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Brief Amici Curiae of Intellectual Property Professors in Support of Petitioner, No. 18-600, Texas Advanced Optoelectronic Solutions, Inc. V. Renesas Electronics America, Inc.

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No. 16-1011

IN THE

Supreme Court of the United States

WESTERNGECO LLC,

Petitioner,

—v.—

ION GEOPHYSICAL CORPORATION,

Respondent.

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

BRIEF OF INTELLECTUAL PROPERTY LAW SCHOLARS AS *AMICI CURIAE* IN SUPPORT OF NEITHER PARTY

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INTEREST OF THE *AMICI CURIAE*[1]

Amici are law professors who specialize in intellectual property law and who have previously published on, or have interest in, the issue of extraterritoriality. Amici have no personal stake in the outcome of this case but have an interest in seeing that the patent laws develop in a way that promotes rather than impedes innovation. A complete list of amici is included in Appendix A.

SUMMARY OF THE ARGUMENT

This case presents an issue of importance that transcends patent law: whether the presumption against the extraterritorial application of U.S. laws applies separately to the remedial provisions of a statute. Here, the issue arises in the context of damages under 35 U.S.C. § 284 of the Patent Act that arise from infringement under an expressly extraterritorial provision, 35 U.S.C. § 271(f).

The Supreme Court should first conclude that the presumption does apply to remedial provisions. That

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[1] Pursuant to Supreme Court Rule 37.6, *amici curiae* affirm that no counsel for a party authored this brief in whole or in part, that no counsel or a party made a monetary contribution intended to the preparation or submission of this brief and no person other than *amici curiae*, their members, or their counsels made a monetary contribution to its preparation or submission.

Both Petitioner and Respondent filed blanket consent to the filing of amicus curiae briefs, both of which are on file with the clerk.

conclusion should not end the inquiry, however. The Court should require a formal consideration of comity and potential conflicts with foreign law before allowing an award of damages arising outside of the United States. Additionally, the presumption against extraterritoriality should be considered as part of the proximate cause analysis when determining whether the asserted damages are appropriate.

ARGUMENT

I. THE PRESUMPTION AGAINST EXTRATERRITORIALITY SHOULD APPLY TO REMEDIAL STATUTORY PROVISIONS.

A. The Supreme Court Has Emphasized the Importance of the Presumption Against Extraterritoriality, Particularly in the Context of Patent Law.

The Supreme Court has established that there is a strong presumption against the extraterritorial application of U.S. law. *See, e.g., RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2101, 2106 (2016)* (finding presumption rebutted for § 1962 of Racketeer Influenced and Corrupt Organizations Act but not § 1964(c)); *Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 124 (2013) (relying on presumption to decline to extend reach of Alien Tort Statute); *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 265 (2010) (relying on presumption to decline application of United States securities law to foreign conduct); *E.E.O.C. v. Arabian Am. Oil Co.*, 499 U.S. 244, 259 (1991) (using presumption to decline application of Title VII to employment practices of U.S. employers employing U.S. citizens abroad). Although Congress undisputedly has the authority to regulate acts outside of the territorial boundaries of the United States, the Court has recognized that "legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States . . . ." *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949).

The Court has noted that the presumption is particularly appropriate in the context of patent law. *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454-55 (2007) ("The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law."). As far back as 1856, this Court rejected the extraterritorial reach of a patent: "The power thus granted is domestic in its character, and necessarily confined within the limits of the United States." *Brown v. Duchesne*, 60 U.S. 183, 195 (1856) (holding U.S. patent rights do not extend to invention on foreign vessel in U.S. port).

More recently, this Court again rejected a party's attempt to use its patent to control extraterritorial activity. In *Deepsouth Packing Co. v. Laitram Corp.*, the Supreme Court concluded that the manufacture of all components of a patented invention in the United States, that subsequently was assembled abroad, did not constitute infringement of a U.S. patent. 406 U.S. 518, 529 (1972). The Court emphasized that "[o]ur patent system makes no claim to extraterritorial effect." *Id.* at 531.

