No. 16-1011

In the Supreme Court of the United States

WESTERNGECO LLC, PETITIONER

v.

ION GEOPHYSICAL CORPORATION

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

BRIEF FOR THE RESPONDENT

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QUESTION PRESENTED

Whether a patentee that establishes infringement of its patent is entitled to recover lost profits under 35 U.S.C. 284 for a third party's subsequent foreign use of the infringing product.

CORPORATE DISCLOSURE STATEMENT

Respondent ION Geophysical Corporation is a publicly held company. ION Geophysical Corporation has no parent corporation, and no publicly held company owns 10% or more of its stock. (Invesco Ltd., which previously owned more than 10% of ION's stock, no longer does so.)

TABLE OF CONTENTS

Page

Table of contents—continued:

TABLE OF AUTHORITIES

Cases:

Page

Cases—continued:

In the Supreme Court of the United States

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-22a) is reported at 837 F.3d 1358. An earlier opinion of the court of appeals (Pet. App. 23a-75a) is reported at 791 F.3d 1340. The order of the court of appeals denying rehearing en banc (Pet. App. 176a-180a) is not published in the Federal Reporter, but is reprinted at 621 Fed. Appx. 663. The opinion of the district court (Pet. App. 76a-140a) is reported at 953 F. Supp. 2d 731.

JURISDICTION

The judgment of the court of appeals was entered on September 21, 2016. After an extension of time, the petition for a writ of certiorari was filed on February 17, 2017, and granted on January 12, 2018. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant statutory provisions, Section 271 and Section 284 of Title 35 of the United States Code, are reproduced in an appendix to this brief.

STATEMENT

This case presents a question of statutory interpretation concerning the availability of extraterritorial damages for domestic patent infringement. The presumption against extraterritoriality, which is at its peak in patent cases, instructs that "patent law operates only domestically and does not extend to foreign activities." *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 454-455 (2007) (internal quotation marks, citation, and alterations omitted). Petitioner seeks damages for lost profits from respondent for third parties' foreign use of a system patented in the United States. That foreign use is not controlled by respondent and does not constitute infringement under domestic law. Petitioner nevertheless claims that it may recover the lost-profits damages for that use from respondent under 35 U.S.C. 284, which provides that "the court shall award the claimant damages adequate to compensate for the infringement." The question presented is whether Section 284 permits the recovery of lost profits arising from a third party's subsequent foreign use of a system patented in the United States.

Respondent manufactures products used in marine seismic surveys, which search for oil and gas beneath the ocean floor. During a marine survey, a specialized vessel pulls an array of cables, called "streamers," with sensors that map the composition of the ocean floor. Respondent manufactured a device, the DigiFIN, that helps control the steering of marine streamers. Respondent supplied DigiFINs to foreign entities, which used some of the DigiFINs, along with numerous other components, to outfit foreign-registered survey vessels and then perform surveys in international waters.

Petitioner manufactures products used in marine seismic surveys and uses those products to perform surveys in international waters with its own fleet of foreign-registered vessels. Petitioner holds patents related to a system for controlling the position of marine streamers.

As is relevant here, petitioner sued respondent for patent infringement under 35 U.S.C. 271(f)(2). Under that provision, a person commits patent infringement by supplying a specially adapted component of a patented system from the United States with the intent that it be combined abroad. A jury found in favor of petitioner and awarded $12.5 million in reasonable royalties for the supply of DigiFINs from the United States (later increased to $21.9 million); neither the jury's finding of infringement nor the award of those damages is disputed here. But the jury also awarded petitioner a whopping $93.4 million in lost profits based on petitioner's failure to win contracts for ten surveys performed in international waters by foreign entities that used DigiFINs.

Respondent moved to vacate the lost-profits award. The district court denied the motion, but the court of appeals reversed. While the court of appeals reiterated that petitioner was entitled to a reasonable royalty, it held that the Patent Act does not entitle petitioner to its lost profits for third parties' foreign uses of a system patented in the

United States. The court of appeals' holding was correct, and its judgment should be affirmed.

A. Background

1. Under the Patent Act of 1952, a patent confers exclusive rights in an invention only within the United States. See 35 U.S.C. 154(a)(1); *Microsoft*, 550 U.S. at 455. Section 271 of the Patent Act defines multiple forms of patent infringement. Section 271(a) deems it infringement to "make[], use[], offer[] to sell, or sell[] any patented invention, within the United States." Section 271(b) imposes liability on anyone who "actively induces infringement." And Section 271(c) defines as contributory infringement the act of "offer[ing] to sell or sell[ing] within the United States" or "import[ing] into the United States" a material component of a patented invention knowing that it is adapted for infringing use.

As revealed by the Court's decision in *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972), those provisions left a gap in domestic patent law. In *Deepsouth*, the defendant made all the components of a patented shrimp-deveining machine in the United States and shipped them abroad, with the intent that the purchasers assemble the components (which could be done readily). See *id.* at 523-524. The Court observed that the combination of the components did not constitute infringement because it took place abroad, outside the reach of the Patent Act. See *id.* at 527. And it held that making and selling the components in the United States, whatever the intent, did not constitute "mak[ing]" the patented machine in the United States, as is required for infringement under Section 271(a). See *id.* at 527-528. Accordingly, the Court held that the Patent Act did not prohibit the defendant's actions. See *id.* at 532.

In response, Congress added a new subsection, Section 271(f), to close the gap in the Patent Act's coverage. See Patent Law Amendments Act of 1984, Pub. L. No. 98-622, § 101, 98 Stat. 3383; *Life Technologies Corp.* v. *Promega Corp.*, 137 S. Ct. 734, 742-743 (2017). As is relevant here, Section 271(f)(2) provides that a person commits infringement when he "supplies or causes to be supplied" "in or from the United States" a component specially adapted for use in a patented invention, with the intent that "such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States."[1]

Consistent with the Patent Act's territorial focus, Congress did not make the foreign combination itself an act of infringement under domestic patent law—an approach that, by virtue of its extraterritorial reach, could have "create[d] friction with other nations." Pet. Br. 1. Instead, it is the act of supplying a particular component from the United States *with the intent that it be combined* that constitutes infringement under Section 271(f)(2); the foreign combination need not actually occur.

2. Section 281 provides a patentee with a civil right of action for infringement of its patent, and the ensuing provisions set out a variety of remedies available in such an action. Section 284 specifies the damages available for all forms of patent infringement defined in Section 271. It instructs courts to award a patentee "damages adequate

[1] Section 271(f)(1), which was added in the same amendment, makes it infringement to supply all or a substantial portion of the components of an invention "in or from the United States" "in such manner as to actively induce" their combination abroad. 35 U.S.C. 271(f)(1). The district court entered judgment in this case under both Section 271(f)(1) and (f)(2), but the court of appeals sustained liability only under Section 271(f)(2). Pet. App. 38a. Petitioner does not challenge that aspect of the court of appeals' ruling in this Court.

to compensate for the infringement," along with interest and costs. It also provides that the damages should "in no event [be] less than a reasonable royalty for the use made of the invention by the infringer." This Court has held that patent law permits the recovery of lost-profits damages as a remedy for patent infringement. See *Yale Lock Manufacturing Co.* v. *Sargent*, 117 U.S. 536, 552-553 (1886).

B. Facts And Procedural History

1. Respondent is a Texas-based company that, among other things, manufactures products used in marine seismic surveys, which are conducted to search for oil and gas beneath the ocean floor. During a marine survey, which usually takes months to complete, a ship pulls an array of lengthy floating cables, called "streamers." Those streamers contain sensors that collect data from soundwaves reflecting off the ocean floor to map the composition of the subsurface geology. Pet. App. 24a-25a.

One of respondent's products, the DigiFIN, helps control the steering of marine streamers. Respondent supplied DigiFINs to foreign entities. Some of those entities subsequently performed marine surveys with their foreign-registered vessels in international waters using, among numerous other components, respondent's DigiFINs. For example, in two instances, Petroleum Geo-Services (a Norwegian company) conducted surveys for Statoil (the Norwegian state oil company) in waters near Norway. None of the surveys at issue was performed by American entities or in American waters. More than two hundred DigiFINs shipped abroad remained in a warehouse and were never used in surveying systems. Pet. App. 24a-25a, 40a; J.A. 81-82; C.A. App. 82.

Petitioner is an American subsidiary of Schlumberger, a France-based multinational company that has been described as "the biggest company you've never heard of." See James Ball & Harry Davies, *Where There Is Oil and Gas There Is Schlumberger*, The Guardian (May 18, 2015) <tinyurl.com/schlumb>. Schlumberger is, among other things, the world's largest provider of oilfield services. Petitioner manufactures products used in marine seismic surveys. It uses those products to perform surveys in international waters using its own fleet of foreign-registered vessels. Petitioner holds patents related to a system for controlling the position of marine streamers. Pet. App. 25a.

2. In 2009, petitioner sued respondent for patent infringement in the United States District Court for the Southern District of Texas. It was undisputed at trial that the DigiFIN did not itself infringe any asserted patent. Rather, petitioner argued that the only substantial use for a DigiFIN (and a related controller) was to be combined with other surveying equipment. Petitioner further argued that such a combination, if assembled with the other components in the United States, would have infringed its patents related to a marine survey system. Each of the approximately 2,500 DigiFINs at issue in the trial was made in and supplied from the United States. Pet. App. 25a-26a, 80a, 118a.

As damages, petitioner sought reasonable royalties from the sale of each DigiFIN; it also sought lost profits as to certain DigiFINs. Petitioner did not seek lost profits on the theory that it would have sold its own devices *from the United States* that competed with DigiFINs; in fact, petitioner did not separately sell the corresponding components of its marine steering system. Pet. App. 40a, 120a-121a.

Instead, petitioner argued that *foreign purchasers* of DigiFINs competed with it for contracts entered abroad to conduct marine surveys on foreign-registered ships in international waters. Specifically, petitioner asserted that those foreign entities won contracts for ten surveys that it would have won if the foreign entities had been unable to use DigiFINs. Petitioner contended that it was entitled to an award of all of the profits for those months-long surveys—profits that dwarfed respondent's own profits from sales of DigiFINs. Pet. App. 40a-41a; J.A. 81-82; C.A. App. 3439-3440.

After trial, a jury found that petitioner's patents were valid and that respondent had infringed six of petitioner's asserted patent claims under Section 271(f)(2).[2] The jury awarded petitioner $12.5 million in reasonable royalties and $93.4 million in lost profits. Pet. App. 170a-175a.[3]

3. Respondent filed several post-trial motions, including a motion to set aside the lost-profits award or, in the alternative, for a new trial on damages. Respondent argued that the lost-profits award constituted an impermissible extraterritorial application of domestic patent law. Pet. App. 76a-77a, 116a.

