No. 16-1011

IN THE
Supreme Court of the United States

WESTERNGECO LLC,
Petitioner,
v.

ION GEOPHYSICAL CORPORATION,
Respondent.

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

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BRIEF OF *AMICUS CURIAE* NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

Cases

TABLE OF AUTHORITIES
(continued)

Page(s)

TABLE OF AUTHORITIES
(continued)

INTEREST OF *AMICUS CURIAE*[1]

The New York Intellectual Property Law Association ("NYIPLA") is a bar association of more than 1,100 attorneys who practice in the area of patent, copyright, trademark, and other intellectual property ("IP") law.[2] It is one of the largest regional IP bar associations in the United States. Its members include in-house counsel for businesses and other organizations, and attorneys in private practice who represent both IP owners and their adversaries (many of whom are also IP owners). Its members represent inventors, entrepreneurs, businesses, universities, and industry and trade associations.

The NYIPLA's members and their clients regularly participate in patent litigation on behalf of both plaintiffs and defendants in federal court and in proceedings before the United States Patent and Trademark Office. They also actively engage in licensing matters representing both patent licensors and licensees. The NYIPLA thus brings an informed perspective to the issues presented.

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[1] Pursuant to Sup. Ct. R. 37.6, the NYIPLA and its counsel represent that they have authored the entirety of this brief, and that no person other than the *amicus curiae* or its counsel has made a monetary contribution to the preparation or submission of this brief.

[2] Consent of all parties has been provided for the NYIPLA to file this brief. Respondent and Petitioner have provided consents to the filing of *amicus curiae* briefs in support of either party or neither party in docket entries dated February 1, 2018 and February 2, 2018, respectively.

The NYIPLA's members and their respective clients have a strong interest in the issues in this case because their day-to-day activities depend on a robust patent system that protects U.S. inventions. At issue here is the recovery of damages that accrue abroad as a result of domestic patent infringement. Congress enacted 35 U.S.C. § 284 to ensure that patent owners receive adequate compensation for damages caused by patent infringement. Section 284 therefore plays an important role in the enforcement of U.S. patents and in protecting innovation. A *per se* bar to recovery under Section 284 of damages that accrue abroad threatens to undercompensate patent owners even when the damages are proximately caused by U.S. patent infringement. The NYIPLA has a particularly strong interest in meaningful and flexible application of the patent laws to protect and foster U.S. innovation across industries.[3]

[3] The arguments made in this brief were approved by an absolute majority of the NYIPLA's officers and members of its Board of Directors, but do not necessarily reflect the views of a majority of the members of the Association or of the law or corporate firms with which those members are associated. After reasonable investigation, the NYIPLA believes that no officer, director, or member of the Amicus Briefs Committee who voted in favor of filing this brief, nor any attorney associated with any such officer, director, or committee member in any law or corporate firm, represents a party to this litigation. Some officers, directors, committee members, or associated attorneys may represent entities, including other *amici curiae*, which have an interest in other matters that may be affected by the outcome of this litigation.

SUMMARY OF THE ARGUMENT

The patent damages statute provides prevailing patentees with adequate compensation for damages proximately caused by patent infringement. Specifically, Section 284 provides that "[u]pon finding for the claimant, the court shall award the claimant damages adequate to compensate for the infringement." 35 U.S.C. § 284. This Court has held that damages "adequate to compensate" means "complete compensation" for the infringement. *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983).

In certain cases, patentees may suffer damages abroad as a result of domestic patent infringement. For example, the infringer may make infringing products domestically but sell them in an overseas market, thereby taking profits from the patentee. Or the infringer may sell infringing systems in the U.S. for use in an overseas services market in competition with the patentee. Whatever the nature of the particular market, Section 284 affords complete compensation to the patentee for damages that are proximately caused by domestic infringement.

This Court and the Federal Circuit have held that damages accrued overseas as a result of domestic patent infringement may be recovered. In this case, however, the Federal Circuit panel majority adopted a bright-line rule against "recovery of foreign profits" by prevailing patentees. Pet. App. 45a. Although the Federal Circuit affirmed that Ion Geophysical Corporation was liable for domestic patent infringement under 35 U.S.C. § 271(f), in addressing the question of damages, the panel majority set aside the jury's lost-profits award to WesternGeco LLC solely based on the foreign nature of the would-be sales.[4] Pet. App. 44a-45a.