Congress legislatively overturned the extraterritorial aspect of *Deepsouth* by adopting 35 U.S.C. § 271(f) in 1984. Section 271(f), the statutory provision at issue in this case, focuses on acts of exportation to foreign markets. The provision defines two forms of infringement. The first directly relates to the specific fact pattern in *Deepsouth*:

> 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.

35 U.S.C. § 271(f)(1). Second, Congress went beyond the facts of *Deepsouth* to afford patent owners additional protections from the exportation of components with no non-infringing substitutes:

> 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.

35 U.S.C. § 271(f)(2).

This Court has relied on the presumption against extraterritoriality to construe that provision narrowly. In *Microsoft Corp. v. AT&T Corp.*, the Court held that (1) only computer software, not software in the abstract, could constitute a "component" under § 271(f), 550 U.S. 437, 449-50 (2007), and (2) such components were not "supplied" under § 271(f) when copies of the software were made outside of the United States. *Id.* at 452-54. To support this interpretation, the Court specifically noted that "[a]ny doubt that Microsoft's conduct falls outside § 271(f)'s compass would be resolved by the presumption against extraterritoriality . . . ." *Id.* at 454. Notwithstanding that Congress explicitly abrogated *Deepsouth* as it relates to exports to afford some extraterritorial protection to U.S. patent holders, the Court rejected AT&T's argument that the presumption was inapplicable and used the presumption to construe § 271(f) narrowly. *Id.* at 454-56. *See generally* Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. & MARY L. REV. 2119, 2135-36 (2008) [hereinafter *Extraterritoriality*] (discussing importance of the use of the presumption in *Microsoft*).

The Supreme Court's explication of the presumption culminated in *RJR Nabisco, Inc. v. European Community*, 136 S. Ct. 2090 (2016), where the Court articulated a two-step framework for addressing whether a statute has extraterritorial reach. First, a court must determine whether the statute gives a clear, affirmative indication that it applies extraterritorially, thereby rebutting the presumption against it. *Id.* at 2101. Satisfying step one is sufficient to end the inquiry, and a court need only proceed to step two if step one is not met. *Id.*

If the statute does not clearly have extraterritorial reach, step two requires a court to look at the location of the conduct relevant to the statute's focus. *Id.* The statute's application is domestic (and therefore within the court's jurisdiction) when the conduct relevant to the statute's focus occurred in the United States, even if other conduct occurred abroad. *Id.* The statute's application is extraterritorial and thus impermissible when conduct relevant to the focus occurred in a foreign country regardless of any other conduct that occurred in the United States. *Id.*

B. The Supreme Court Has Never Expressly Held Whether the Presumption Applies Separately to Remedial Provisions After a Determination of Liability Has Been Made.

In all of the cases in which the Court has addressed the presumption against extraterritoriality, it has confronted an issue of liability: whether activities outside of the United States could nevertheless create liability within the United States.

This case is different. The issue is the availability of damages for activities arising outside the territorial United States. This Court has never squarely addressed whether the presumption applies to remedial provisions. This Court has intimated that the presumption applies at all levels of a statutory scheme. *See RJR Nabisco*, 136 S. Ct. at 2106 (rejecting Second Circuit's holding that "the presumption against extraterritoriality did not apply to § 1964(c) independently of its application to § 1962"); *see also* Maggie Gardner, RJR Nabisco *and the Runaway Canon*, 102 VA. L. REV. ONLINE 134, 139 (2016) ("[T]he Court announced a new requirement that the presumption be applied separately to every statutory provision, whether substantive, remedial, or jurisdictional."). Indeed, in *RJR Nabisco*, a four justice majority of the Court applied the presumption separately to different provisions of the statute, suggesting that the presumption would separately apply to remedial provisions of a statute. *See* Sapna Kumar, *Patent Damages Without Borders*, 25 TEX. INTELL. PROP. L.J. 73, 103 (2017).

To address the question presented in this case, the Court must necessarily answer this question. Here, liability has been established under § 271(f). The only issue is the appropriate scope of damages permitted under 35 U.S.C. § 284, the damages provision of the Patent Act. That provision notes that "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." 35 U.S.C. § 284. Although § 284 does not note any territorial limitations itself, it does reference acts of infringement, which are defined by 35 U.S.C. § 271. Answering whether the presumption applies to § 284, therefore, is a necessary prerequisite to determining whether damages should be available in this case.

