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

REPLY BRIEF FOR PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

Cases

Statutes

Other Authorities

INTRODUCTION

The decision below held—directly contrary to the statutory language and this Court's repeated instructions to heed the presumption against extraterritoriality—that 35 U.S.C. § 271(a) does not impose liability for offers made in the United States to sell infringing goods when the sales will occur abroad. "An offer to sell in the United States," the Federal Circuit held, excludes any offer—even those made in America—except those to make "a sale that will occur in the United States." Pet. App. 50a.

Although Respondent characterizes that holding as an offhand comment—on a question not raised by TAOS below and undeserving of this Court's attention—it is anything but. Since *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1309 (Fed. Cir. 2010), the Federal Circuit has repeatedly expressed the view that it is the location of the contemplated sale (which the Federal Circuit equates with the place of manufacture and delivery)—not the location of the offer itself—that matters under § 271(a). TAOS briefed that issue specifically in the district court, Pet. App. 58a-59a, and on appeal urged the Federal Circuit to reconsider its view, arguing that treating "the place of manufacturing [a]s dispositive" under § 271(a) "reads out the 'offers to sell'" language. C.A. TAOS Reply Br. 7-8. TAOS did the same in its rehearing petition. Reh'g Pet. 4. But the court rejected TAOS's entreaty and reaffirmed its adherence to *Transocean*'s rule.

The consequences of this rule are far-reaching. By directing § 271(a) at conduct (i.e., offers) made abroad, rather than those made domestically, the Federal Circuit has created a rule that has already generated international conflict over patent disputes. As this Court has previously recognized, "decision[s] regarding the extraterritoriality of § 271[]" warrant this Court's review. *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2136 (2018). This Court should grant the petition.

I. The Question Presented Is Important And Should Be Resolved Now.

Respondent says that the question presented is undeserving of this Court's review because there has been "no indication that [the Federal Circuit's rule] has been unworkable or problematic," or "created … conflicts with the laws of other foreign sovereigns." Opp. 20-21. Foreign sovereigns have said just the opposite. As Denmark's Ministry of Foreign Affairs has explained, in a brief urging this Court to intervene, by "extend[ing] U.S. patent law" to cover "conduct in [other] countries," the Federal Circuit's rule "interfere[s] with sovereigns' application of their own patent laws within their own borders." Denmark Amicus Br., *Maersk v. Transocean*, No. 13-43, at 3. That risk of international conflict "is not academic" or hypothetical, *id.*: In *Transocean*, the petitioner's "conduct in Scandinavia was completely lawful in Scandinavia where it occurred—but the [Federal Circuit] still found that it violated U.S. law." *Transocean* Pet. 31. Unsurprisingly, in light of those significant effects, this Court viewed the *Transocean* question as important enough to warrant a CVSG.[1]

So Respondent tries a different tack. Even if the Federal Circuit's rule creates problems, it says, this Court need not fix them because they do not arise that often. As evidence, Respondent highlights that in the last "decade" the issue has arisen in "only four published opinions" from the Federal Circuit. Opp. 20-21. But four published opinions since 2010 from a single court on any question is significant. Moreover, because only the Federal Circuit can consider this question—and that court has shown no willingness to reconsider it—it is all the more remarkable that it has come up that frequently. In any event, focusing on appellate opinions alone ignores the frequency with which extraterritoriality issues concerning § 271(a) have arisen in the district courts—a more accurate measure of the number of cases affected by the Federal Circuit's rule.[2] And the cases will only continue

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[1] Still more, "because numerous statutes" including "the Lanham Act, Securities Act of 1933, and the Endangered Species Act," "include the phrase 'offer to sell,' this case has important implications outside of patent law," too. IP Professors Amicus Br. 18.

[2] *See, e.g.*, *MediaTek Inc. v. Freescale Semiconductor, Inc.*, 2014 WL 580836 (N.D. Cal. 2014); *ION, Inc. v. Sercel, Inc.*, 2010 WL 3768110, at *4 (E.D. Tex. 2010); *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 531 F. Supp. 2d 1084, 1110-11 (N.D. Cal. 2007); *Wing Shing Prods. (BVI), Ltd. v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 405-06 (S.D.N.Y. 2007); *Wesley Jessen Corp. v. Bausch & Lomb, Inc.*, 256 F. Supp. 2d 228, 233-34 (D. Del. 2003); *Cybiotronics, Ltd. v. Golden Source Elecs., Ltd.*, 130 F. Supp. 2d 1152, 1170-71 (C.D. Cal. 2001); *Quality*

to proliferate as U.S. companies continue to expand operations overseas.

