

2019-1246, 2019-1247

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**United States Court of Appeals  
for the Federal Circuit**

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POWER INTEGRATIONS, INC.,

*Plaintiff-Cross-Appellant,*

– v. –

FAIRCHILD SEMICONDUCTOR INTERNATIONAL, INC.,  
FAIRCHILD SEMICONDUCTOR CORPORATION,

*Defendants-Appellants.*

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*On Appeal from the United States District Court for the District of Delaware in  
No. 1:04-cv-01371-LPS, Honorable Leonard P. Stark, Chief Judge*

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**RESPONSE AND REPLY BRIEF  
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May 22, 2019

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**CERTIFICATE OF INTEREST**

Counsel for Petitioners certifies as follows:

**1. The full name of every party or amicus represented by me is:**

Fairchild Semiconductor International, Inc.; Fairchild Semiconductor Corp.

**2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:**

N/A

**3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:**

Fairchild Semiconductor Corporation and Fairchild Semiconductor International, Inc. are 100% owned direct or indirect subsidiaries of ON Semiconductor Corporation. Except for ON Semiconductor Corporation, none of the foregoing entities or any other direct or indirect subsidiary of ON Semiconductor Corporation is publicly traded.

**4. The name of all law firms and the partners or associates that appeared for the party in the lower tribunal or are expected to appear for the party in this court and who are not listed on the docket for the current case:**

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**5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. See Fed. Cir. R. 47.4(a)(5) and 47.5(b).**

*Power Integrations, Inc v. Fairchild Semiconductor et al.*, USDC-D. Del. Case 04-1371-LPS.

Dated: May 22, 2019

Respectfully submitted,

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### **STATEMENT OF RELATED CASES**

An appeal from the same civil action was previously before this Court. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348 (Fed. Cir. Mar. 26, 2013) (Nos. 11-1218, -1238) (Reyna, J., joined by O'Malley, J. and Lourie, J.). Counsel is unaware of any other pending case that will directly affect or be directly affected by this Court's decision in this pending appeal.

## INTRODUCTION

Power Integrations fails to justify the district court's extraordinary decision to contravene this Court's mandate in *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013) ("*Power Integrations I*") (Appx1946-2004). Power Integrations does not dispute that by its terms, *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018), applies only to 35 U.S.C. § 271(f)(2) and not to § 271(a), the only provision at issue here. Thus there was no basis to contravene this Court's analysis of § 271(a) in *Power Integrations I*, which remains both binding Circuit precedent and the law of this case. The Court need go no further to reverse the district court's order.

If the Court reaches the substance of the extraterritoriality analysis, the result is no different. In *WesternGeco*, the conduct relevant to § 271(f)(2)'s focus (exportation of product components with the intent that they be assembled into products abroad) all occurred *in the United States*. In this case, by contrast, 98% of the conduct relevant to § 271(a)'s focus (manufacture and sale of chips incorporating Power Integrations' U.S.-patented inventions) occurred *on foreign soil*, as Power Integrations does not dispute. This fundamental distinction disposes of the extraterritoriality issue and forecloses Power Integrations' effort to overturn *Power Integrations I*. The U.S. courts have no statutory authority to regulate products that are made and sold entirely overseas.

Even setting extraterritoriality aside, Power Integrations cannot avoid this Court's mandate in *Power Integrations I* that lack of causation provides an independent basis for rejecting any claim to damages from foreign manufacturing and sales in this case. *WesternGeco* expressly left causation open as a separate limit on damages under § 284. As this Court already expressly ruled, Power Integrations made no showing here of any causal link between domestic manufacturing and sales and the massive damages that Power Integrations is seeking to recover based on foreign sales of chips made abroad. To the contrary, the Court upheld the district court's determination that any damages here from lost sales abroad were *not* related to any act of domestic infringement—as Power Integrations' own expert admitted. That aspect of the Court's mandate is unaffected by *WesternGeco*, and there is no basis to overturn it. Because Power Integrations' claim to foreign damages fails for lack of causation, this Court may reaffirm its prior mandate on this ground alone, and reverse the district court without reaching the extraterritoriality question.

On Power Integrations' putative cross-appeal, the Court should dismiss for fatal procedural defects. The district court did not certify Power Integrations' issues for interlocutory review, and rightly so: None of the statutory prerequisites for such review under 28 U.S.C. § 1292(b) is met.

On the substance of the cross-appeal, if reached, this Court should reject Power Integrations' attempt to revive its induced infringement claim or to reinstate

the damages verdict premised on that theory of liability. As the district court correctly concluded, the damages verdict cannot be reinstated because this Court has already held that the record lacked substantial evidence of the induced infringement on which the jury's \$34 million damages verdict was premised. There is no basis to contravene this Court's prior ruling that Power Integrations failed to present legally sufficient evidence to establish induced infringement. The law of inducement has not changed, and neither has the record.