C. The Presumption Against Extraterritoriality Should Apply Separately to Remedial Statutory Provisions.

The presumption against extraterritoriality should apply both in the liability and the remedies contexts. The line between liability and damages is gossamer thin. The question of whether one is liable for extraterritorial conduct leads to the same place—that is, the determination of the extraterritorial reach of a U.S. patent right. From an extraterritorial perspective, a determination of liability or an award of damages both attempt to regulate conduct outside of the United States. Only applying a "one pass" rule for the presumption, as argued by both the Petitioner, *see* Brief for Petitioner at 46 (filed Feb. 23, 2018), and the United States, *see* Brief for the United States as Amicus Curiae at 14 (filed Dec. 6, 2017), would impermissibly permit certain damages arising from foreign activity and inappropriately extend the reach of United States patent law outside the territorial limits established in the *Microsoft* case.

The precursors to the present case show the danger in failing to apply the presumption separately to damages. For example, in *Power Integrations v. v. Fairchild Semiconductor*, 711 F.3d 1348 (Fed. Cir. 2013), the Federal Circuit confronted a scenario where there was an act of domestic infringement under 35 U.S.C. § 271(a), which is limited to acts "within the United States." *Id.* at 1348. The patentee, however, sought damages for the lost profits for its foregone sales outside of the United States that arose as a result of the domestic act of infringement. *Id.* The Federal Circuit rejected the damages theory based on a strict territorial rule regarding patent damages. If the presumption did not apply to remedies, however, then there would have been an odd result: the statute would have failed both steps one and two of the *RJR Nabisco* test because the statute is clearly territorial and the focus of the statute is infringing acts within the United States. Indeed, it is conceivable that a court would never have thought to consider the presumption at the liability phase. Yet, any and all damages that possibly could flow from those domestic acts would be permissible, regardless of where the acts triggering those damages arose. Effectively, the patentee would be using its United States patent to regulate those foreign sales.

Subsequent to *Power Integrations*, the Federal Circuit encountered a similar scenario, with the patentee seeking a reasonable royalty as damages under 35 U.S.C. § 284. In *Carnegie Mellon University v. Marvell Technology Group, Ltd.*, 807 F.3d 1283 (Fed. Cir. 2015), there was a domestic use of the patented invention; the patentee, however, sought a reasonable royalty for the defendant's sales made overseas. *Id.* at 1305. The Federal Circuit, relying on *Power Integrations*, rejected such damages. *Id.* at 1310-11. A failure to apply the presumption separately to both liability and damages would result in allowing the patentee, through the use of reasonable royalties, to attempt to regulate foreign activities.

These cases demonstrate that a liability versus remedies line is a distinction without a difference. The acts that generated the damages sought by the patentee could also have triggered liability in the relevant countries where their foreign acts occurred. Whether these are viewed as now-past acts that trigger liability (upon which damages could be based) or seen as a pure damages issue is irrelevant to the policies that underlie the presumption, including concerns of comity and interference with the sovereignty of another country. Holbrook, *Extraterritoriality*, *supra*, at 2126-27 (2008); Amy Landers, *U.S. Patent Extraterritoriality Within the International Context*, 36 REV. LITIG. BRIEF 28, 28-29 (2016).

II. APPLICATION OF THE PRESUMPTION IN THIS CASE WOULD STILL PERMIT AN AWARD OF DAMAGES.

Application of the *RJR Nabisco* framework in this case would permit an award of damages in this case under § 271(f). This contrasts significantly with how the presumption would apply to infringement under § 271(a), as was the case in *Power Integrations* and *Carnegie Mellon.*

Section 284 is textually silent as to its territorial limits. Instead, it references "damages adequate to compensate for the infringement," thus incorporating the acts in the separate subsections of § 271. While § 284 is meant to be compensatory in nature, *see Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655

(1983),[2] such focus does not mandate that territorial limits be ignored. That finding would fly in the face of the presumption against territoriality. Instead, a court should look at the relevant infringement provision to assess the territorial limits of damages for that provision. *See* Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 NOTRE DAME L. REV. 1745, 1777-78 (2017).