[2] After the jury's verdict, the Patent Trial and Appeal Board (PTAB) invalidated four of the six claims. See *Petroleum Geo-Services Inc.* v. *WesternGeco LLC*, Nos. IPR2014-00687, IPR2014-00688 & IPR2014-00689 (Dec. 15, 2015). Petitioner has appealed the PTAB's ruling to the Federal Circuit, and that appeal remains pending. See *WesternGeco LLC* v. *ION Geophysical Corp.*, No. 16-2099 (argued Jan. 23, 2018). If the Federal Circuit affirms the PTAB's decisions, respondent intends to seek a new trial as to damages on that basis.

[3] Because petitioner could not receive both a reasonable royalty and lost-profits damages as to any given DigiFIN, the district court interpreted the jury's royalty award as limited to the DigiFINs that were not used in the ten surveys for which it awarded lost profits. Pet. App. 116a, 121a-122a.

The district court denied the motion. Pet. App. 116a-118a. It concluded that recovery for foreign activities is appropriate when the foreign activities would not have occurred but for an act of domestic infringement. *Id.* at 118a.

The district court subsequently supplemented the award of reasonable royalties based on approximately 1,700 additional DigiFINs supplied from the United States identified after trial, resulting in a total reasonable-royalty award of $21.9 million. The district court also permanently enjoined further DigiFIN sales from the United States. Pet. App. 139a, 168a, 175a; C.A. App. 94.

4. The court of appeals reversed in relevant part. Pet. App. 23a-53a.

a. The court of appeals held that the Patent Act did not allow petitioner to recover damages for its lost profits stemming from the loss of contracts to conduct foreign surveys. Pet. App. 40a. The court first recognized that the presumption against extraterritoriality applies with particular force in the patent context. *Id.* at 41a. The court explained that "[i]t is clear that under [Section] 271(a) the export of a finished product cannot create liability for extraterritorial use of that product." *Id.* at 42a-44a (citing *Power Integrations, Inc.* v. *Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013), cert. denied, 134 S. Ct. 900 (2014)). There was no valid basis for a different result, the court reasoned, when the underlying infringement occurred under Section 271 (f)(2), because the liability under that provision still "attaches in the United States." *Id.* at 44a.

"[T]he fact that [petitioner] is not entitled under United States patent law to lost profits from the foreign uses of its patented invention," the court of appeals continued, "does not mean that it is entitled to no compensation"; respondent could (and did) recover a reasonable royalty. Pet. App. 45a. The court further noted that lost profits from the patentee's sale of a patented item made in the United States to a foreign buyer may well be recoverable. *Id.* at 46a. But the court reasoned that damages could not be recovered for foreign sales where no part of the transaction occurred in the United States. *Ibid.* (citing *Dowagiac Manufacturing Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915)).[4]

b. Judge Wallach dissented. Pet. App. 54a-75a. He recognized that "patent rights granted by the United States are geographically limited." *Id.* at 54a. He further acknowledged that the "general principles of full compensation" reflected in Section 284 "do not directly address the question of whether foreign activities may be considered when calculating such compensation." *Id.* at 57a. But he viewed this Court as having already "answered this question in the affirmative" in *Manufacturing Co.* v. *Cowing*, 105 U.S. 253 (1882). Pet. App. 57a-58a. In Judge Wallach's view, Section 284 permitted patentees to recover all damages, including extraterritorial damages, that were connected to a domestic act of infringement. *Id.* at 56a-57a.

5. The court of appeals denied rehearing en banc. Pet. App. 176a-177a. Judge Wallach, joined by Judges Newman and Reyna, dissented. *Id.* at 178a-180a. Judge Wallach renewed his arguments from his earlier panel dissent and additionally argued that the court of appeals'

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[4] Respondent also argued that the evidence was insufficient for the jury to find causation of the lost-profits damages under the jury instructions given in the case. See Resp. C.A. Br. 56-58. The court of appeals did not address the argument, see Pet. App. 40a-48a, and it remains open for consideration on remand if the Court reverses—as petitioner previously recognized (but inexplicably now elides). Compare Cert. Reply Br. 11 with Br. 55.

holding was at odds with copyright law's predicate-act doctrine. *Ibid.*

6. Petitioner sought certiorari both as to the ruling on lost profits and as to an unrelated ruling on enhanced damages. This Court vacated and remanded for further consideration in light of *Halo Electronics, Inc.* v. *Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), which addressed the standard for an enhanced-damages award. See 136 S. Ct. 2486 (2016).

On remand, the court of appeals vacated the judgment with respect to enhanced damages and remanded for further consideration. Pet. App. 1a-12a.[5] The court reinstated its earlier opinion in all other respects. *Id.* at 12a. Judge Wallach reiterated his dissent as to the court of appeals' earlier lost-profits holding. *Id.* at 13a-22a.

SUMMARY OF ARGUMENT

Petitioner seeks to recover the profits it would have earned for conducting marine surveys in international waters, on the theory that it would have secured the contracts to conduct those surveys if the foreign entities that won the contracts were unable to use DigiFINs supplied by respondent. The Patent Act, however, does not allow recovery for an injury that occurred outside the territorial jurisdiction of the United States. The presumption against extraterritoriality forecloses petitioner's claimed lost-profits damages in this case, and the judgment of the court of appeals should therefore be affirmed.

A. "The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law." *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 454-455 (2007). And as this Court has

[5] The district court subsequently awarded petitioner $5 million in enhanced damages. See D. Ct. Dkt. 770 (July 26, 2017).

made clear, that presumption applies to all statutory provisions—including separately to provisions governing conduct and providing relief within a single statutory scheme. See *RJR Nabisco, Inc.* v. *European Community*, 136 S. Ct. 2090, 2106 (2016). The question presented here, therefore, is whether the Patent Act's damages provision, 35 U.S.C. 284, permits petitioner to recover lost profits from respondent, a component manufacturer, for third parties' foreign use of a system patented in the United States.

Applying this Court's two-step framework for analyzing the extraterritorial effect of a statute, the answer is plainly no. As to the first step: Section 284, which instructs a court to "award the claimant damages adequate to compensate for the infringement," gives no "clear, affirmative indication" of extraterritorial reach. *RJR Nabisco*, 136 S. Ct. at 2101. The government concedes as much, and petitioner makes no real effort to argue otherwise. As to the second step: it cannot seriously be disputed that awarding lost-profits damages here requires a foreign application of the statute, because it compensates petitioner for a foreign injury—one that occurred outside the United States only after third parties took actions abroad. Indeed, petitioner repeatedly dubs its lost profits "foreign." The only link that petitioner's foreign injury has to the United States is that respondent's act of domestic infringement is a but-for cause of that injury—a link the Court has deemed insufficient in applying the presumption against extraterritoriality.

B. Both petitioner and the government urge a contrary result, but they offer starkly divergent arguments. None of those arguments can overcome the straightforward application of this Court's extraterritoriality precedents.

Petitioner primarily contends that Section 271(f)(2) defeats the presumption against extraterritoriality in the circumstances of this case. That argument misapprehends the extraterritoriality analysis, which applies separately to each provision of a statute—including the relevant provision here, Section 284. But petitioner's argument makes little sense even on its own terms. As petitioner repeatedly concedes, Section 271(f)(2) regulates only *domestic* conduct. Petitioner contends that, absent extraterritorial damages, a plaintiff proceeding under Section 271(f)(2) would be left with no remedy at all. But that is simply incorrect, as this case illustrates. Such a plaintiff is entitled to a reasonable royalty as to each component supplied from the United States; lost profits for any lost sales from the United States; and injunctive relief.

Turning to Section 284, petitioner has conspicuously little to say. All but ignoring this Court's most recent extraterritoriality decisions, petitioner argues that the presumption against extraterritoriality does not apply to Section 284. Specifically, petitioner contends that the presumption can apply only once within a single statutory scheme, but the Court squarely rejected that proposition in *RJR Nabisco*. Petitioner also suggests that the presumption concerns itself primarily with provisions regulating conduct and not with remedial provisions, but the Court has rejected that proposition as well.

For its part, the government does not dispute that the presumption against extraterritoriality applies to Section 284, and it concedes that Section 284 fails to overcome the presumption. Nor does it argue that Section 271(f)(2) alters that conclusion. Instead, the government offers a different argument: that applying Section 284 to award lost profits for petitioner's foreign injury constitutes a domestic application of the provision. That is plainly incorrect.

Petitioner seeks compensation for the profits it would have earned outside the United States, but lost as a result of post-infringement foreign activity by third parties.

None of petitioner's or the government's remaining arguments salvages their positions. The common-law-based hypotheticals they offer involve domestic, not foreign, injury. The Court's decision in *Manufacturing Co.* v. *Cowing*, 105 U.S. 253 (1882), did not address the question presented here, and *Dowagiac Manufacturing Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915), emphasizes that damages are unavailable for purely foreign transactions, underscoring the extraterritorial nature of the damages petitioner seeks in this case. And the predicate-act doctrine developed by lower courts in the copyright context is premised on the domestic imposition of a constructive trust on an *infringer's* profits—a remedy that is unavailable under modern patent law.

C. Petitioner's proposed rule is intolerable as a matter of policy. Petitioner's rule would transform any domestic act of infringement into a springboard for worldwide patent damages, and thereby expose companies with design operations in the United States to staggering awards. As this Court has recognized, competing views of appropriate remedies are a major source of international tension. Given the outsized awards available in the United States for patent infringement, petitioner's rule has grave implications for international comity. And while petitioner suggests that causation principles offer a meaningful limit, juries are not equipped to consider the comity implications of the damages they award.

In short, this is the paradigmatic situation in which the presumption against extraterritoriality should be applied. Congress must speak clearly if it wishes to make extraterritorial damages available under the patent laws, and it has not done so to date. The court of appeals therefore correctly applied the presumption against extraterritoriality, and its judgment should be affirmed.

ARGUMENT

THE PATENT ACT DOES NOT PERMIT THE RECOVERY OF LOST-PROFITS DAMAGES FOR A THIRD PARTY'S SUBSEQUENT FOREIGN USE OF A PATENTED INVENTION

A. Petitioner Cannot Recover Foreign Lost Profits Under 35 U.S.C. 284

The Patent Act's damages provision, 35 U.S.C. 284, allows a claimant to recover "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." The question presented is whether a patentee that establishes infringement is entitled to recover lost profits for a third party's subsequent foreign use of the infringing product.

A straightforward application of this Court's extraterritoriality precedents dictates that the answer to that question is no. Like all other statutes, Section 284 is subject to the presumption against extraterritoriality. Section 284 contains no clear indication that Congress intended to give it extraterritorial reach. Nor is the recovery of foreign lost profits a permissible domestic application of that provision. The court of appeals was therefore correct to overturn the jury's lost-profits award in this case.