Last, Power Integrations' request to broaden the scope of the retrial contrary to this Court's mandate in *Power Integrations I* is unjustified. As this Court ruled, Power Integrations has already had a full and fair opportunity to develop the record. If that record will support only *de minimis* damages from *de minimis* direct domestic infringement, that is all that the Patent Act allows Power Integrations to recover. *WesternGeco* did not upend the law of civil procedure, and it provides no basis to reopen the record to give Power Integrations another bite at the apple.

### **JURISDICTION**

While the Court has jurisdiction over Fairchild's appeal under 28 U.S.C. § 1292(b)-(c) (*see* Op. Br. 2-3), the Court lacks jurisdiction over Power Integrations' cross-appeal, for the reasons set forth in Point II.A, *infra*.

## COUNTERSTATEMENT OF THE ISSUES ON CROSS-APPEAL

In addition to the issue presented in Fairchild's appeal, the issues raised by the cross-appeal are:

1. Whether the questions presented in Power Integrations' cross-appeal fail to satisfy the requirements of 28 U.S.C. § 1292(b) for interlocutory review.
2. Whether, pursuant to the mandate in *Power Integrations I*, the district court correctly declined to reinstate the vacated \$34 million damages verdict.

## COUNTERSTATEMENT OF THE CASE ON CROSS-APPEAL

Fairchild incorporates by reference its opening brief's statement of the case (*see* Op. Br. 3-22), and provides the following further statement of facts relevant to Power Integrations' putative cross-appeal.

At trial, Power Integrations asked the jury to award over \$38 million in damages from lost worldwide sales. That damages demand was based on "comingled theories of direct and induced infringement," *Power Integrations I*, 711 F.3d at 1376, and was therefore not limited to direct infringement from the limited manufacture or sale of accused products in the United States. *See also* Appx1768-1771; Appx1792; Appx1856. Indeed, Power Integrations' damages expert, Mr. Troxel, testified that the damages amount was "not related to parts that were manufactured in the United States," *i.e.*, not related to any direct infringement in the form of manufacturing accused products in the United States. Appx1069. Mr.

Troxel agreed that he “offered no opinion in this case on the amount of damages if one were to consider only the Fairchild devices sold or manufactured by Fairchild in the United States.” Appx1086-1087.

After trial, the district court remitted the verdict on the grounds that it included worldwide damages, limiting the judgment to damages the court reasoned were suffered in the United States and supportable under a theory of induced infringement. 711 F.3d at 1369-70. According to that theory, Fairchild allegedly induced third party Samsung to include the accused Fairchild circuits in the 18% of Samsung’s mobile phones sold in the United States. *Id.* at 1375-76.

Both parties appealed. Power Integrations challenged the district court’s ruling that the jury’s verdict impermissibly included worldwide damages. *Id.* at 1370-72. This Court held that the district court’s decision was correct and that Power Integrations could not recover worldwide damages. *Id.* Fairchild challenged the district court’s damages award after remittitur, arguing in part that the trial “evidence does not support an award of damages for infringement by inducement.” *Id.* at 1375. This Court agreed, finding that the record lacked sufficient evidence that the “18% of Samsung’s mobile phones sold in the United States included chargers incorporating Fairchild’s infringing circuits.” *Id.* at 1375-76. This Court concluded that “there was no basis upon which a reasonable jury could find Fairchild liable for induced infringement.” *Id.* at 1376.

This Court did identify some limited evidence of direct infringement in the trial record. *Id.* In particular, Fairchild stipulated that that it had “made or sold within the United States, or imported into the United States, accused devices having a total value of \$765,724.” *Id.* This represented approximately 2% of the accused products. As noted above, however, Mr. Troxel had testified that his damages number was not “related to parts that were manufactured in the United States” (Appx1069), and therefore could not be sustained based on this limited evidence of infringing domestic manufacture and sales. This Court therefore remanded the case to the district court with instructions to hold a new trial only “to determine the proper amount of damages for Fairchild’s direct infringement that is supported by substantial evidence in the existing record.” 711 F.3d at 1377. Given the Court’s holding that the record did not support a theory of inducement liability, the Court’s remand instructions did not authorize a retrial on damages for induced infringement.

On remand, Power Integrations asked the district court to repudiate this Court’s mandate and to reinstate the jury’s worldwide damages verdict in light of *WesternGeco*. The district court issued an order granting this request in part, agreeing that *WesternGeco* had implicitly overruled this Court’s prior decision on the recovery of worldwide damages. Appx2. But the district court did not agree that *WesternGeco* disturbed this Court’s holding that the trial record lacked substantial evidence of induced infringement. Appx4-5. The court also ruled that the question

whether *WesternGeco* overruled this Court's holding on worldwide damages was appropriate for interlocutory appeal. The court did not find that the question whether the trial record supported a finding of induced infringement warranted immediate review. *Id.*

Both parties filed petitions in this Court for permission to take interlocutory appeals of that order. Power Integrations' petition asked this Court to resolve the question whether the record in the previous trial, already considered by this Court in the prior appeal, contains substantial evidence of induced infringement and whether the jury verdict should therefore be reinstated. No. 19-102, Dkt. 2. Because the district court did not certify that issue for interlocutory appeal, and because it does not meet the statutory requirements for interlocutory appeal, Fairchild opposed Power Integrations' petition. No. 19-102, Dkt. 8.