The various infringement provisions of § 271 differ significantly in their scope and purpose. As such, it would be inappropriate to treat all of them collectively under the presumption, as the Federal Circuit has apparently done, for purposes of assessing the appropriate territorial limit on patent damages. *Id.* at 1778. Application of step one of *RJR Nabisco*, therefore, leads to different outcomes as to the availability of damages under § 284 for infringement under § 271(a) and § 271(f).

Section 271(a) has strict territorial limits, limiting liability to acts "within the United States" or importation "into the United States." 35 U.S.C. § 271(a). With its strict territorial language, step one of *RJR Nabisco* would not be satisfied. There is no intent on the part of Congress to embrace foreign activity under § 271(a). In all likelihood, damages arising from infringement under § 271(a) would likely fail step two as well. Analysis of step two in isolation,

[2] The Court was not addressing the full scope of damages permissible in *General Motors*; instead, the narrow issue before it was "the standard applicable to the award of prejudgment interest under 35 U.S.C. § 284." *Gen. Motors*, 461 U.S at 651.

without the particular facts of the case, is difficult. In the main, however, we would expect damages for foreign-based conduct on the part of a defendant to fail step two given the territorial limits because the infringing acts would need to be within the United States.[3]

In contrast, Congress enacted § 271(f) with the express purpose of creating extraterritorial reach to United States patent holders. Congress wanted to "to fill a gap in the enforceability of patent rights," *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 743, (2017), created by *Deepsouth's* embrace of strict territorial limits to United States patent protection. By adopting § 271(f), Congress expressly contemplated the regulation of foreign markets, satisfying step one of *RJR Nabisco*.

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[3] Step two might be satisfied in the situation of trans-border acts of infringement, where the primary act of infringement, such as use of the patented invention, arose in the United States. In that case, the focus of § 271(a) – the use of the invention – arose in the United States, although certain other acts arose outside of the United States. Such a scenario can be seen in *NTP v. Research in Motion*, where the Federal Circuit concluded there was patent infringement for the use of the Blackberry® system. In *NTP, Inc. v. Research In Motion, Ltd.*, part of the infringing system was located in Canada. 418 F.3d 1282, 1317 (Fed. Cir. 2005), *abrogated on other grounds by Zoltek Corp. v. United States*, 672 F.3d 1309 (Fed. Cir. 2012). The Federal Circuit nevertheless concluded that customers used the system within the United States because "RIM's customers located within the United States controlled the transmission of the originated information and also benefited from such an exchange of information." *Id.* Given the focus of the statute – infringing uses within the United States – a court could conclude that such a scenario satisfies step two of *RJR Nabisco. See* Holbrook, *Boundaries*, *supra*, at 1780.

Section 271(f) does require some domestic acts for there to be infringement. Specifically, an infringer must "suppl[y] or cause[] to be supplied in or from the United States" either "all or a substantial portion of the components of a patented invention" or "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." 35 U.S.C. §§ 271(f)(1) & (2). The markets at stake, however, are not domestic markets. Instead, they are the foreign markets to where the components are being exported. Step one of *RJR Nabisco*, therefore, is satisfied because Congress spoke to extraterritoriality in the statute. *See* Holbrook, *Boundaries*, *supra* at 1783.

Technically, consideration of step two of the *RJR Nabisco* analysis is not required because step one is satisfied. Nevertheless, the *RJR Nabisco* test would also be satisfied at step two as the focus of the statute is exportation of components intended to be combined overseas to create the patented invention, thus contemplating relief for conduct in foreign markets. Step two's consideration of § 271(f)'s "focus," in conjunction with § 284's remedial purpose, further supports affording damages for extraterritorial acts. Congress designed the statute to protect patent owners against the territorial arbitrage present in *Deepsouth*.

Consequently, applying the *RJR Nabisco* framework here would permit an award of damages for lost profits in this case because Congress has demonstrated its intent to permit extraterritorial reach under § 271(f) and consequently for damages under § 284 for damages under that provision.