1. Section 284 Is Subject To The Presumption Against Extraterritoriality

a. It is a "longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." *EEOC* v. *Arabian American Oil Co.*, 499 U.S. 244, 248 (1991) (internal quotation marks and citation omitted). Accordingly, "[a]bsent clearly expressed congressional intent to the contrary, federal laws will be construed to have only domestic application." *RJR Nabisco, Inc.* v. *European Community*, 136 S. Ct. 2090, 2100 (2016).

"The presumption that United States law governs domestically but does not rule the world," moreover, "applies with particular force in patent law." *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 454-455 (2007). That is because patent law is inherently "domestic in its character, and necessarily confined within the limits of the United States." *Brown* v. *Duchesne*, 60 U.S. (19 How.) 183, 195 (1857). Applying American patent law extraterritorially would intrude upon the intellectual-property regimes of other countries, which "may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions." *Microsoft*, 550 U.S. at 455 (quoting U.S. Br. at 28, *Microsoft* (No. 05-1056)).

Under the Patent Act, the United States does not exercise patent control over foreign markets, and it "correspondingly reject[s] the claims of others to such control over our markets." *Microsoft*, 550 U.S. at 455 (citation omitted). As a result, "the use of [a patentee's invention] outside of the jurisdiction of the United States is not an infringement of his rights, and he has no claim to any compensation for the profit or advantage the party may derive from it." *Brown*, 60 U.S. (19 How.) at 195-196.

b. It is well established that the presumption against extraterritoriality applies to all statutory provisions, even those that "do[] not directly regulate conduct." *Kiobel* v. *Royal Dutch Petroleum Co.*, 569 U.S. 108, 116 (2013). The presumption applies "regardless of whether the statute in question regulates conduct, affords relief, or merely confers jurisdiction." *RJR Nabisco*, 136 S. Ct. at 2101. This Court has applied the presumption to a wide range of statutes. See, *e.g.*, *Kiobel*, 569 U.S. at 116 (statute conferring federal-court jurisdiction over causes of action alleging international-law violations); *Sale* v. *Haitian Centers Council, Inc.*, 509 U.S. 155, 170-177 (1993) (statute limiting the Executive Branch's immigration authority); *Smith* v. *United States*, 507 U.S. 197, 201, 203-204 (1993) (statute waiving sovereign immunity for certain actions against the government); *Argentine Republic* v. *Amerada Hess Shipping Corp.*, 488 U.S. 428, 439-441 (1989) (statute denying immunity to foreign states for actions seeking damages based on the tortious acts of their officials or employees).

As the Court recently made clear in *RJR Nabisco*, the presumption also applies "separately" to provisions regulating conduct and provisions affording relief, even if those provisions reside in a single statutory scheme. See 136 S. Ct. at 2106. *RJR Nabisco* involved the question whether the private right of action in the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. 1964(c), provides redress for injuries suffered outside the United States. See 136 S. Ct. at 2099. One provision of RICO renders "unlawful" certain "racketeering activity," 18 U.S.C. 1962, while another grants a private right of action to "[a]ny person injured in his business or property by reason of a violation of section 1962," 18 U.S.C. 1964(c). Because of RICO's statutory structure, the Court viewed the question whether RICO provides redress for foreign injuries as "really involv[ing] two questions": first, whether "RICO's substantive prohibitions * * * apply to conduct that occurs in foreign countries," and second, whether "RICO's private right of action * * * appl[ies] to injuries that are suffered in foreign countries." 136 S. Ct. at 2099.

The Court answered the first question "sometimes" and the second question "no." The Court concluded that some of RICO's substantive prohibitions extended to acts in foreign countries, but that RICO did not "provide[] a clear indication that Congress intended to create a private right of action for injuries suffered outside of the United States." 136 S. Ct. at 2108. As a result, RICO's private right of action "d[id] not overcome the presumption against extraterritoriality." *Id.* at 2106.

Of particular relevance here, the Court rejected the Second Circuit's position that "the presumption against extraterritoriality d[oes] not apply to [RICO's private right of action] independently of its [substantive provisions]." 136 S. Ct. at 2106. The Second Circuit had reasoned that the presumption "is primarily concerned with the question of what *conduct* falls within a statute's purview," and thus that the extraterritorial reach of RICO's private right of action "flows directly" from the extraterritorial reach of its substantive prohibitions. *Id.* at 2106, 2108 (citation omitted).

This Court disagreed, noting that it had already "rejected that view in *Kiobel*." 136 S. Ct. at 2106. There, the Court had applied the presumption against extraterritoriality to the Alien Tort Statute, a "strictly jurisdictional statute that does not directly regulate conduct or afford relief," even though "the underlying substantive law consisted of well-established norms of international law, which by definition apply beyond this country's borders." *Ibid.* (internal quotation marks and citations omitted).

Applying "[t]he same logic" in *RJR Nabisco*, the Court reasoned that it must "separately apply the presumption against extraterritoriality to RICO's cause of action despite [its] conclusion that the presumption has been overcome with respect to RICO's substantive prohibitions." 136 S. Ct. at 2106. In particular, the Court noted that provisions establishing private remedies "raise[] issues beyond the mere consideration whether underlying primary conduct should be allowed," "creat[ing] a potential for international friction beyond that presented by merely applying U.S. substantive law to that foreign conduct." *Ibid.* (citation omitted). Accordingly, the question here is whether Section 284, the remedial provision directly at issue, itself rebuts the presumption.

2. *Section 284 Does Not Rebut The Presumption Against Extraterritoriality, And The Damages Petitioner Seeks Are Foreign In Nature*

This Court analyzes the extraterritorial application of statutes using a two-step framework. At the first step, the Court "ask[s] whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially." *RJR Nabisco*, 136 S. Ct. at 2101. If the statute does not apply extraterritorially, the Court proceeds to the second step, considering "whether the case involves a domestic application of the statute." *Ibid.* If the conduct "relevant to the [statute's] focus" occurred outside the United States, the case "involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory." *Ibid.* Under that framework, awarding damages that compensate for a third party's subsequent use of an infringing product constitutes an impermissible extraterritorial application of Section 284.

a. Section 284 provides that "[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." As the government concedes, under the first step of the extraterritoriality analysis, "Section 284 does not contain any clear, affirmative indication that it applies extraterritorially." Br. 25 (internal quotation marks, citation, and alteration omitted). Similarly, petitioner does not assert that anything in the text of Section 284 provides the requisite affirmative indication.

The absence of any dispute at the first step is unsurprising, because Section 284 plainly does not rebut the presumption. It does not mention compensation for injuries that occur outside the United States, nor does it otherwise indicate that it applies abroad. Cf. *RJR Nabisco*, 136 S. Ct. at 2101 (identifying a clear indication of extraterritorial application in statutory language expressly encompassing acts that "tak[e] place outside the United States"). Nor does Section 284 address the double-recovery issues that would arise if extraterritorial damages could be collected in the United States and collected again by suing the foreign entities for the foreign activity in the country in which it occurred. See *Morrison* v. *National Australia Bank Ltd.*, 561 U.S. 247, 269 (2010).

Instead, Section 284 merely provides for damages "adequate to compensate for the infringement." That language is far too generic to supply the "clear, affirmative indication" of extraterritorial application required to overcome the presumption. *RJR Nabisco*, 136 S. Ct. at 2101. This Court has recognized that statutes that purport to reach "any" civil action or to provide a remedy for "any" person injured are "insufficient to displace the presumption against extraterritoriality," despite the "breadth" of the word "any." *Id.* at 2108; see *Kiobel*, 569 U.S. at 118. Similarly, the Court has recognized that the term "waters" does not include the high seas without some affirmative indication of that intent. See *Argentine*

Republic, 488 U.S. at 440. In other words, the presumption against extraterritoriality limits to domestic application language that could otherwise be read to have worldwide reach. *A fortiori*, a damages provision that provides for "adequate" compensation does not clearly and unmistakably indicate an intent to provide compensation for foreign injuries based on foreign activities.

Petitioner cites (Br. 23-25) the "general rule" at common law that compensatory damages should place the injured party "in the situation he would have occupied if the wrong had not been committed." *Wicker* v. *Hoppock*, 73 U.S. (6 Wall.) 94, 99 (1867). To be sure, "Congress is understood to legislate against a background of common-law adjudicatory principles." *Astoria Federal Savings & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991). But the full-compensation principle typically applies in cases with no extraterritorial component, and petitioner presents no evidence that the principle was developed with extraterritorial considerations in mind.

In any event, a background principle does not suffice to provide the "clear, affirmative indication" of congressional intent required to rebut the presumption against extraterritoriality. *RJR Nabisco*, 136 S. Ct. at 2101.[6] A contrary rule would require Congress to provide an affirmative indication of its intent to *avoid* the extraterritorial application of its statutes, flipping the presumption against extraterritoriality on its head. Congress has not "affirmatively and unmistakably instructed" that Section 284 have extraterritorial application, and that should be the end of the analysis. *Id.* at 2100.

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[6] Cf. *Blatchford* v. *Native Village of Noatak & Circle Village*, 501 U.S. 775, 787-788 (1991) (holding that a jurisdictional statute relating to actions brought by Indian tribes did not contain the necessary clear statement to abrogate sovereign immunity, despite the longstanding canon resolving statutory ambiguities in favor of tribes).

In determining whether a statutory provision affords relief for extraterritorial injuries, the "relevant background principle" is the presumption against extraterritoriality, *RJR Nabisco*, 136 S. Ct. at 2109, and the related rule that courts should interpret a statute to "avoid unreasonable interference with the sovereign authority of other nations," *F. Hoffmann-La Roche Ltd.* v. *Empagran S.A.*, 542 U.S. 155, 164 (2004). Other nations have indicated time and again that the size and scope of American damages awards can create international friction. See, *e.g.*, *RJR Nabisco*, 136 S. Ct. at 2107 n.9 (citing other nations' amicus briefs). For that reason, it makes little sense to assume that Congress intended to permit the recovery of foreign damages here.

In sum, as the government acknowledges, Section 284 lacks any clear indication that it applies extraterritorially. And as this Court has explained, "[w]hen a statute gives no clear indication of an extraterritorial application, it has none." *Morrison*, 561 U.S. at 255.

b. The second step of the extraterritoriality analysis asks "whether the case involves a domestic application of the statute." *RJR Nabisco*, 136 S. Ct. at 2101. Compensating petitioner for its lost profits here would constitute a foreign, not domestic, application of Section 284.