The panel majority reasoned that awarding damages accrued overseas would violate the presumption against extraterritorial application of U.S. law. *See* Pet. App. 41a-45a. The majority also relied on a Federal Circuit decision involving infringement under 35 U.S.C. § 271(a) to hold that "[j]ust as the United States seller or exporter of a final product cannot be liable for use abroad, so too the United States exporter of the component parts cannot be liable for use of the infringing article abroad." *Id.* at 45a; *see also id.* at 44a (citing *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1371-72 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 900 (2014)). The panel majority's decision adopts a *per se* bar to recovery of damages accrued abroad and precludes compensation for foreign damages even if proximately caused by U.S. infringement.

The Federal Circuit's bar to recovery of foreign patent damages is at odds with Section 284 and this Court's well-settled precedent on compensating patent owners for damages that result from domestic infringement. The bar also finds no support in the presumption against extraterritorial application of

[4] The NYIPLA takes no position on whether the damages claimed by WesternGeco are recoverable in this case. It only advocates for a rule that prevailing patentees may recover damages accrued abroad if proximately caused by domestic patent infringement.

U.S. law. The presumption is a canon of construction used in determining whether a given statute regulates conduct and transactions that occur broad. The question before the Court in this case is not the geographic scope of conduct regulated by any statute, but of damages accruing from an infringer's *domestic* conduct.

Indeed, this Court has never invoked the presumption to bar the recovery of damages accrued abroad as a result of a domestic violation. Since Section 284 applies only where a domestic legal violation has been established, the presumption is entirely inapplicable.

As Judge Wallach observed in his dissent, the panel majority's "rigid rule barring the district court from considering foreign lost profits even when those lost profits have a sufficient relationship to domestic infringement improperly cabins [the court's] discretion, encourages market inefficiency, and threatens to deprive plaintiffs of deserved compensation." Pet. App. 22a. Like other Federal Circuit rules overturned by this Court, the majority's bar on foreign damages "'is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to the district courts.'" *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1932 (2016) (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755 (2014)).

For these reasons and those discussed below, this Court should overturn the Federal Circuit's *per se* bar to the recovery of foreign lost profits.

ARGUMENT

I. Prevailing Patentees May Recover Foreign Damages Proximately Caused by Domestic Infringement

By holding that prevailing patentees cannot recover damages accrued abroad, the Federal Circuit lost sight of the core compensatory purpose of Section 284 and the underlying common law standard for assessing damages, proximate causation. In place of proximate causation, the majority's decision introduces a rigid and arbitrary rule prohibiting the recovery of foreign lost profits. This Court should overturn the panel majority's *per se* bar and allow the fact finder to consider whether the damages are proximately caused by domestic infringement and therefore to determine whether they are recoverable on the facts of each case.

A. Section 284 Provides Complete Compensation for Damages Proximately Caused by Infringement

Under Section 284, a prevailing patentee is entitled to recover "damages adequate to compensate for the infringement." 35 U.S.C. § 284. "Congress' overriding purpose" in enacting Section 284 was "affording patent owners *complete compensation*" for domestic infringement. *Gen. Motors*, 461 U.S. at 655 (emphasis added). The principle of complete compensation for patent infringement gives effect to the patentee's right to exclude and to the incentive provided by the Patent Act for innovation. *See King Instruments Corp. v. Perego*, 65 F.3d 941, 949 (Fed. Cir. 1995). Section 284 protects these interests by "deterring infringers and recouping market value lost when deterrence fails." *Id.* at 950.

Compensatory damages recoverable under Section 284 include "any damages the complainant can prove," consistent with common law principles of proximate causation. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505-06 (1964) (plurality opinion) (quoting H. R. Rep. No. 1587, 79th Cong., 2d Sess. (1946)). This Court's precedents establish that Section 284 is intended to restore the patent owner to "as good a position as he would have in" absent the patent infringement. *See Gen. Motors*, 461 U.S. at 655; *Aro*, 377 U.S. at 507; *Coupe v. Royer*, 155 U.S. 565, 582 (1895); *Yale Lock Mfg. Co.* v. *Sargent*, 117 U.S. 536, 552 (1886). A patent owner is entitled to recover "'the difference between his pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred.'" *Aro*, 377 at 507 (quoting *Yale Lock*, 117 U.S. at 552). To recover lost profits, "the patent owner must show 'causation in fact,' establishing that 'but for' the infringement, he would have made additional profits." *Grain Processing Corp. v. Am. Maize-Prods. Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999) (citing *King Instruments*, 65 F.3d at 952).