III. THE SUPREME COURT SHOULD ELABORATE ON WHAT COURTS SHOULD DO AFTER CONCLUDING EITHER STEP ONE OR STEP TWO OF *RJR NABISCO* HAS BEEN SATISFIED.

As presently articulated, the *RJR Nabisco* test appears to operate like a light switch – the statute either has extraterritorial reach or it does not. This approach is inconsistent with previous articulations of the presumption, however. For instance, the Court relied on the presumption in *Microsoft Corp. v. AT & T Corp.*, to afford a narrow interpretation to § 271(f). 550 U.S. 437, 454 (2007). The Court used the presumption to narrowly interpret § 271(f), limiting the definition of "component" to exclude software in the abstract and to conclude the defendant had not supplied a component of the invention. *Id.* at 451-52, 454.

The Court's use of the presumption in *Microsoft* suggested a subtler, more pervasive role for the presumption as a means for narrowly interpreting statutes that have extraterritorial reach. Yet, under *RJR Nabisco*, the Court's analysis would stop at step one. Today, it is not clear whether the presumption still operates at the level of statutory interpretation even once the presumption has been rebutted, as the Court reasoned in *Microsoft*.[4] The Court should use

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[4] This tension was present in *Life Technologies Corp. v. Promega Corp.*, in which the Court interpreted the § 271(f)(1) language referencing "all or a substantial portion" of the components. 137 S. Ct. 734, 737 (2017). Although the Court ultimately did not rely on the presumption at all in reaching its decision – indeed the Court never used the term "presumption" – the tension between *Microsoft* and *RJR Nabisco* was debated during oral

this case as a vehicle to further elaborate on whether the presumption still has teeth even after application of the *RJR Nabisco* framework. *See* Gardner, *supra* at 135 (noting that the Court in *RJR Nabisco* "missed an opportunity to provide much-needed guidance to judges on how to interpret statutes that rebut the presumption").

Two additional considerations should be added to the *RJR Nabisco* framework regarding how to interpret statutes that have rebutted the presumption or otherwise will permit extraterritorial reach. First, courts should expressly consider issues of comity and potential conflicts with foreign law. Second, courts should take into account territoriality in the damages context in analyzing proximate cause.

A. Courts Should Expressly Consider Potential Conflicts with Foreign Law and Other Comity Concerns When Deciding Whether to Apply a Statute Extraterritorially.

Given the increasingly global market, issues of extraterritoriality have come to the fore in patent law. It is increasingly common for goods to cross various borders, implicating the patent laws of a variety of countries. In this regard, *RJR Nabisco* should not be read in a manner that is too capacious. Merely satisfying either step could still result in considerable extraterritorial reach, risking various conflicts with

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argument. *See* Transcript of Oral Argument at 12, *Life Technologies Corp. v. Promega Corp.*, 137 S. Ct. 734 (No. 14-1538) (Chief Justice noting "once you get over it [the presumption], you know, it's over, and then you apply normal principles."); *see also* Holbrook, *Boundaries*, *supra*, at 1758-59.

foreign jurisdictions' laws, a key consideration underpinning the presumption against extraterritoriality.

The Supreme Court should embrace consideration of comity and potential conflicts of law to balance against this risk. Such an approach is not unwieldy nor even unprecedented. Although the Court has suggested that the "presumption applies regardless of whether there is a risk of conflict between the American statute and a foreign law," *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 255 (2010), in practice the Court has considered possible conflicts.

A review of the Supreme Court's recent cases applying the presumption demonstrate that the Court considers this dynamic, even if the Court does not treat comity as a formal requirement. For example, in *RJR Nabisco* itself, the Court noted that "providing a private civil remedy for foreign conduct creates a potential for international friction beyond that presented by merely applying U.S. substantive law to that foreign conduct." *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2106 (2016); *see also Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108, 116 (2013) (recognizing that "the danger of unwarranted judicial interference in the conduct of foreign policy is magnified in the context of the ATS, because the question is not what Congress has done but instead what courts may do"). In so stating, the Court was stepping back from the language in *Morrison*. The Court noted in *RJR Nabisco* that, while a conflict "is not a prerequisite for application of the presumption…, where such a risk is evident, the need to enforce the presumption is at its apex." 136 S. Ct.

at 2107. The court emphasized that the mere *potential* for a conflict was sufficient. *Id.* ("It is to say only that there is a potential for international controversy that militates against recognizing foreign-injury claims without clear direction from Congress."). The Supreme Court has made clear that heightened attention to the presumption is appropriate where a potential conflict with foreign law exists. As such, it is appropriate for courts to take comity expressly into account.