As noted above, Section 284 provides for "damages adequate to compensate for the infringement," and it also contains other provisions related to an award of damages. See pp. 5-6, *supra*. The statute's "focus," then, is self-evidently on the award of damages. See 35 U.S.C. 284; *RJR Nabisco*, 136 S. Ct. at 2101; *Morrison*, 561 U.S. at 266-267.

The lost-profits damages award in this case was foreign, not domestic, in nature. The injury for which petitioner seeks lost-profits damages occurred extraterritorially, and foreign conduct subsequent to respondent's infringement was necessary to give rise to the injury. Here, after respondent supplied DigiFINs from the United States, foreign entities won contracts (entered abroad) for marine surveys they would perform using DigiFINs on foreign-flagged vessels in international waters; petitioner did not win those contracts and did not earn the profits from performing the surveys. Critically, the injury compensated by the lost-profits damages did not occur when respondent supplied DigiFINs from the United States and thereby infringed petitioner's patents; instead, it occurred only after foreign entities won the contracts and petitioner thereby lost a foreign stream of profits because of the foreign entities' foreign use of DigiFINs.

The only link the injury has to the United States is that (according to petitioner) the third parties that won the contracts would have been unable to do so if they had been unable to use DigiFINs supplied from the United States; put differently, respondent's infringement, a necessary but not sufficient factor in the chain of events that ultimately led to petitioner's injury, occurred in the United States. See Pet. App. 40a-41a. But this Court has already made clear that such an attenuated link does not suffice to render the application of a statute domestic, rejecting a test proposed by the government that would have rendered an application domestic whenever "significant conduct" in the United States is a but-for cause. See *Morrison*, 561 U.S. at 257, 266, 270-273 & n.11. As the Court colorfully put it, "the presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever *some* domestic activity is involved in the case." *Id.* at 266.

The best evidence on this point? Petitioner itself repeatedly characterizes the lost profits at issue here as "*foreign* lost profits." Br. 3, 19, 37-38, 41, 47, 54 (emphasis added). And as this Court has explained, providing "recovery for foreign injuries" constitutes a foreign application of a statute—regardless of the fact that the conduct relevant to the substantive violation is domestic, because the extraterritoriality of the substantive and remedial provisions is to be analyzed separately. *RJR Nabisco*, 136 S. Ct. at 2111.

Once it is properly understood to be limited to "domestic damages," Section 284 plainly does not allow the lost-profits award at issue here. The award of such damages, meant to compensate for petitioner's foreign injury as a result of the foreign conduct of respondents' foreign purchasers, constituted an impermissible extraterritorial application of Section 284.

B. Petitioner's And The Government's Arguments To The Contrary Are Incorrect

Petitioner and the government contend that the award of lost-profits damages in this case was permissible, but they offer wildly differing reasons why. Petitioner principally argues that Section 271(f)(2), which it concedes applies only to domestic conduct, suffices to overcome the presumption against extraterritoriality in the circumstances of this case. In addition, petitioner argues that the presumption does not apply to Section 284, both because Congress need not separately express its intent for extraterritorial application as to multiple provisions within a single statutory scheme and because the presumption should not apply to remedial provisions. Those arguments are incorrect, and the government declines to advance them.

For its part, the government recognizes that the presumption against extraterritoriality applies to Section 284; that Section 284 does not overcome the presumption; and that Section 284 must therefore be limited to territorial applications. But it argues that the foreign lost-profits award in this case actually constitutes a domestic application of Section 284. That argument is also incorrect, as petitioner repeatedly acknowledges.

In support of their various arguments, petitioner and the government rely on a set of hypothetical examples and century-old cases. But they offer no valid basis for interpreting the Patent Act to permit the award of damages for foreign entities' foreign use of a patented system. Nor does the predicate-act doctrine of copyright law—which allows an award of *infringer's* profits that have their situs in the United States—support the interpretation of patent law that petitioner and the government seek. That interpretation should be rejected.

1. Petitioner's Arguments Lack Merit

a. Section 271(f)(2) Does Not Overcome The Presumption Against Extraterritoriality

Petitioner primarily argues (Br. 34-39) that Section 271(f)(2) satisfies the presumption against extraterritoriality in the "situation" presented here. That argument badly distorts the extraterritoriality analysis, and it makes little sense given petitioner's concession that Section 271(f)(2) applies only to domestic conduct.

i. To begin with, petitioner's amorphous argument addresses the wrong provision. The question presented here—whether the lost-profits award was appropriate—is governed by Section 284, not Section 271(f)(2), as the government acknowledges. See U.S. Br. 25-33. Petitioner never meaningfully engages with Section 284, which plainly does not apply extraterritorially. See pp. 19-22, *supra*. As we have demonstrated, however, this Court has made clear that the extraterritoriality analysis must proceed on a provision-by-provision basis. See pp. 16-19, *supra*.

Petitioner makes no effort to explain how *Section 271(f)(2)* can overcome the presumption against extraterritoriality that applies to *Section 284*. Petitioner argues that, in enacting Section 271(f)(2), Congress must have anticipated that the combined invention would be used abroad, even though it "did not make [that] foreign conduct directly unlawful." Br. 30; see Br. 37-39. Petitioner appears to believe that the "predictab[ility]" of foreign damages in Section 271(f)(2) cases is sufficient to impart the requisite extraterritorial reach to Section 284. See Br. 18.

But that effort to render Section 284 extraterritorial by osmosis—and thus to do "[in]directly" what Congress chose not to do "directly," Pet. Br. 30—gets it exactly backwards. Congress must speak clearly and specifically to give a statute extraterritorial reach, and that extraterritorial reach is limited to the relevant terms rather than spilling over to other statutory provisions (or other aspects of the same provision). Even if Section 271(f)(2) and Section 284 were part of the same statutory provision (and they are not),[7] and even if Section 271(f)(2) had some extraterritorial reach (and it concededly does not), the presumption against extraterritoriality would "operate[] to limit" the extraterritorial reach of Section 271(f)(2) "to its terms," rather than expanding it to the damages awarded under Section 284. *Morrison*, 561 U.S. at 265; see *RJR Nabisco*, 136 S. Ct. at 2102.

ii. Petitioner's argument fails even on its own terms. Petitioner maintains that Congress was not "legislating with wholly domestic considerations in mind" when it enacted Section 271(f)(2). Br. 34. Even if that were true,

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[7] In fact, Congress enacted Section 284 more than two decades before enacting Section 271(f)(2), and it has not materially modified it since. See Patent Act of 1952, § 284, Pub. L. No. 82-593, 66 Stat. 813.

however, it would not suffice to give Section 271(f)(2) extraterritorial application. As this Court has explained, "[t]he question is not whether [the Court] think[s] Congress would have wanted" a particular foreign application, "but whether Congress has affirmatively and unmistakably instructed that the statute will do so." *RJR Nabisco*, 136 S. Ct. at 2100 (internal quotation marks and citation omitted). Congress did not provide such an instruction in Section 271(f)(2).[8]

Indeed, petitioner concedes that Section 271(f)(2) applies only to domestic conduct. See, *e.g.*, Br. 2, 8, 21, 26-28, 30.[9] That concession is prudent, because Section 271(f)(2) governs only a domestic act (supplying components from the United States) done with a certain intent. As a result, a violation of Section 271(f)(2) is complete before the combination of components occurs—and even if the combination does not take place. In fact, more than two hundred DigiFINs shipped abroad remained in a warehouse and were never used in surveying systems, yet petitioner received reasonable-royalty damages for respondent's supply of those DigiFINs from the United States. See Pet. App. 168a; C.A. App. 82.

Notably, in responding to the *Deepsouth* "gap," Congress did not make the foreign combination itself an act of patent infringement. Instead, it carefully circumscribed

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[8] Indeed, even an express reference to "*foreign* commerce"—far more than the mere contemplation of foreign considerations—does not suffice to overcome the presumption. *RJR Nabisco*, 136 S. Ct. at 2110 (quoting *Morrison*, 561 U.S. at 262-263); see *Kiobel*, 569 U.S. at 118.

[9] Oddly, petitioner took the contrary position at the certiorari stage. See, *e.g.*, Pet. 18-19 (arguing that "Congress was absolutely clear [in Section 271(f)] about its intent to reach extraterritorial acts of combination and uses").

Section 271(f)(2) to domestic conduct, proceeding (in petitioner's own words) in a manner "more respectful of foreign sovereigns." Br. 37. Congress's enactment of Section 271(f)(2) cannot possibly give extraterritorial effect to Section 284, which provides for "damages adequate to compensate *for the infringement*": *i.e.*, for the domestic act of infringement made actionable under the relevant subsection of Section 271.

iii. Although petitioner attempts to frame its argument in terms of the presumption against extraterritoriality, its core submission is that failing to provide for foreign lost-profits damages would somehow "frustrate Congress' intent" in enacting Section 271(f)(2). Br. 54; see Br. 39.

That is incorrect. Under a proper interpretation of Section 284, damages, including reasonable royalties and lost profits for *domestic* lost sales, remain available for an act of infringement under Section 271(f)(2). Notably, reasonable royalties are the default form of damages under Section 284, and they are the most common remedy. See 35 U.S.C. 284 (specifying that the "adequate" compensation should not be less than a "reasonable royalty" for the infringing use); PricewaterhouseCoopers, *2017 Patent Litigation Study: Change on the Horizon?*, at 11 (May 2017) <tinyurl.com/pwcpatentstudy2017> (noting that over 60% of patentees obtained awards of reasonable royalties without lost profits).

In this case, petitioner did not seek lost-profits damages for domestic sales of its own steering devices; in fact, there were no such sales. But it received nearly $22 million for the loss of the reasonable royalties petitioner would have obtained on respondent's sales of DigiFINs, which the jury found had been supplied from the United States in violation of Section 271(f)(2). See Pet. App. 168a, 175a.

That award, unlike the lost-profits award based on foreign surveys, constituted a permissible domestic application of Section 284: a royalty for a physical article compensates a patentee for the injury of forgoing a licensing fee it was entitled to receive on that article. Petitioner suffered that injury at the moment respondent supplied DigiFINs from the United States. That injury is domestic, and the corresponding award of a reasonable royalty compensating for that injury is likewise domestic. Cf. *Carnegie Mellon University* v. *Marvell Technology Group, Ltd.*, 807 F.3d 1283, 1306-1307 (Fed. Cir. 2015) (explaining that royalties in an action under Section 271(a) are domestic when they are awarded for articles manufactured, sold, or used in the United States).[10]

In addition, a patentee that proves infringement under Section 271(f)(2) can obtain injunctive relief, the primary remedy at issue in *Deepsouth*. In this case, petitioner obtained injunctive relief in addition to damages. See Pet. App. 139a. Petitioner is thus entirely incorrect when it contends that giving Section 284 extraterritorial application is necessary to ensure "a remedy" for violations of Section 271(f)(2). Br. 19.

