self-serving testimony from its own officers as to why they believed customers purchased Power Integrations’ own products. Evidence as to why customers purchase Power Integrations’ products is not substantial evidence as to why customers purchase *Fairchild’s* products. The parties’ products are different and contain different features. Fairchild C.A. Fed. Brief 47 n.13. Customers may, therefore, choose them for very different reasons. *Id.*

2. The patented feature was of no value to an entire segment of purchasers who used the products in television set-top boxes, because those products

did not require the power-saving advantages it offered. *Id.* at 44 (there was “no advantage for using the ’079 patent” in such circumstances). Power Integrations never sought to tailor its damages to avoid these segments of the market where the patented feature offers “no advantage” for a customer.

3. This case may well be mooted before this Court issues any decision. The Patent Trial and Appeals Board has issued a final decision holding that the asserted claims of the ’079 patent are unpatentable and cancelling those claims. That decision is on appeal to the Federal Circuit and has been fully briefed. Fed. Cir, Case No. 2018-1607. If that unpatentability decision is affirmed, the damages judgment in this case would be subject to vacatur. *See ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358-62 (Fed. Cir. 2015) (vacating judgment in light of Patent and Trademark Office cancellation of the asserted claim); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340-45 (Fed. Cir. 2013) (ordering dismissal on remand after affirmance of judgment by Patent and Trademark Office cancelling asserted claims).

CONCLUSION

The petition should be denied.

Respectfully submitted,

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