The Court specifically embraced the consideration of potential conflicts in the context of the Lanham Act, the federal trademark law. In *Steele v. Bulova Watch Co., Inc.*, the accused infringer was a U.S. citizen selling counterfeit watches bearing the trademark in Mexico. 344 U.S. 280, 281 (1952). The Court expressly looked to a potential conflict of law – the ownership of the trademark – in holding that it was appropriate to apply the Lanham Act extraterritorially. *Id.* at 289.

The U.S. Court of Appeals for the Ninth Circuit recently considered the extraterritorial reach of the Lanham Act post-*RJR Nabisco* and embraced the use of comity considerations. Specifically, in *Trader Joe's Co. v. Hallatt*, the Ninth Circuit applied seven comity factors in assessing whether to apply the Lanham Act extraterritorially:

> (1) the degree of conflict with foreign law or policy, (2) the nationality or allegiance of the parties and the locations or principal places of business of corporations, (3) the extent to which enforcement by either state can be expected to

> achieve compliance, (4) the relative significance of effects on the United States as compared with those elsewhere, (5) the extent to which there is explicit purpose to harm or affect American commerce, (6) the foreseeability of such effect, and (7) the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.

835 F.3d 960, 972-73 (9th Cir. 2016) (quoting *Star–Kist Foods, Inc. v. P.J. Rhodes & Co.,* 769 F.2d 1393, 1395 (9th Cir. 1985)). The Ninth Circuit's approach is consistent with *Bulova* and demonstrates that there is space beyond *RJR Nabisco* for the consideration of potential conflicts of law in assessing whether domestic laws should apply extraterritorially.

A similar approach should be used to inform the extraterritoriality of patent law. To determine whether U.S. patent law should apply to extraterritorial conduct, courts should expressly consider foreign patent law and various conflicts that could arise. *See* Holbrook, *Boundaries,* supra, at 1788-90; Kumar, supra, at 111-12; Landers, *supra*, at 45. Consideration of comity provides appropriate consideration for the sovereignty of foreign countries, who may have different policies regarding their patent regimes. Landers, *supra,* at 39-42 (reviewing variances in different countries' patent laws). Additionally, considering foreign law expressly could have laudable effects of exchanging ideas and views on patents. *See* Holbrook, *Extraterritoriality*, *supra*, at 2186-88. Courts should review potential conflicts of law if a patent exists in the foreign jurisdiction, including ownership, validity, infringement, and damages. A consideration of comity concerns would afford a better balance in the application of U.S. law's extraterritoriality than the current approach, which only tacitly acknowledges that concern.

In this case, the lost sales of services arose on the high seas, suggesting that there is no potential conflict of law. It may be the case, therefore, that damages are appropriate in this context. The issue should be squarely addressed on remand to the Federal Circuit or the district court.

B. The Court Should Explain Whether the Presumption or Other Concerns of Extraterritoriality Should Inform Proximate Cause.

The presumption against extraterritoriality should have reach beyond operating as a lever for construing statutes with extraterritorial reach. The presumption could also be used in evaluating proximate cause for damages, in this case under 35 U.S.C. § 284.

Section 284 is expressly compensatory in nature, requiring a court to "award the claimant damages adequate to compensate for the infringement." The Federal Circuit has embraced a broad conception of compensatory damages. In *Rite-Hite Corp. v. Kelley Co., Inc.*, the Federal Circuit held that a patentee could recover lost profits for foregone sales of the patentee's product that was not covered by the patent at issue. 56 F.3d 1538, 1542 (Fed. Cir. 1995) (en banc).