There is no indication in the text or history of Section 271(f)(2) that Congress wanted, much less clearly and unmistakably provided for, a broader remedy. To the contrary, Congress chose not to address remedies anywhere in Section 271(f), nor did it amend Section 284 when it added Section 271(f) in 1984. Given Congress's silence and the "expanded extraterritorial thrust" of petitioner's

[10] In calculating a reasonable royalty, moreover, a factfinder may consider the expected foreign use of an object in determining the reasonable royalty *rate* that would have emerged from the hypothetical negotiation, even though the factfinder cannot properly use a physical article manufactured, sold, and used abroad in the royalty *base*. See *Carnegie Mellon*, 807 F.3d at 1304-1305, 1307-1308.

position, the Court should "leave in Congress' court the patent-protective determination" that petitioner seeks. *Microsoft*, 550 U.S. at 458.

iv. If anything, Congress sought to *retain* the traditionally territorial scope of the patent laws when it enacted Section 271(f). In that subsection, Congress intended "simply [to] amend[] the patent law" so that the supply of components from the United States to circumvent a patent for an invention "will be treated *the same* as when the invention is 'made' or 'sold' in the United States." S. Rep. No. 663, 98th Cong., 2d Sess. 3 (1984) (emphasis added); see U.S. Br. 14 n.1. And precisely because the Patent Act is territorial, "the use of [a patentee's invention] outside of the jurisdiction of the United States is not an infringement of his rights, and he has no claim to any compensation for the profit or advantage the party may derive from it." *Brown*, 60 U.S. (19 How.) at 195-196. Accordingly, to obtain compensation for a foreign use, a party is required to enforce its patent rights in the jurisdiction of use—not in the United States.

It bears emphasizing that the injury for which petitioner seeks compensation here is foreign by happenstance, rather than as an inevitable result of the act of domestic infringement. Petitioner carried out its relevant business—the provision of marine surveys—outside the United States, rather than competing with respondent as a manufacturer of components sold from the United States. It is that critical feature of petitioner's business model, rather than the fact that DigiFINs were shipped abroad in violation of Section 271(f)(2), that bars petitioner's recovery for lost-profits damages.

If petitioner believes that the foreign uses of respondent's DigiFINs infringe its patents, it can pursue remedies in the jurisdictions in which the uses occurred pursuant to patents issued in those jurisdictions. See *Microsoft*, 550 U.S. at 456.[11] Notably, petitioner did not dispute below that it could recover in various other jurisdictions for the use of the DigiFINs in the foreign surveys. See Pet. App. 47a-48a. Petitioner apparently has not done so, and there is no valid justification for permitting petitioner to use a domestic act of infringement as a basis for recovering damages for its foreign injury.

b. Section 284 Is Subject To The Presumption Against Extraterritoriality

Petitioner also contends (Br. 39-52) that the presumption against extraterritoriality is inapplicable to Section 284. That argument (which the government conspicuously does not endorse) is irreconcilable with this Court's decision in *RJR Nabisco*.

i. Petitioner first proposes a "single pass" rule for extraterritoriality, under which Congress, "[h]aving made its intent to reach certain foreign conduct clear elsewhere in the statute," "need not specify in the corresponding damages provision that harm caused by that extraterritorial conduct is recoverable." Br. 40.

As a preliminary matter, even if that were the correct rule, it would not apply here. As petitioner repeatedly concedes, Congress reached only domestic, not foreign, conduct in Section 271(f)(2). See pp. 27-28, *supra*. Even if petitioner's rule were correct, therefore, it would not give Section 284 extraterritorial application.

In any event, petitioner's "single pass" rule is flatly inconsistent with *RJR Nabisco*. As noted above, in that case, the Court concluded that some of RICO's substantive prohibitions do reach extraterritorial conduct. See p.

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[11] Petitioner holds a broad portfolio of foreign patents and has agreements with related entities to facilitate enforcement of its rights worldwide. See, *e.g.*, D. Ct. Dkt. 606, at 15 (Nov. 16, 2012).

18, *supra*. But it proceeded "separately [to] apply the presumption against extraterritoriality to RICO's cause of action," and it concluded that, "[i]rrespective of any extraterritorial application of [RICO's substantive provisions]," RICO's private right of action "does not allow recovery for foreign injuries." 136 S. Ct. at 2106, 2111.[12]

Petitioner makes a halfhearted effort to distinguish *RJR Nabisco*, contending that it addressed the question of "which plaintiffs can sue" to obtain a remedy, rather than the question here of what the remedy should be. Br. 32-33. But in *RJR Nabisco*, the Court rejected any effort to draw that very distinction between different types of provisions, making clear that the presumption "separately" applies "regardless of whether the statute in question regulates conduct, affords relief, or merely confers jurisdiction." 136 S. Ct. at 2101, 2106.

Petitioner objects that the rule of *RJR Nabisco* would lead to anomalous results in other statutes that "directly and expressly prohibit certain extraterritorial conduct" but are complemented by a "general damages provision." Br. 40 & n.10. Those examples are readily distinguishable here, because Section 271(f)(2) concededly regulates only domestic conduct.

Nor do those examples provide any basis for revisiting the rule of *RJR Nabisco* as to generally applicable damages provisions. For example, petitioner cites 29 U.S.C. 626(c) as a "damages" provision in the Age Discrimination

[12] The outcome here would be the same even under the approach of the dissenting Justices in *RJR Nabisco*. Writing for those Justices, Justice Ginsburg would have reached a different result as to RICO's private right of action on the ground that it "expressly incorporate[d]" the conduct-governing provision that was extraterritorial as to certain applications. 136 S. Ct. at 2113. Here, by contrast, the provision defining the act of infringement is undisputedly domestic, and Section 284 does not incorporate that provision.

in Employment Act (ADEA). But that provision, which permits any "person aggrieved" by an ADEA violation to sue "for such legal or equitable relief as will effectuate the purposes of this chapter," 29 U.S.C. 626(c)(1), creates a right of action and is thus plainly subject to the presumption against extraterritoriality under *RJR Nabisco*. See 136 S. Ct. at 2101. As a result, whether the ADEA allows recovery in the event of an extraterritorial application will depend on whether that provision supplies the requisite clear and unmistakable indication of extraterritorial effect. So too here, the relevant question is whether Section 284 overcomes the presumption—a question petitioner studiously avoids.

ii. Even more ambitiously, petitioner contends (Br. 28-34) that the presumption against extraterritoriality does not apply at all—whether to Section 271 or Section 284—because the presumption primarily concerns itself with foreign conduct and respondent's patent-infringing conduct was domestic (even if the lost profits were foreign). But that contention, too, cannot be reconciled with the Court's pronouncement that the presumption applies to all provisions, including those that "afford[] relief." *RJR Nabisco*, 136 S. Ct. at 2101. In fact, the Court has twice rejected the contention that the presumption "is primarily concerned with the question of what *conduct* falls within a statute's purview," despite the fact that Congress clearly intended to reach the conduct at issue in each case. *Id.* at 2106 (citation omitted); see *Kiobel*, 569 U.S. at 116.

At bottom, petitioner makes strikingly little effort to fit its arguments into the framework established by this Court's extraterritoriality precedents. Petitioner's arguments are foreclosed and should be rejected.

2. The Government's Argument Lacks Merit Because The Lost-Profits Award Constitutes An Extraterritorial Application Of Section 284

For its part, the government appears to agree with respondent, and to disagree with petitioner, that the presumption against extraterritoriality applies to Section 284. The government also seemingly does not believe that the presumption can be overcome on the ground that Section 271(f)(2) somehow "implicates" foreign conduct. See, *e.g.*, U.S. Br. 25. The government's position is unsurprising given its position in the other case this Term involving the presumption against extraterritoriality, *United States* v. *Microsoft Corp.*, cert. granted, No. 17-2 (argued Feb. 27, 2018). There, the government took the position that "the extraterritoriality analysis 'must be applied separately' " to each of an enactment's "various * * * provisions." U.S. Br. at 18, *Microsoft*, *supra* (quoting *RJR Nabisco*, 136 S. Ct. at 2108).

The government instead advances an entirely distinct argument that cannot be reconciled with petitioner's: namely, that the lost-profits award at issue here constitutes a permissible domestic application of Section 284. See U.S. Br. 25. That argument reflects at least some effort to come to grips with the framework established by this Court's extraterritoriality precedents, but it is ultimately unavailing.

a. The government recognizes, as it must, that the damages petitioner seeks are based on "foreign conduct." U.S. Br. 25. But it suggests that the damages must be available because a contrary rule would bar courts from considering foreign conduct even as an evidentiary matter: for example, from considering foreign publications as disqualifying prior art. See *id.* at 9, 22, 26-27. That does not follow. It is uncontroversial that evidence of foreign events can still be considered as part of the domestic application of a statute. For example, at trial in this case, petitioner demonstrated the foreign uses to which purchasers put DigiFINs as a way of establishing respondent's intent. See, *e.g.*, C.A. App. 4025, 6196. As discussed above, a factfinder may similarly consider the expected foreign use of an object in determining the reasonable royalty rate to which the parties would have agreed in a hypothetical negotiation. See p. 29 n.10, *supra*.

Here, by contrast, foreign activity did not merely shed light on the existence of liability or a domestic injury; the damages were compensation *for* the foreign activity. Petitioner's lost-profits injury did not arise simply from the supply of DigiFINs from the United States; after all, under Section 271(f)(2), respondent would be liable for infringing petitioner's patents even if the foreign combinations, never mind the subsequent foreign uses, did not take place. See pp. 5-6, *supra*.

Instead, petitioner's injury was the loss of a foreign stream of income that necessarily depended on the subsequent foreign conduct of foreign parties. In that way, the foreign injury was the "direct measure of damages," with compensation, dollar for dollar, for the foreign conduct. *Carnegie Mellon*, 807 F.3d at 1307 (citation omitted). Under *RJR Nabisco*, however, recovery for "damages claims" that "rest entirely on injury suffered abroad" is not permitted under a statute that does not extend extraterritorially. 136 S. Ct. at 2111.

b. The government attempts to distinguish *RJR Nabisco* on the ground that the Patent Act's substantive provisions "regulate conduct only inside the United States," whereas RICO's substantive provisions have some extraterritorial application. U.S. Br. 29. But that purported distinction only bolsters respondent's position: the fact that Congress intended the Patent Act to have purely domestic effect is all the more reason to be skeptical of damages awards based on foreign injury.

In any event, the government's distinction fails on the facts. In *RJR Nabisco*, the conduct alleged to violate RICO included "predicate offenses that were * * * committed in the United States" *and* those "committed in a foreign country in violation of a predicate statute that applies extraterritorially." 136 S. Ct. at 2105. The government acknowledges that fact in a footnote, conceding that *RJR Nabisco* "appears to bar any private suit alleging that a RICO predicate offense committed within the United States has caused injury abroad." U.S. Br. 29 n.4.