Neither Section 284 nor the principles of proximate causation provide support for a categorical rule prohibiting the recovery of damages that accrue overseas. To the contrary, they require a case-specific damages analysis. As this Court recognized over a century ago, if "the difference between [the patentee's] pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred . . . can be ascertained by proper and satisfactory evidence, it is a proper measure of damages." *Yale Lock*, 117 U.S. at 552-53. "*Section 284 imposes no limitation on the types of harm resulting from infringement that the statute will redress.* The section's broad language awards damages for any injury as long as it resulted from the infringement." *King Instruments*, 65 F.3d at 947 (emphasis added).

Indeed, "[u]nder the patent statute, damages should be awarded 'where necessary to afford the plaintiff full compensation for the infringement.' Thus, to refuse to award reasonably foreseeable damages necessary to make [the patentee] whole would be inconsistent with the meaning of § 284." *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (en banc) (quoting *Gen. Motors*, 462 U.S. at 654). Given "sound economic proof of the nature of the market," Section 284 provides "significant latitude to prove and recover lost profits for a wide variety of foreseeable economic effects of the infringement." *Grain Processing*, 185 F.3d at 1350.

By adopting a bar to the recovery of patent infringement damages accrued abroad, the Federal Circuit panel majority lost sight of Section 284, and its compensatory purpose. In fact, the majority did not make a single reference to Section 284 in its damages decision, much less address whether the damages accrued abroad were proximately caused by domestic infringement. *See generally* Pet. App. 40a-48a. "Rather than grapple with this difficult question of proximity, the majority avoid[ed] it altogether." *Id.* at 16a (Wallach, J., dissenting in part).

B. A Bar to Recovery of Foreign Damages Is at Odds with Settled Precedent

The panel majority's bar to the recovery of foreign lost profits also is at odds with this Court's precedent and the Federal Circuit's own precedent.

This Court's cases involving damages accrued abroad for domestic patent infringement show that such damages are recoverable. In *Brown v. Duchesne*, the Court denied compensation to a patent owner whose invention was installed on a foreign vessel abroad before the vessel entered the United States. 60 U.S. 183, 195-96 (1856). The Court explained that use of the patented invention outside of the Unites States was not an infringement. *Id*. The Court observed, however, that the outcome would have been different if the device at issue had been "manufactured on the [vessel's] deck while she was lying in the port of Boston, or if the captain had sold it there." *Id.* at 196. If that were the case, the defendant "would undoubtedly have trespassed upon the rights of the plaintiff, and would have been justly answerable for the profit and advantage he thereby obtained." *Id.* This is so even though "[t]he chief and almost only advantage which [the defendant] derived from the use of [the invention] was on the high seas, and in other places out of the jurisdiction of the United States." *Id*. at 196.

Then, in *Goulds' Manufacturing Co. v. Cowing*, this Court held that a patent owner was entitled to recover profits from an infringer's domestic and foreign sales. 105 U.S. 253 (1881). The Court remanded the case with instructions to award damages calculated based on the infringer's sales in Pennsylvania and Canada, without distinguishing between the domestic and foreign sales. *Id.* at 256, 258.

In *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, the Court reaffirmed the holding of *Goulds'*, explaining that damages for sales in Canada were appropriately awarded because "the defendant made the infringing articles in the United States." 235 U.S. 641, 650 (1915). In *Dowagiac*, by contrast, the articles sold abroad were also manufactured outside the United States and therefore were not subject to a damages award. *Id.*

Duchesne, *Goulds'*, and *Dowagiac* thus all support the recovery of foreign damages caused by U.S. patent infringement. The panel majority's *per se* bar to recovery of such damages is particularly perplexing given its recognition that this Court's precedents "suggest that profits for foreign sales of the patented items themselves are recoverable when the items in question were manufactured in the United States and sold to foreign buyers by the U.S. manufacturer." Pet. App. 46a.