II. Respondent's Attempts To Rehabilitate The Decision Below Fail.

A. The Federal Circuit's reading of § 271(a) is wrong as a matter of plain language.

Suppose a friend says he wants to meet "someone who is working, programming, learning to code, or coding at Stanford University." There would be no doubt that he is interested in meeting, say, a Stanford undergraduate majoring in computer science (and so learning how to code)—and not a Berkeley student reading a guide that explains how to access Stanford's computer labs (i.e., learning how to code at Stanford in particular). So too here. When § 271(a) imposes liability on anyone who "makes, uses, offers to sell, or sells any patented invention, within the United States," it is targeting those who commit one of the specified acts within the United States.

That makes sense. As explained in the petition—and as Respondent does not dispute—the common law has long treated an offer to sell as occurring at the location of the offer, not the location of the sale. Pet. 18. And as this Court has recognized, patent law respects "common-law principles," no less than other areas of law. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 964 (2017).

Tubing, Inc. v. Precision Tube Holdings Corp., 75 F. Supp. 2d 613, 621-25 (S.D. Tex. 1999).

Respondent nevertheless tries to avoid that straightforward reading by grasping indiscriminately at various statutory canons, which it says compel a different reading. None do.

First, Respondent says that the series-qualifier canon—the commonsense principle that a modifier at the end of a parallel list applies to each term in the same way—has no application when the terms in the list have different numbers of words. Opp. 12. That is simply not true. *See, e.g.*, *OBB Personenverkehr AG v. Sachs*, 136 S. Ct. 390, 395 (2015) (describing an individual as having suffered "wrongful arrest, imprisonment, and torture by Saudi police").

Next, Respondent argues that the series-qualifier principle is displaced here by the rule of the last antecedent. But that precept—which provides that "a limiting clause or phrase should ordinarily be read as modifying only the noun or phrase that it immediately follows," *Lockhart v. United States*, 136 S. Ct. 958, 962 (2016)—makes no sense here. Applying that rule to § 271(a) would mean that the phrase "within the United States" modifies only "sells," since that is the antecedent immediately preceding it—meaning that § 271(a)'s bar on "mak[ing], us[ing], or offer[ing] to sell" a patented product would have no geographic restriction at all. *See id.* at 963.[3]

[3] Perhaps recognizing the problematic nature of that result (under which Respondent would lose), Respondent suggests that the last-antecedent rule really means that a modifier after a list attaches to the last antecedent (which Respondent mistakenly equates with "word") of each term in that list. Opp. 12-13. That

Respondent contends that the series-qualifier principle must give way to the presumption of consistent usage. That presumption is irrelevant here. Neither party disputes the meaning of "sell" or any other word in § 271(a), and so the presumption that "identical words used in different parts of the same statute carry the same meaning" adds nothing to either party's interpretation. *Henson v. Santander Consumer USA Inc.*, 137 S. Ct. 1718, 1723 (2017).[4]

B. The plain meaning of § 271(a) is confirmed by the presumption against extraterritoriality.

As Respondent forthrightly admits, the Federal Circuit's rule sweeps into § 271(a) conduct that occurs entirely abroad. In *Transocean*, for instance, the Federal Circuit held that § 271(a) regulated the defendant's conduct, "even though … the offer took place in Norway." Opp. 7. That casual application of U.S. law to acts in foreign countries is precisely what the presumption against extraterritoriality is meant to prevent. *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2106 (2016).

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is incorrect. Under Respondent's view, the statute in *Lockhart* would criminalize "aggravated sexual abuse *involving a minor*, sexual abuse *involving a minor*, or abusive sexual conduct *involving a minor*"—precisely the reading the majority rejected.