Moreover, nothing in the Court's analysis in *RJR Nabisco* turned on the possibility that the private right of action could be applied to cases involving foreign violations. To the contrary, the Court drew a clear distinction between the conduct relevant to RICO's substantive provisions and the conduct relevant to its remedial provision, and it concluded that RICO's private right of action did not extend to foreign injuries for foreign and domestic violations alike. See 136 S. Ct. at 2106-2107.[13]

c. The government also attempts to establish that the application of Section 284 here is domestic by proposing a sort of blue-pencil rule for assessing extraterritorial application. See U.S. Br. 30-32. Under the government's proposed rule, when a court applies the presumption to a statute, it effects only a "modest emendation" of the statute by inserting the four words "in the United States." *Id.*

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[13] The government fares no better in its effort to distinguish *RJR Nabisco* on the ground that RICO's underlying offenses were enacted to protect public, rather than private, rights. See U.S. Br. 32-33. The relevant provision in *RJR Nabisco* was a private right of action, which allowed an individual plaintiff to remedy a private injury in a civil suit. See 136 S. Ct. at 2106. Section 284 similarly provides a private remedy for an individual plaintiff.

at 32. If those words cannot meaningfully be inserted into the statute to limit a particular application, the application in question must be considered domestic. See *ibid.*

That bizarre approach would subject Congress to a procrustean grammatical requirement and greatly limit the effect of the presumption against extraterritoriality. Under the government's proposed rule, an application of a statute would be domestic whenever the statute is worded in such a way that it is not amenable to the government's emendation, even if the application is (as here) self-evidently extraterritorial on its facts. That approach has no footing in this Court's cases applying the presumption against extraterritoriality. And to state the obvious, Congress did not draft Section 284 (or other statutes, for that matter) with the government's arbitrary rule in mind.

In light of the presumption against extraterritoriality, Section 284, which directs a court to "award the claimant damages adequate to compensate for the infringement," should simply be read to "award the claimant *domestic* damages adequate to compensate for the infringement"—just as the RICO remedial provision at issue in *RJR Nabisco*, which provided a right of action for "[a]ny person injured in his business or property by reason of a violation" of those prohibitions, was read to confer a right of action only on a person who suffered a *domestic* injury to his business or property. See 136 S. Ct. at 2111. The Court should reject the government's effort artificially to limit the scope of the presumption—an effort that, yet again, cannot be reconciled with the Court's extraterritoriality precedents.

3. Petitioner's And The Government's Remaining Arguments Are Unavailing

Petitioner's remaining hodgepodge of arguments (many of which the government echoes) do not support its interpretation of the Patent Act, under which lost-profits damages would be available for a third party's subsequent foreign use of an infringing product.

a. Both petitioner and the government cite a parade of horribles that will purportedly follow if the Court does not permit the recovery of extraterritorial damages in this case. See Pet. Br. 41; U.S. Br. 13. They are mistaken.

The government first suggests that recovery of extraterritorial damages is necessary for a "foreign tourist negligently injured in a car crash in the United States [to] receive full compensation from the tortfeasor, including for lost wages the tourist would have earned in his home country." U.S. Br. 13. It is open to question, however, whether the presumption applies to common-law causes of action. See Jeffrey A. Meyer, *Extraterritorial Common Law: Does the Common Law Apply Abroad?*, 102 Geo. L.J. 301, 334 (2014).

In petitioner's variation on that hypothetical, a federal worker injures a foreign tourist, allowing the tourist to assert a claim under the Federal Tort Claims Act (FTCA). See Br. 41. But the FTCA does not create a new body of substantive law or even provide a right of action, so the tourist's claims would still be governed by the common law of the relevant State as to liability and damages. See *FDIC* v. *Meyer*, 510 U.S. 471, 478 (1994); *Feres* v. *United States*, 340 U.S. 135, 141 (1950). Accordingly, it is far from clear that the presumption against extraterritoriality would apply in that case either.

In either hypothetical, moreover, the relevant harm to the injured tourist—the loss of the capacity to work—is complete as soon as the physical injury occurs in the United States; the domestic conduct brings about the relevant injury by itself. Of course, evidence about the tourist's expected earnings abroad may shed light on the amount of wages the tourist lost. But that is a far cry from the award here, which compensates petitioner for an injury that did not occur at the time of the domestic conduct, but rather occurred abroad only after the subsequent conduct of third parties outside the United States (which was a necessary predicate to the injury).

Petitioner also suggests (Br. 41) that respondent's approach would prevent a foreign company from recovering for its lost sales if an American wholesaler breaches a contract to ship components to the foreign company from the United States. But again, it is unclear whether the presumption against extraterritoriality applies to a contract question governed by the common law. And again, in that hypothetical, it is the domestic conduct that brings about the harm; the lost sales are inevitable (absent any ability to mitigate damages) because, once the domestic company fails to ship the required components, the foreign company cannot create the product it seeks to sell. No additional conduct outside the United States is necessary for injury to the foreign company to result.

b. Petitioner also asserts that two century-old patent cases—*Manufacturing Co.* v. *Cowing*, 105 U.S. 253 (1882), and *Dowagiac Manufacturing Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915)—all but decide the question presented, establishing that "damages provisions do not implicate the presumption against extraterritoriality at all." Br. 41; cf. U.S. Br. 16 (noting that those cases do not "squarely resolve[]" the question presented here). Petitioner is incorrect.

In *Cowing*, the defendants manufactured oil-well pumps that employed an improved design covered by the plaintiff's patent. The only question before the Court was whether the plaintiff was limited to the recovery of nominal damages because it had failed to prove which portion of the pumps' value stemmed from the patented improvement. The Court held that the damages were not so limited. See 105 U.S. at 255-256. According to the Court, the pumps were adapted for a particular use. See *ibid.* That use was limited because there was "no market for pumps adapted to [it], except in the oil-producing regions of Pennsylvania and Canada." *Ibid.* Within that niche, however, the pumps were "useless" without the improvement. See *id.* at 256. The Court thus awarded the defendants' entire profits as damages, without apportioning the value added by the improvement from the value of an unimproved pump. See *id.* at 257-258.

Petitioner reads the Court's opinion to be premised on a determination that damages were warranted based on "sales in Canada." Br. 42. But the Court made no mention of extraterritorial damages, let alone explained why such damages would be permissible. That is hardly surprising, for the parties did not brief the issue. Although it appears that the defendants sold a handful of pumps to Canadian customers, "[t]he number of pumps for which the defendants [we]re liable to account was fixed by agreement at 298." Appellant Br. at 4, *Cowing*, *supra* (1881 Term, No. 151). The Court thus had no occasion to consider, much less decide, whether sales to Canadian purchasers should be excluded. Cf. *RJR Nabisco*, 136 S. Ct. at 2109 n.10 (rejecting reliance on *Sedima, S.P.R.L.* v. *Imrex Co.*, 473 U.S. 479 (1985), on similar grounds).

It is also far from clear that the damages for the pumps sold to Canadian customers could properly be characterized as foreign. Unlike here, the plaintiff in *Cowing* did not claim as damages the profits on *services* it could have earned in Canada if the Canadian customers had not used the pumps to compete with the plaintiff in Canada. Instead, the plaintiff sought damages based on the sales of the infringing American manufacturers, through an agent, to customers in Canada. There is no reason to think that those sales, straddling both countries, had their situs outside the United States. See *W.S. Tyler Co.* v. *Ludlow-Saylor Wire Co.*, 236 U.S. 723, 725 (1915).

Petitioner's reliance on *Dowagiac* is equally unavailing. In that case, the Court again considered whether a plaintiff's recovery should be limited to nominal damages. See 235 U.S. at 643. The plaintiff held patents to certain features of grain drills, and the defendants bought infringing drills from manufacturers and sold them to customers. The plaintiff argued it lost money because the defendants' customers would have bought drills from the plaintiff absent the infringement. See *id.* at 643, 648.

The Court held in *Dowagiac* that damages could not be awarded for drills sold by the defendants in Canada because "no part of the transaction occurr[ed] within the United States." 235 U.S. at 650. In reaching that holding—which, if anything, confirms that damages for purely foreign transactions are not available—the Court distinguished *Cowing.* The Court stated that, in *Cowing*, the defendant sellers made the infringing articles in the United States, so recovery was not for "acts wholly done in a foreign country." *Ibid.* The Court thus drew a distinction based on the situs of the transaction at issue: where the transaction was foreign, damages based on that transaction could not be recovered. So too here, damages for the foreign transactions at issue are improper.[14]

c. Petitioner further contends that "lower-court decisions before and after [*Cowing*] have awarded damages for foreign harm caused by unlawful domestic [patent infringement]." Br. 43; see U.S. Br. 18-20. But it appears that none of those cases involved damages for the kind of

[14] In any event, the fact that *Dowagiac* chose to distinguish *Cowing* on one readily available ground hardly amounts to an "acknowledg[ment]" that the damages would otherwise be available. See Pet. Br. 42.

downstream foreign activity at issue here. In several of the cases, the court upheld an award of royalties where the defendant manufactured or sold an infringing product in the United States. See *Ketchum Harvester Co.* v. *Johnson Harvester Co.*, 8 F. 586, 586 (C.C.N.D.N.Y. 1881) (Blatchford, C.J.); *Railroad Dynamics, Inc.* v. *A. Stucki Co.*, 727 F.2d 1506, 1519-1520 (Fed. Cir.), cert. denied, 469 U.S. 871 (1984); *Datascope Corp.* v. *SMEC, Inc.*, 879 F.2d 820, 827 (Fed. Cir. 1989). Those damages are domestic. See p. 29, *supra*.

In the remaining cases, the plaintiffs appear to have recovered profits for sales made from the United States to foreign customers. See, *e.g.*, *K.W. Ignition Co.* v. *Temco Electric Motor Co.*, 283 F. 873, 873, 874-875 (6th Cir. 1922), cert. denied, 260 U.S. 746 (1923); *Schneider (Europe) AG* v. *SciMed Life Systems, Inc.*, 60 F.3d 839, 1995 WL 375949, at *3 (Fed. Cir.) (unpublished table decision), cert. denied, 516 U.S. 990 (1995). Even those transactions, which have one leg in the United States, may well be properly understood to be domestic. See *W.S. Tyler*, 236 U.S. at 725; *Carnegie Mellon*, 807 F.3d at 1308. Regardless, the damages from those transactions are entirely distinct from the damages petitioner seeks here—profits it would have earned for foreign activities were it not for the conduct of third-party foreign entities that took place entirely abroad, rather than profits from the sales of competing components made from the United States.[15]

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[15] Petitioner contends that, outside the intellectual-property context, "courts routinely award damages quantified by reference to foreign evidence or activities, without any suggestion that the presumption against extraterritoriality has any bearing on the damages available." Br. 45-46 n.11. But none of the cases it cites involved lost profits that arose from the conduct of downstream foreign actors outside

The government cites additional cases showing that "[c]ourts have also enjoined the sale abroad of infringing articles manufactured in the United States." Br. 19. That is unremarkable. If a party has infringed a patent inside the United States and is subject to the jurisdiction of an American court, the court plainly has the power to enjoin that party from taking further action with respect to the infringing items. See *Parks* v. *Booth*, 102 U.S. 96, 97 (1880). An injunction does not provide a remedy for an injury from a downstream activity; it simply stops the defendant from committing or exploiting violations of the Patent Act in the United States.