The panel majority's decision is also at odds with its own well-settled precedent. For example, in *Railroad Dynamics, Inc. v. A. Stucki Co.*, the Federal Circuit upheld a damages award calculated on the basis of the defendant's sales of infringing "carsets" "to foreign customers for installation in truck assemblies in foreign countries." 727 F.2d 1506, 1519 (Fed. Cir. 1984). The Federal Circuit rejected the defendant's challenge to the damages award, holding that "[w]hen it made the 1,671 carsets in this country, it infringed claim 10. *Whether those carsets were sold in the U.S. or elsewhere is therefore irrelevant*, and no error occurred in including those carsets among the infringing products on which royalty was due." *Id.* (emphasis added).

In *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, the Federal Circuit upheld a damages award "on the basis of profits lost because of defendants' sales of infringing units *for use outside the United States* and profits lost on rental of infringing units within the United States." 761 F.2d 649, 652 (Fed. Cir. 1985) (emphasis added), *cert. denied*, 474 U.S. 902 (1985). Just as in *Railroad Dynamics*, the infringing products in *Kori* were manufactured domestically. *See Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 561 F. Supp. 512, 519 (E.D. La. 1981), *aff'd*, 761 F.2d 649 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 902 (1985).

In *Schneider (Eur.) AF v. Scimed Life Systems*, the Federal Circuit stated that "[w]e are aware of no rule that a plaintiff cannot recover lost profits for foreign sales of infringing products manufactured in the United States." 1995 U.S. App. LEXIS 9754, at *9 (Fed. Cir. Apr. 26, 1995) (unpublished). The *Schneider* court identified *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 824-27 (Fed. Cir. 1989), as supplying the appropriate test "to determine whether a plaintiff could recover lost profits for the infringer's foreign sales of infringing products manufactured in the United States." 1995 U.S. App. LEXIS 9754, at *9. In *Datascope*, the Federal Circuit denied lost profits for foreign sales, not because they accrued abroad, but because the patentee failed to prove that it could have captured the foreign sales absent infringement. *See* 879 F.2d at 826-27. The *Datascope* court went on to affirm the district court's award of a reasonable royalty on the infringer's foreign sales. *Id.* at 827.

In *Schneider*, the Federal Circuit observed that, although the criteria for a lost profits award were not met in *Datascope*, "it would have been completely unnecessary to consider this test if that plaintiff had been prevented from recovering lost profits in the first instance." 1995 U.S. App. LEXIS 9754, at *9 (citing *Datascope*, 879 F.2d at 827).

A *per se* bar to recovery of foreign lost profits proximately caused by domestic patent infringement is a departure from this Court's and the Federal Circuit's own precedent.

C. *Power Integrations* Does Not Bar Foreign Damages Attributable to Domestic Infringement

The panel majority relied on the Federal Circuit's *Power Integrations* decision in establishing its *per se* bar to recovery of damages accrued abroad for U.S. patent infringement. *See* Pet. App. 43a-45a. By basing its damages decision on *Power Integrations*, the Federal Circuit improperly extended a fact-specific holding into a bright-line rule.

In *Power Integrations*, the Federal Circuit upheld a district court's decision denying damages on a defendant's worldwide sales. 711 F.3d at 1372. The holding was based, not on a doctrinal prohibition against foreign damages, but on a finding that the patentee failed to establish a causal link between the defendant's foreign sales and the infringing activity in the United States. The Federal Circuit found that the patentee's damages estimate "was not rooted in [the defendant's] activity in the United States." *Id.* (internal quotation omitted).

Indeed, the district court decision in that case reflects that damages for worldwide sales were denied due to a failure of proof: "[The patentee's] estimate of $30 million in damages was not related to parts that were manufactured, used, or sold in the United States by [the infringer], and was not based on parts that were imported into the United States by [the infringer] or anyone else." 589 F. Supp. 2d 505, 511 (D. Del. 2008), *vacated on other grounds by* 711 F.3d 1348 (Fed. Cir. 2013).

On that record, the Federal Circuit found no basis to "award [] damages for sales consummated in foreign markets, regardless of any connection to infringing activity in the United States." 711 F.3d at 1371. As Judge Wallach observed in his dissent, "the court in *Power Integrations* was clearly concerned with the sufficiency of the connection between the foreign activity and the domestic infringement." Pet. App. 65a-66a. The panel majority erred by expanding this fact-specific holding into a *per se* rule that prevailing patentees cannot recover "foreign profits" caused by domestic patent infringement. Pet. App. 45a.