[4] Respondent's claim that § 271(i) somehow justifies the Federal Circuit's reading of § 271(a) is even further afield. Opp. 9-10. That provision exists solely to ensure that there is liability for an "offer to sell" only during the patent's term, not to secretly authorize extraterritorial application of § 271(a).

Remarkably, Respondent makes the extraterritorial reach of the Federal Circuit's rule the central feature—and touts it as the chief benefit—of its merits argument. Respondent pushes past the problems created by extraterritorial application of § 271(a), because in its view the prospect that some action "would fall *outside* the reach of the U.S. patent laws, simply because [it] took place overseas" is "[e]ven worse." Opp. 8. In other words, Respondent champions the Federal Circuit's rule *because of*, rather than *in spite of*, its regulation of foreign conduct.

True enough, as Respondent points out, TAOS's rule would "allow[] a U.S company to travel abroad" and engage in conduct in a foreign country "without any liability for infringement." Opp. 7. But that is true of many U.S. laws—and is a feature, not a bug. Each country is generally free to allow (or not) whatever conduct it wishes within its borders—even if others might choose differently. Though Respondent casually dismisses the idea of U.S. law stopping at the border as "exalt[ing] form over substance," *id.*, that is a bedrock principle of national sovereignty.

On the flipside, Respondent expresses shock at the possibility that "two international business executives conducting business discussions in the British Airways lounge at Dulles Airport" who violate American law could be held liable in American courts. Opp. 13. But that should not be controversial either. When foreign nationals enter this country, even if only passing through, their actions here are governed by American law. That Respondent thinks otherwise says all that needs to be said about its position.

Respondent frets that TAOS's rule would allow some plaintiffs to recover twice against defendants who offer in the United States to sell infringing products abroad—once in foreign courts for the foreign sale, and once in U.S. courts for the domestic offer. The Federal Circuit's rule, it says, is necessary to prevent such a result. Opp. 10. But there is already a well-established rule that a patent plaintiff may recover for his damages only once; duplicative damages awards are "impermissible" and vacated routinely. *Aero Prods. Int'l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1017 (Fed. Cir. 2006) (collecting cases); *see also, e.g.*, *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1364 (Fed. Cir. 2001) ("[A defendant] is liable for the full amount of damages (up to a full single recovery) suffered by the patentee."). Respondent is thus trying to address a problem that has already been solved.

III. Respondent's Claimed Vehicle Problems Are Illusory.

Respondent questions whether this case is a suitable vehicle for resolving the question presented; it is.

A. Respondent first says that this case is a poor vehicle because TAOS did not raise the question presented below. Opp. 15-17. But "[a]ny issue pressed *or passed upon* below by a federal court, is subject to this Court's broad discretion over the questions it chooses to take on certiorari…." *Verizon Commc'ns Inc. v. FCC*, 535 U.S. 467, 530 (2002) (emphasis added, internal citations omitted). Here, there is no dispute that the Federal Circuit squarely passed upon the question presented. Opp. 16.

In any event, Respondent's factual premise is false. In the district court, TAOS filed supplemental briefing specifically discussing the effect of *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated on other grounds*, 136 S. Ct. 1923 (2016)—which reaffirmed *Transocean*'s rule—on this case. Pet. App. 59a; *see also id.* (concluding that "offers to sell outside the United States are beyond the scope of § 271(a)"); *id.* at 61a-63a (reviewing various evidence to determine whether it constituted an "offer to sell" within the United States). And in the Federal Circuit, TAOS argued that *Transocean*'s rule treating "the place of manufacturing [a]s dispositive" under § 271(a) "reads out the 'offers to sell'" language. C.A. TAOS Reply Br. 7-8; *see also id.* at 10-13 (walking through pages of "evidence [that] shows that Intersil's offers to sell … occurred in the United States"). The Federal Circuit responded to that argument by rejecting it. Pet. App. 50a. To be sure, that discussion was more abbreviated than here—and for good reason. At the time of the appeal, the Federal Circuit's rule was fixed.