In this case, the district court entered an injunction against respondent, and its power to do so is undisputed. By contrast, the government cites no cases in which a court enjoined an infringer's foreign customer from using a product already in its possession. A court would surely lack the authority to enjoin such foreign conduct. Yet the damages petitioner claims here are intended to compensate for that very conduct.

d. Finally, petitioner (joined by the government) seeks support for its expansive theory of extraterritorial damages in the so-called "predicate act" doctrine, adopted by some lower courts in the context of copyright law. See Pet. Br. 49-52; U.S. Br. 20-21. As an initial matter, this Court has never recognized the predicate-act doctrine. More fundamentally, that doctrine—which involves a disgorgement remedy that is unavailable under patent law—is entirely consistent with the principle of territoriality.

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the United States. See, *e.g.*, *Multiflex, Inc.* v. *Samuel Moore & Co.*, 709 F.2d 980, 997 (5th Cir. 1983), cert. denied, 465 U.S. 1100 (1984); *Piaggio & C.* v. *Cushman Motor Works, Inc.*, 416 F.2d 683, 686 (7th Cir. 1969); *Edwards Manufacturing Co.* v. *Bradford Co.*, 294 F. 176, 177-178, 182-184 (2d Cir. 1923).

The predicate-act doctrine originated with the Second Circuit's decision in *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (1939), aff'd, 309 U.S. 390 (1940). In that case, the defendants copied a movie in violation of the owner's copyright and shipped the copies to foreign countries. See *id.* at 52. The court of appeals permitted the plaintiffs to recover the defendants' profits made from showing the movie abroad. See *ibid.* The court recognized that, under normal principles, "it would indeed seem" that "profits made from exhibiting the infringing picture outside the United States * * * should be excluded." *Ibid.* But the court explained that the remedy at issue, disgorgement of the infringer's profits, actually had its "situs * * * in the United States." *Ibid.*

An infringer's profits are an equitable remedy that divests the defendant of the gains from its wrongdoing. See, *e.g.*, *Birdsall* v. *Coolidge*, 93 U.S. 64, 68-69 (1876). In *Sheldon*, the court explained that the defendant's infringement in the United States created a constructive trust in the infringing copy "as soon as [it was] made." 106 F.2d at 52. And the *Sheldon* court cited this Court's decisions in *Cowing* and *Dowagiac*, which together illustrate that very distinction: recovery turns on whether a transaction is properly characterized as domestic or foreign. *Ibid.*; see pp. 39-41, *supra*.

Accordingly, *Sheldon* does not support the proposition that compensatory damages are available for foreign injures. Instead, it stands only for the proposition that an *infringer's* profits have the requisite situs in the United States when they stem from infringement in the United States. That principle does not help petitioner, because petitioner seeks damages to compensate for its own lost profits, rather than the equitable disgorgement of respondent's (far smaller) profits. Unlike the Copyright

Act, the Patent Act no longer permits recovery of an infringer's profits. See 35 U.S.C. 284; *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 654 (1983).[16]

As the Ninth Circuit explained in a recent opinion, the "*Sheldon* exception" relies on a "territorial connection" to an infringer's profits, and so comports with "Congress's decision to keep the copyright laws—presumably including [17 U.S.C. 504], which prescribes remedies—territorially confined." *Los Angeles News Service* v. *Reuters Television International Ltd.*, 340 F.3d 926, 931-932 (2003), cert. denied, 541 U.S. 1041 (2004). Not one of the predicate-act cases petitioner cites explains why it should apply to a foreign damages award; that is unsurprising, because the award at issue in each case was calculated by reference to the infringer's profits. See, *e.g.*, *Tire Engineering & Distribution, LLC* v. *Shandong Linglong Rubber Co.*, 682 F.3d 292, 300 (4th Cir. 2012), cert. denied, 568 U.S. 1087 (2013); *Update Art, Inc.* v. *Modiin Publishing, Ltd.*, 843 F.2d 67, 70 & n.4 (2d Cir. 1988).

By contrast, as the Ninth Circuit explained in *Los Angeles News Service*, the predicate-act doctrine does not justify the recovery of compensatory damages where the losses are foreign in nature. See 340 F.3d at 932. In that case, the court rejected the plaintiff's contrary argument based on purported "traditional tort principles," explaining that such principles did not support recovery "beyond

[16] For the same reason, the government's reliance on dicta from *Brown*, *supra*, is misplaced. See U.S. Br. 16-17. *Brown* was decided when an infringer's profits were available in patent cases, and the Court stated that the patentee could recover for the use of a patented sail assembled in an American port but used in international waters because the infringer "would undoubtedly have trespassed upon the rights of the plaintiff, and would have been justly answerable for *the profit and advantage he thereby obtained*." 60 U.S. (19 How.) at 196 (emphasis added). That reasoning is inapposite to the damages award at issue here.

the boundaries where Congress declared that liability stops." *Id.* at 931. The court warned that it made no sense to hold "an infringer whose domestic act of infringement * * * leads to widespread extraterritorial infringement, liable for the copyright owner's entire loss of value or profit from that overseas infringement, particularly if the overseas infringement is legal where it takes place." *Ibid.* And the court explained that policy arguments for permitting such recovery were merely "complaint[s] about the failure of Congress to make the copyright laws—those creating both rights and remedies—applicable extraterritorially." *Ibid.* That conclusion applies *a fortiori* in the patent context, where the territoriality principle is at its peak. See p. 16, *supra*.

C. Petitioner's Interpretation Of The Patent Act Would Give Rise To Significant Comity Concerns

Petitioner's interpretation of the Patent Act would yield intolerable results. It would permit recovery of worldwide patent damages with little connection to the United States, flouting the comity considerations that underlie the presumption against extraterritoriality. As this Court has explained, the presumption applies "regardless of whether there is a risk of conflict between the American statute and a foreign law." *Morrison*, 561 U.S. at 255. But where, as here, "such a risk is evident, the need to enforce the presumption is at its apex." *RJR Nabisco*, 136 S. Ct. at 2107.

1. At the certiorari stage, petitioner framed the question presented in terms of Section 271(f) and limited its arguments to that subsection. See Pet. 19. Freed of any inhibition, however, petitioner now joins the government in arguing that a patentee can recover wholly extraterritorial damages for *any* form of patent infringement defined in Section 271. See, *e.g.*, Pet. Br. 38, 41; U.S. Br. 14,

21-22. Petitioner seemingly takes the position that patent damages are available for harm suffered anywhere in the world, even if (as here) the relevant injury occurred abroad and had as a necessary predicate the foreign conduct of a third party, as long as the patentee can convince a jury that the harm was the "foreseeable" result of patent infringement in the United States. See Br. 41.

That rule would unquestionably create international tension. "[E]ven where nations agree about [how to regulate] primary conduct," they "disagree dramatically about appropriate remedies." *F. Hoffmann-La Roche*, 542 U.S. at 167. Damages awards in American courts often dwarf awards in foreign courts for similar injuries. See Gary B. Born & Peter B. Rutledge, *International Civil Litigation in United States Courts* 4 (3d ed. 1996). That is especially true in patent litigation, not least because "[n]o other country allows lay juries to decide patent cases." *Improving Federal Court Adjudication of Patent Cases: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 9 (2005) (statement of Kimberly A. Moore). Accordingly, patentees have a strong incentive to seek remedies in the United States. Comity concerns arise, however, when parties acting in foreign countries bypass those countries' "less generous remedial schemes, thereby upsetting a balance of competing considerations that their own domestic * * * laws embody." *RJR Nabisco*, 136 S. Ct. at 2106-2107 (citation omitted).

Petitioner's interpretation would permit the recovery of foreign profits based not on the act of supplying an infringing item from the United States itself, but rather on a third party's use of the combined product abroad, whenever that use could be traced back to some act of infringement in the United States in the development of the product. Plaintiffs could recover, seemingly in perpetuity, for multiple foreign uses of the same component by third parties; in fact, petitioner here recovered for two back-to-back surveys by a single entity using the same foreign-flagged vessel. See J.A. 82.

As a result, a plaintiff could use a domestic act of infringement (however minor) as a "springboard" for regulating foreign conduct, violating the maxim that "[f]oreign conduct" is generally "the domain of foreign law." *Microsoft*, 550 U.S. at 455-456 (quoting U.S. Br. at 28, *Microsoft*, *supra*). Ironically, in *Microsoft*, the government recognized precisely that concern, warning that allowing a domestic act to trigger liability for downstream acts would effectively "[i]mpos[e] liability for conduct that occurs in foreign countries and is directed toward foreign markets" and thus "implicate[] the comity concerns underlying the presumption against extraterritoriality." U.S. Br. at 29, *Microsoft*, *supra*.

It is not hard to see why petitioner's interpretation would raise comity concerns. Consider, for instance, a situation in which a Korean company that designs its products in the United States makes a prototype that infringes an American patent. Petitioner would allow the patentee to recover lost profits related to worldwide sales of the product resulting from the prototype—even for products manufactured, sold, and used in Korea. As a result, American law would compel the Korean company to alter its conduct in Korea. That would remain true even if Korea had refused to award a patent for the invention, had chosen to provide a more modest recovery to the patentee, or otherwise crafted its patent law to encourage the Korean conduct at issue.

If other countries adopted a similar approach to petitioner's, moreover, the potential for interference with

American interests would be manifest. Suppose, for instance, that Japan issues a patent for an abstract concept that is not patentable under American law. See *Alice Corp.* v. *CLS Bank International*, 134 S. Ct. 2347, 2358-2360 (2014). If Japan adopted petitioner's approach, the Japanese patentee could recover all of the profits from an American company that designed software employing the abstract concept in Japan but made and sold the software in the United States. That in turn would affect the company's conduct in the United States in a way that American law has chosen not to regulate.