II. The Presumption against Extraterritoriality Does Not Bar Recovery of Foreign Damages Accrued due to Domestic Infringement

For its categorical rule barring the recovery of foreign damages attributable to domestic patent infringement, the panel majority relied heavily on the presumption against extraterritorial application of U.S. law. *See* Pet. App. 41a-48a. The majority's use of the presumption is at odds with the presumption's well-established role of providing guidance as to the geographic scope of U.S. law. The presumption is not a vehicle for setting economic policy or for undercompensating prevailing patentees for domestic legal violations.

As discussed below, for over a century this Court has used the presumption against extraterritorial application of U.S. law to determine whether a given statute regulates conduct and transactions that occur abroad. That question is not raised in this case. Here, domestic patent infringement has been proven under Section 271(f) and has been affirmed by the Federal Circuit. At issue in this case are the damages due under Section 284 for that established domestic violation.

In its damages analysis, the Federal Circuit did not mention Section 284, much less apply the presumption against extraterritoriality to Section 284. Indeed, there is no basis to invoke the presumption here. Section 284 only applies upon a finding of domestic infringement and compensates prevailing patentees for damages proximately caused by the domestic violation.

Ignoring Section 284, the panel majority invoked the presumption against extraterritorial application of U.S. laws as a free-floating principle—untethered from the statute at issue—to cut off damages resulting from domestic infringement at the U.S. border. There is no precedent and no basis for applying the presumption against extraterritoriality in this manner.

A. The Presumption Against Extraterritoriality Does Not Apply to Section 284

The presumption against extraterritorial application of law is a canon of construction used to determine whether a given statute is intended by Congress to regulate conduct and transactions that occur abroad. *Kiobel v. Royal Dutch Petro. Co.*, 569 U.S. 108, 116 (2013) ("We typically apply the presumption to discern whether an Act of Congress regulating conduct applies abroad."). The presumption has no application to damages awards under Section 284 for domestic patent infringement, whether the damages accrue abroad or in the U.S.

This Court discussed the rationale for the presumption against extraterritoriality more than a century ago in *American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 355-58 (1909) (Holmes, J.). The defendant in *American Banana* was accused of anticompetitive behavior consisting primarily of instigating Costa Rican government officials to take actions (including seizing a plantation) that injured the plaintiff's banana business. *Id.* at 354-55. But "the acts causing the damage were done, so far as appears, outside the jurisdiction of the United States and within that of other states." *Id.* at 355.

The Court explained that "the general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done." *Id.* at 356. It stated that "[f]or another jurisdiction, if it should happen to lay hold of the actor, to treat him according to its own notions rather than those of the place where he did the acts, not only would be unjust, but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent." *Id.* Accordingly, "in case of doubt," courts should adopt a "construction of any statute as intended to be confined in its operation and effect to the territorial limits over which the lawmaker has general and legitimate power." *Id.* at 357.

This presumption was again discussed in *United States v. Bowman*, 260 U.S. 94 (1922). There, the Court considered the defendants' objection to an indictment charging them with conspiracy to present false claims to the Shipping Board Emergency Fleet Corporation, an entity owned by the United States. *Id.* at 95-96. The defendants argued that because their scheme unfolded on the high seas, it was outside the scope of the relevant U.S. statute, which did not explicitly impose liability for extraterritorial conduct. *Id.* at 96-97. The Court described the issue as "a question of statutory construction," *id.* at 97, and explained that U.S. statutes were presumed only to punish crimes committed in the United States:

> Crimes against private individuals or their property . . . must of course be committed within the territorial jurisdiction of the government where it may properly exercise it. If punishment of them is to be extended to include those committed outside of the strict territorial jurisdiction, it is natural for Congress to say so in the statute, and failure to do so will negative the purpose of Congress in this regard.

Id. at 97-98. Thus, from its beginnings in *American Banana* and *Bowman*, the presumption against extraterritoriality reflected the common sense insight that U.S. statutes only regulate conduct that occurs in the United States absent a Congressional intent to punish acts that occur abroad.