TAOS also raised this issue once more in its rehearing petition. Indeed, TAOS argued not only that because "Intersil offered the infringing device (the ISL29003) for a price ($0.35) to Apple in California" it "therefore made an infringing offer to sell under § 271(a)," but also that the panel's contrary "holding contradicts … the statutory text of § 271(a), which imposes liability whenever an *offer* to sell occurs within the U.S." Reh'g Pet. 4-5 (emphasis in original). Respondent's suggestion that TAOS somehow failed to raise this issue in its rehearing petition is thus dead wrong. Opp. 16.

B. Next, Respondent claims that TAOS's patent claims "may become moot on remand." Opp. 17 (capitalization altered). But even if there were a risk of mootness *after* this Court's review, that would not be a reason to deny certiorari *now*. This Court has specifically rejected the idea that it "should decline to reach every … issue that *might* become moot." *United States v. Sharpe*, 470 U.S. 675, 681 n.2 (1985) (emphasis in original). That is because "[s]ubsequent events may render any decision nugatory," and thus "[t]hat [one] case might become moot … does not distinguish it from any other." *Id.*[5]

In any event, Respondent's handwringing about the theoretical possibility of future mootness is overblown. After the panel's decision, TAOS's claims—including its patent claims—remain viable, and each may form the basis of a damages award. *See* Pet. App. 48a. Unless something truly extraordinary happens, those claims will not become moot. "A case becomes moot … only when it is impossible for a court to grant any effectual relief whatever to the prevailing party." *Campbell-Ewald Co. v. Gomez*, 136 S. Ct. 663, 669 (2016). There is nothing in this case that suggests it will ever be "impossible … to grant any effectual relief whatever" on TAOS's patent claims. What Respondent appears to mean is that "[i]t is … possible" that the *damages* for those claims will overlap to some extent with those from other claims, Opp. 17-18—though even that is far from certain. Pet. App. 48a

[5] Weaker still is Respondent's argument that this Court cannot grant certiorari because the Federal Circuit ordered a remand. This Court routinely grants review in such circumstances. *See, e.g.*, *WesternGeco*, 138 S. Ct. at 2136.

(recognizing that there may well be a non-duplicative "damages award for patent infringement"). But even if true, that is a far cry from mootness. When a case is moot it "must be dismissed" for lack of jurisdiction. *Campbell-Ewald*, 136 S. Ct. at 669. When damages are duplicative, the court simply caps the amount it awards. It remains to be seen precisely how the damages awards will play out here under various liability theories, and Respondent's suggestion regarding the possibility of tort and contract damages overlapping perfectly with patent damages is entirely speculative.

C. Finally, Respondent claims that TAOS would lose under its own rule because "there was no 'offer'" that took place domestically. Opp. 18 (capitalization altered). But that argument is based on a definition of "offer" that directly conflicts with the one the Federal Circuit has adopted and which Respondent has never challenged.

The Federal Circuit has held that "[a]s a matter of federal statutory construction," a "description of the allegedly infringing merchandise and the price at which it can be purchased" constitutes an "'offer[] to sell' under § 271." *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1379 (Fed. Cir. 1998). That perfectly captures what happened here. As Respondent admits, there is "evidence … that Intersil 'quoted $0.35 per sensor to California-based Apple employees for the ISL29003.'" Opp. 19 (emphasis omitted).

The Federal Circuit's definition, however, appears nowhere in Respondent's brief. Instead, Respondent builds its argument entirely around a comment in the Restatement remarking that, in contract negotiations, "[a]n 'offer' will normally 'invite the offeree to sign on a line provided for that purpose.'" Opp. 18 (quoting Restatement (Second) of Contracts § 26, cmt. e). Respondent attempts to convert that mundane observation into a bright-line rule: Intersil's emails to Apple, it argues, cannot constitute offers because "neither includes a spot for Apple to countersign." Opp. 19. But the very case that Respondent cites cautions that the Restatement is "not authoritative" in this context. *Rotec Indus. Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1257 n.5 (Fed. Cir. 2000), *cited at* Opp. 18.[6]

CONCLUSION

This Court should grant the petition.

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[6] Respondent also overreads the Restatement, which recognizes that a price "'quote' may be … an offer." Restatement (Second) of Contracts § 26, cmt. c. In fact, the Restatement emphasizes that where, as here, the quote is made "in response to an inquiry" from a potential customer, it "would probably be an offer," even if it contains nothing more. *Id*.

Respectfully submitted,

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