These hypotheticals are not far-fetched: similar actual cases have driven the Federal Circuit's law on the availability of extraterritorial patent damages. For example, petitioner's interpretation would reinstate the damages award the Federal Circuit reversed in *Carnegie Mellon*, *supra*. There, the defendant developed the design for a computer chip in the United States, and that design infringed the plaintiff's patent. See 807 F.3d at 1291. Many of the defendant's chips were manufactured, sold, and used outside the United States. The jury awarded an astounding $1.17 billion as a reasonable royalty based on worldwide sales, including for wholly foreign chips, simply because those foreign activities could be linked back to the infringement in the United States. See *id.* at 1291-1292, 1305-1306. The Federal Circuit vacated the portion of the award that rested on chips manufactured, sold, and used abroad as an impermissible extraterritorial application of the Patent Act. See *id.* at 1305-1308.

Under petitioner's regime, therefore, any domestic act of infringement would justify giving a patentee a cut (in the royalty context) or a dollar-for-dollar recovery (in the lost-profits context) of the gains of entirely foreign activities by downstream parties. Creating a prototype of any product in the United States would give rise to uncontrollable liability for downstream activities by unrelated foreign actors that occur entirely abroad. If this Court adopts petitioner's proposed rule, the many American companies that design and test products in the United States would be well advised to relocate their design operations offshore to avoid creating a springboard for worldwide damages awarded by American juries.

The United States has already agreed not to allow its intellectual-property law to override policy decisions by other countries. By entering the International Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the United States recognized the need for nations to provide "effective and appropriate means for the enforcement of trade-related intellectual property rights, *taking into account differences in national legal systems*." Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, preamble, Apr. 15, 1994, 1869 U.N.T.S. 299, 300 (emphasis added). Petitioner's approach would allow American courts to trump those differences.

2. a. Petitioner attempts to cabin the implications of its interpretation by arguing that principles of proximate causation will provide sufficient limits on extraterritorial patent damages. See, *e.g.*, Br. 52. But, as with petitioner's other arguments, this Court has already rejected that very reasoning. In *RJR Nabisco*, the court of appeals had held that, "[i]f an injury abroad was proximately caused by the violation of a statute which Congress intended should apply to injurious conduct performed abroad, [there is] no reason to import a domestic injury requirement." 764 F.3d 149, 151 (2d Cir. 2014). This Court reversed that holding, cautioning that it "fails to appreciate that the presumption against extraterritoriality must be

applied separately" to remedial provisions even where proximate causation is satisfied. 136 S. Ct. at 2108.

Nor is proximate causation an effective mechanism for addressing the problems inherent in petitioner's approach. Causation, after all, is normally a question for the jury. See *Milwaukee & St. Paul Railway Co.* v. *Kellogg*, 94 U.S. 469, 474 (1876). The Federal Circuit has held that patent infringement proximately causes a patent holder's injury whenever the injury was "reasonably foreseeable" from the act of infringement, *Rite-Hite Corp.* v. *Kelley Co.*, 56 F.3d 1538, 1546 (Fed. Cir.), cert. denied, 516 U.S. 867 (1995), and, in the context of patent damages, courts have treated the question of foreseeability as one of fact, see, *e.g.*, *On-Line Technologies, Inc.* v. *Perkin-Elmer Corp.*, 428 F. Supp. 2d 76, 80 (D. Conn. 2006). "Foreseeability," however, "is an amorphous concept, subject to manipulation by the trier of fact." Mark Bartholomew & Patrick F. McArdle, *Causing Infringement*, 64 Vand. L. Rev. 675, 707 (2011). Using proximate causation as the only bulwark against extraterritorial damages would mean that a defendant's liability for worldwide patent damages would depend entirely on the whims of the jury.

What is more, there is no reason to think that juries are equipped to take into account comity considerations in deciding questions of causation (even if that were appropriate). A core motivation for the presumption against extraterritoriality is the recognition that *courts* are not equipped to consider the implications of giving statutes extraterritorial effect for international relations; that is why courts assume that Congress did not want to extend domestic law abroad absent a clear statement to the contrary. See *RJR Nabisco*, 136 S. Ct. at 2100; *Chicago & Southern Air Lines, Inc.* v. *Waterman S.S. Corp.*, 333 U.S. 103, 111 (1948). Juries are even less competent to make those sensitive determinations. And as *Carnegie*

Mellon and this case illustrate, juries have not hesitated to award enormous worldwide damages based on foreign conduct.

b. Petitioner also contends (Br. 54) that its approach is necessary to protect domestic companies from foreign competition. Not so. Domestic companies routinely protect their intellectual property by obtaining patent protection in foreign jurisdictions and invoking those jurisdictions' legal remedies when infringement occurs abroad.

For example, petitioner has sought patents related to the technology at issue here in many foreign countries. See, *e.g.*, NO 333980 B1 (Norway); EP 2209022 B1 (United Kingdom, Italy, Netherlands); EP 1119780 B1 (Germany, Denmark, France, Italy, Netherlands, Sweden); CN 1321250 A (China). Yet petitioner does not appear to have filed suit in any foreign jurisdiction against any of respondent's customers for infringing one of its foreign patents.[17] After all, why bother, if worldwide damages are available from an American court? And to the extent petitioner could not have filed suit abroad because a relevant country provided narrower protection, it simply proves the point: an American court should not interfere with the policy judgment of a foreign country by imposing damages for a foreign use where the relevant country does not.[18]

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[17] Petitioner also does not appear to have made use of the arbitration and mediation options offered by the World Intellectual Property Organization. See WIPO Arbitration & Mediation Center, *Why Mediate/Arbitrate Intellectual Property Disputes?*, 42 les Nouvelles 301 (2007); Patent Cooperation Treaty, 28 U.S.T. 7645, T.I.A.S. No. 8733 (June 19, 1970).

[18] The marine surveys at issue here were conducted in international waters. But it is an "established tenet that a vessel on the high seas

3. Given the evident comity concerns and the vast change to patent law that petitioner's approach would inaugurate, this is a particularly compelling case for applying the presumption against extraterritoriality. Courts should not create a sweeping regime of worldwide patent damages without a clear indication that Congress intended it. While petitioner looks primarily to Section 271(f)(2) to justify its proposed regime, that provision cannot bear that weight. In enacting Section 271(f)(2), Congress carefully limited its reach to domestic conduct and left the remedial provisions of the Patent Act untouched.

Using a gap-filling provision to permit American courts to award worldwide patent damages would truly find an elephant in the proverbial mousehole. See *Whitman* v. *American Trucking Ass'ns*, 531 U.S. 457, 468 (2001). And while doing so would be problematic in the best of circumstances, it is simply unacceptable in the uniquely territorial context of the patent laws and on the facts presented here.

There is a simpler way. If petitioner believes that lost-profits damages should be available here for a third party's subsequent foreign use of an infringing product, its proper recourse is to Congress, not to this Court. Congress need only clearly and unmistakably indicate that it wishes to provide for extraterritorial damages, either for

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is under the exclusive jurisdiction of the nation under whose flag she sails." *Martha's Vineyard Scuba Headquarters, Inc.* v. *Unidentified Vessel*, 833 F.2d 1059, 1066 (1st Cir. 1987) (internal quotation marks and citation omitted). In any event, the fortuity that the foreign use in this case occurred in international waters should not drive the Court's resolution of the question presented. See *RJR Nabisco*, 136 S. Ct. at 2107-2108; cf. *Smith*, 507 U.S. at 204-205 & n.5 (applying presumption against extraterritoriality in case involving conduct in Antarctica).

infringement under Section 271(f)(2) or for all types of infringement. But absent such a clear and unmistakable indication in the Patent Act that extraterritorial damages are available, the court of appeals correctly applied the presumption against extraterritoriality here. Its judgment should therefore be affirmed.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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APPENDIX

35 U.S.C. 271 provides:

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit—

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent,

(B) an application under section 512 of such Act or under the Act of March 4, 1913 (21 U.S.C. 151-158) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent, or

(C)(i) with respect to a patent that is identified in the list of patents described in section 351(l)(3) of the Public Health Service Act (including as provided under section 351(l)(7) of such Act), an application seeking approval of a biological product, or

(ii) if the applicant for the application fails to provide the application and information required under section 351(l)(2)(A) of such Act, an application seeking approval of a biological product for a patent that could be identified pursuant to section 351(l)(3)(A)(i) of such Act,

if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug, veterinary biological product, or biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)—

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product,

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product, and

(D) the court shall order a permanent injunction prohibiting any infringement of the patent by the biological product involved in the infringement until a date which is not earlier than the date of the expiration of the patent that has been infringed under paragraph (2)(C), provided the patent is the subject of a final court decision, as defined in section 351(k)(6) of the Public Health Service Act, in an action for infringement of the patent under section 351(l)(6) of such Act, and the biological product has not yet been approved because of section 351(k)(7) of such Act.

The remedies prescribed by subparagraphs (A), (B), (C), and (D) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285.

(5) Where a person has filed an application described in paragraph (2) that includes a certification under subsection (b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355), and neither the owner of the patent that is the subject of the certification nor the holder of the approved application under subsection (b) of such section for the drug that is claimed by the patent or a use of which is claimed by the patent brought an action for infringement of such patent before the expiration of 45 days after the date on which the notice given under subsection (b)(3) or (j)(2)(B) of such section was received, the courts of the United States shall, to the extent consistent with the Constitution, have subject matter jurisdiction in any action brought by such person under section 2201 of title 28 for a declaratory judgment that such patent is invalid or not infringed.

(6)(A) Subparagraph (B) applies, in lieu of paragraph (4), in the case of a patent—

(i) that is identified, as applicable, in the list of patents described in section 351(l)(4) of the Public Health Service Act or the lists of patents described in section 351(l)(5)(B) of such Act with respect to a biological product; and

(ii) for which an action for infringement of the patent with respect to the biological product—

(I) was brought after the expiration of the 30-day period described in subparagraph (A) or (B), as applicable, of section 351(l)(6) of such Act; or

(II) was brought before the expiration of the 30-day period described in subclause (I), but which was dismissed without prejudice or was not prosecuted to judgment in good faith.

(B) In an action for infringement of a patent described in subparagraph (A), the sole and exclusive remedy that may be granted by a court, upon a finding that the making, using, offering to sell, selling, or importation into the United States of the biological product that is the subject of the action infringed the patent, shall be a reasonable royalty.

(C) The owner of a patent that should have been included in the list described in section 351(l)(3)(A) of the Public Health Service Act, including as provided under section 351(l)(7) of such Act for a biological product, but was not timely included in such list, may not bring an action under this section for infringement of the patent with respect to the biological product.

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after—

(1) it is materially changed by subsequent processes; or

(2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term "whoever" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an "offer for sale" or an "offer to sell" by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.

35 U.S.C. 284 provides:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.