The Court again examined the presumption against extraterritoriality in *Foley Bros. v. Filardo*, 336 U.S. 281, 284-85 (1949). *Foley Bros.* concerned the Eight Hour Law, which provided that "[e]very contract" to which the United States is a party must allow for overtime pay to laborers who work more than eight hours in a day. *Id.* at 282-83. The question presented was whether the reference to "[e]very contract" included contracting projects performed in foreign countries (the plaintiff had served as a cook for a public works project in Iraq and Iran). *Id.* at 283-84. The Court observed that Congress had the *power* to give the law such a scope, but explained that "[t]he canon of construction which teaches that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States is a valid approach whereby unexpressed congressional intent may be ascertained." *Id.* at 284-85 (citation omitted). This "canon," said the Court, "is based on the assumption that Congress is primarily concerned with domestic conditions." *Id.* Because the Eight Hour Law contained "no language . . . that gives any indication of a congressional purpose to extend its coverage beyond places over which the United States has sovereignty or has some measure of legislative control," the Court determined that it applied only to contracts for domestic projects. *Id.* at 285; *see also id.* at 286 (expressing skepticism "that Congress intended to regulate the working hours of a citizen of Iran who chanced to be employed on a public work of the United States in that foreign land").

In each of these early cases, the Court used the presumption against extraterritorial application of law to infer the intended geographic scope of the statute at issue. The presumption helped answer the question of whether a given statute governed conduct or transactions that occur outside of the United States.

This Court's more recent cases apply the presumption against extraterritoriality in the same manner. *See*, *e.g.*, *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2096, 2100-09 (2016) (applying the presumption to determine "whether RICO applies . . . to events occurring and injuries suffered outside the United States"); *Kiobel*, 569 U.S. at 115 (applying the presumption to determine "whether a claim [under the Alien Tort Statute] may reach conduct occurring in the territory of a foreign sovereign"); *Morrison v. Nat'l Austl. Bank Ltd.*, 561 U.S. 247, 250-51 (2010) (applying the presumption to determine "whether § 10(b) of the Securities Exchange Act of 1934 provides a cause of action . . . for misconduct in connection with securities traded on foreign exchanges"); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441-42, 454-56 (2007) (applying the presumption to determine whether "supply" in Section 271(f) of the Patent Act applies to the supply of components generated abroad); *Sale v. Haitian Ctrs. Council, Inc.*, 509 U.S. 155, 158-59, 173-74 (1993) (applying the presumption to determine whether asylum protection of Immigration and Nationality Act "applies to action taken by the Coast Guard on the high seas"); *Smith v. United States*, 507 U.S. 197, 198, 203-04 (1993) (applying the presumption to determine whether FTCA waiver of sovereign immunity "applies to tortious acts or omissions occurring in Antarctica"); *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 246, 248-49 (1991) (applying the presumption to determine "whether Title VII applies extraterritorially to regulate the employment practices of United States employers who employ United States citizens abroad").

Thus, when this Court has invoked the presumption against extraterritoriality, it has consistently done so to determine the applicability of U.S. laws to conduct and transactions that occur abroad. This Court has never used the presumption as a means of preventing redress for established domestic legal violations.

B. *Microsoft* Uses the Presumption in Accordance with This Court's Settled Precedent

The Federal Circuit panel majority relied on this Court's decision in *Microsoft* as support for its use of the presumption against extraterritoriality as a *per se* bar to recovery of damages accrued abroad. *See* Pet. App. 41a, 42a, 44a, 47a. The majority, quoting *Microsoft*, stressed that "[t]he presumption that United States law governs domestically but does not rule the world applies with particular force in patent law." *Id.* at 41a (quoting 550 U.S. at 454-55).

Microsoft, just as this Court's prior century of precedents discussing the presumption against extraterritoriality, used the presumption as a canon of statutory construction. It held that there was no intent to create liability under Section 271(f) for exporting instructions to make components abroad when Section 271(f) expressly requires supply of the components themselves. *See* 550 U.S. at 441-42.

In *Microsoft*, the defendant software maker (Microsoft) conceded that it had dispatched master copies of its Windows operating system to foreign computer manufacturers and that, by installing Windows onto their computers, the manufacturers created devices that in the United States would have infringed AT&T's patent. *Id.* at 441-42, 445-47. The Court confronted two interpretive questions about the application of Section 271(f)[5] to Microsoft's

[5] The decision simply refers to Section 271(f) since the distinctions between the two paragraphs of Section 271(f) were not "outcome determinative." *Id.* at 447 n.7.

conduct: first, whether Windows was a "component" under Section 271(f), and second, whether Microsoft had "supplied" a component of the foreign-made computers "from the United States." *Id.* at 447.