In so doing, the Federal Circuit eschewed a focus on the patent claims themselves in favor of an economic, market-driven approach to compensatory damages. The court recognized that, to receive damages, a patent owner must prove both that, but for the infringement, the patentee would have made the foregone sale, as well as that the infringement was the proximate cause of the plaintiff's injury. *Id.* at 1546. The court noted that proximate cause works to preclude damages that are too remote, and "the question of legal compensability is one 'to be determined on the facts of each case upon mixed considerations of logic, common sense, justice, policy and precedent.'" *Id.* (quoting 1 STREET, FOUNDATIONS OF LEGAL LIABILITY 110 (1906) (quoted in W. PAGE KEETON ET AL., PROSSER & KEETON ON THE LAW OF TORTS § 42, at 279 (5th ed. 1984)). As a result, the Federal Circuit now focuses on whether the damages at issue are reasonably foreseeable to a competitor. *Id.* It is this purely economic-based approach that the petitioner and the United States believe should be the sole limit on damages.

But proximate cause is not so simple. As the Federal Circuit noted, it is not a singular analysis of foreseeability; instead, it is complex inquiry that includes policy and justice, similar to the concerns that underlie the presumption itself. Proximate cause should take into account both the remoteness of the harm from the act generating liability and the extraterritorial reach of potential application of damages.

There seems to be some expansion in the concept of foreseeability in the Federal Circuit's cases. For example, in *Carnegie Mellon*, the patented invention was a method. *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1306–07 (Fed. Cir. 2015). Instead of damages being awarded for the use of the method, the court permitted the award of a royalty based on the sales of chips that would execute the method. *Id.* As such, the damages are a step removed from the classic measure of damages for infringing a patented method, which would be the value of the use of the method. *See* Holbrook, *Boundaries*, *supra* at 1791 (criticizing *Carnegie Mellon* on proximate cause grounds); *see also* Mark A. Lemley, *The Fruit of the Poisonous Tree in IP Law*, 103 IOWA L. REV. 245, 254–57 (2017) (discussing issues of causation in patent damages).

Similarly, in the instant case, the damages in dispute are not for lost profits from the sale of the patented invention. Instead, they are for "lost profits resulting from its failure to win foreign service contracts." *WesternGeco L.L.C. v. ION Geophysical Corp.*, 791 F.3d 1340, 1351 (Fed. Cir. 2015), *cert. granted, judgment vacated*, 136 S. Ct. 2486 (2016), *opinion reinstated WesternGeco L.L.C. v. ION Geophysical Corp.*, 837 F.3d 1358, 1360 (Fed. Cir. 2016), *cert. granted*, No. 16-1011, 2018 WL 386561 (U.S. Jan. 12, 2018). The analysis here might be different if the lost profits sought were foregone sales of the patented invention. But here, the damages sought are for a more remote harm. Courts should consider this remoteness in their proximate cause analysis.

Relevant, then, to the proximate cause analysis should be the territorial location of the harm. Just as the presumption can be used to inform a court's analysis of a statute, even one with extraterritorial reach, the Court should make clear that territoriality is also relevant in a proximate cause analysis. Territorial limits may not provide a bright-line proscription on all damages arising from activities outside of the United States, but such limits should inform how proximate a particular harm is to the domestic act of infringement. This dynamic is particularly important when the damages sought are already one step removed from an award of lost profits simply for lost sales of the patented invention.

CONCLUSION

This Court has yet to squarely address whether the presumption against extraterritoriality applies separately to remedial provisions in a statute. The answer to this question is important and transcends patent law. The Court should hold that the presumption does apply separately to remedies, and that the presumption is rebutted here.

That should not be the end of the inquiry, however. A court should explicitly consider issues of comity and conflicts with the law of the implicated foreign jurisdiction. The Court should reconcile its patent jurisprudence with that of the Lanham Act and embrace the formal consideration of conflicts with foreign law. Such consideration strikes a more appropriate balance between protecting U.S. patent owners and respecting the sovereignty of foreign countries. Here, the infringement took place on the high seas, seemingly a "patent-free" zone, but this Court should require confirmation of that fact by the district court or court of appeals. Additionally, the Court should ensure that concerns of extraterritoriality are considered in analyzing the foreseeability of the infringement damages sought in this case.

Respectfully submitted,

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