As to the first question, the Court found that "software detached from an activating medium" is "uncombinable" in the context of a computer. *Id.* at 449. The Court concluded that, since the statute contemplates "'components' [that are] amenable to 'combination,'" *id.*, Windows can only be a "component" of a computer when reduced to a physical, deliverable copy capable of being "performed by a computer." *Id.* at 451-52. It held that Windows "in the abstract" is not a "component" of a computer but rather a set of "instructions" to which Section 271(f) does not apply. *Id.*

This holding informed the Court's resolution of the second question. Microsoft had not "supplied" the individual copies of Windows that were installed on the foreign-made computers. *Id.* at 452. "Indeed, those copies did not exist until they were generated by third parties outside the United States." *Id.* at 454. Accordingly, the software "components" of the offending devices were neither "supplie[d]" by Microsoft nor "supplie[d] . . . from the United States." *Id.* at 453-54. Microsoft had exported only the instructions for components that were then generated abroad. *Id.* at 451, 458.

The Court explained that the presumption against extraterritorial application of U.S. law reinforced its conclusion "that Microsoft's conduct falls outside § 271(f)'s compass." *Id.* at 454. This was for a simple reason: the components were generated and combined abroad. None was made in or supplied from the United States. A different interpretation of "supply," *i.e.*, one that encompassed supplying instructions from the United States rather than the components themselves, would have swept into Section 271(f)'s purview the acts of duplication and installation that took place abroad. Instead, this Court concluded that "*foreign law alone*, not United States law, *currently governs the manufacture and sale of components of patented inventions in foreign countries*." *Id.* at 456 (emphasis added).

In *Microsoft*, the presumption supported the construction of "supply" in Section 271(f) as not encompassing supply of components generated outside the United States, as Congress ordinarily does not intend to regulate conduct that occurs in the territory of another sovereign and the express language of Section 271(f) requires supply of some components "from the United States." *Id.* at 454 (quoting 35 U.S.C. § 271(f)(1)).

In contrast to *Microsoft*, the question presented here does not implicate the location of regulated conduct. Liability for domestic patent infringement is established here, and the only question is whether the full compensation required under Section 284 includes damages proximately caused by the domestic infringement even if they accrue abroad. *Microsoft* and the presumption against extraterritoriality therefore have no application in this case.

C. Providing Compensation for Patent Infringement Is An Appropriate Domestic Application of Section 284

Even if the presumption against extraterritoriality were applied to the damages question, awarding damages accrued abroad due to domestic patent infringement is an appropriate domestic application of Section 284.

This Court has supplied "a two-step framework for analyzing extraterritoriality issues." *RJR Nabisco,* 136 S. Ct. at 2101 (citations omitted). At the first step, a court reviews whether the statute at issue rebuts the presumption with "a clear, affirmative indication that it applies extraterritorially." *Id.* If not, "then at the second step [the court] determine[s] whether the case involves a domestic application of the statute, and [does] this by looking to the statute's 'focus.'" *Id.* "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." *Id.*[6]

Even if the *RJR Nabisco* framework were applied in this case, it would be applied to Section 284. Section 284 states that, "upon finding for the claimant, the court shall award the claimant damages adequate to compensate for the infringement." 35 U.S.C. § 284. Section 284 applies only where a domestic legal violation has been

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[6] Courts may start the analysis at step two in appropriate cases. *RJR Nabisco*, 136 S. Ct. at 2101 n.5.

established. The "focus" of Section 284 is providing full compensation to prevailing patentees "for the infringement," which necessarily entails domestic conduct. 35 U.S.C. §§ 271, 284; *RJR Nabisco* 136 S. Ct. at 2101; *Gen. Motors*, 461 U.S. at 654-55.

Because the "focus" of Section 284 is making the patentee whole for domestic patent infringement, compensating a prevailing patentee under Section 284 "involves a permissible domestic application even if other conduct occurred abroad." *RJR Nabisco*, 136 S. Ct. at 2101. Indeed, where a patentee establishes that domestic infringement proximately caused damages abroad, the "other conduct occur[ing] abroad," *id.*, is simply the measure of "damages adequate to compensate for the [domestic] infringement." 35 U.S.C. § 284.

As a result, even if the framework of *RJR Nabisco* is applied to Section 284, the presumption against extraterritoriality does not bar recovery of damages accrued abroad resulting from domestic infringement. Recovery of such damages is a proper domestic application of Section 284.

CONCLUSION

For the foregoing reasons, this Court should reverse the Federal Circuit's *per se* bar against recovering foreign lost profits.

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Respectfully submitted,

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