In a *per curiam* order, this Court granted both parties' petitions, but stated that Fairchild would be permitted "to argue in its merits briefs why § 1292(b) review over certain issues is improper or why the court should decline to address those issues." No. 19-102, Dkt. 17 at 3.

### **SUMMARY OF ARGUMENT**

Power Integrations' central argument fails: Contrary to Power Integrations' contention, the Supreme Court did not overrule *Power Integrations I* when it issued *WesternGeco*. The Supreme Court intentionally issued a narrow decision, expressly

limited to § 271(f)(2). And even were *WesternGeco* not expressly limited to § 271(f)(2), the opinion’s analysis confirms that Power Integrations cannot recover worldwide damages on its § 271(a) claim on the facts of this case. *WesternGeco* requires the Court to identify the “focus” of the statute and to determine whether the conduct relevant to that focus occurred in the United States. Here, the relevant “focus” is the manufacture and sale of the accused products—and it is undisputed that 98% of that conduct occurred *outside* the United States. Damages for § 271(a) infringement cannot be awarded based on such conduct without running afoul of the presumption against extraterritorial application of U.S. law.

Power Integrations fails to refute the adverse policy consequences of a contrary ruling. Power Integrations cites no case approving a claim for damages resulting from foreign sales of goods made abroad, nor any case allowing a plaintiff to use limited domestic infringement as a hook to recover damages based on *foreign* sales of products made abroad. Nor does it dispute that its interpretation of § 271(a) would permit the recovery of duplicative recoveries in a foreign tribunal and lead to the counterintuitive result that a U.S. court could award damages on foreign sales that the same court lacked jurisdiction to enjoin.

Power Integrations also fails to show that *WesternGeco* upsets this Court’s and the district court’s rulings that the trial record does not show a causal connection between domestic infringement and the foreign damages. This, independent of the

extraterritorial application of § 271(a), is enough to reverse. Power Integrations' contrary interpretation of this Court's decision is based not on the decision's holding, but instead on this Court's summary of Power Integrations' contentions on appeal, which this Court did not endorse. To the contrary, the Court expressly adopted the district court's causation ruling: The foreign damages at issue here were in no way "rooted" in any form of domestic infringing conduct. *Power Integrations I*, 711 F.3d at 1372 (quoting Appx1938).

Nor does Power Integrations succeed in its attempt to reargue the evidence of causation. It identifies no evidence in the trial record that the minimal amount of domestic infringement at issue caused the tens of millions of dollars of foreign damages it seeks to recover. The mere fact that Fairchild made a small percentage of its products in the United States, while making and selling the vast majority overseas, does not show that the former caused the latter. Power Integrations' damages expert agreed, testifying that his damages calculation was *not* related to this domestic infringement *at all*. Power Integrations cannot overcome that dispositive admission. It instead argues that Fairchild's sales depended on its products' capacity to be sold in the United States—disregarding that mere capacity for sale does not constitute patent infringement if the device in question never enters the United States. Nor is it an infringement under § 271(a) to make and sell a product overseas that meet the limitations of a U.S. patent claim. The long and short of it is that to

recover the \$34 million in damages that it demands, Power Integrations would have to prove that all of the Fairchild chips at issue were either made or sold in the United States—and it is undisputed that this is not the case.

The Court should also reject Power Integrations’ argument that it should be permitted to supplement the record on remand. This Court already held that any retrial should be limited to the existing record. Power Integrations identifies no reason to reconsider that ruling now.

Power Integrations’ putative cross-appeal is defective both procedurally and on the merits. As a matter of procedure, the district court properly did *not* certify an interlocutory appeal on Power Integrations’ proposed issues, because the requirements of 28 U.S.C. § 1292(b) are not met. The cross-appeal does not present a “controlling question of law,” for the question whether the trial record contains substantial evidence to support the damages award is the quintessential example of a question that does *not* satisfy the standard. Nor is there any substantial ground for difference of opinion on this issue: This Court’s prior mandate already resolved the question, and the record does not support Power Integrations’ proposed answer. Nor has Power Integrations shown that its cross-appeal would materially advance the termination of this case. While Power Integrations argues that its cross-appeal, if accepted, would avoid a retrial on remand, that argument is applicable in *any* case where this Court remands for a new trial. It does not justify an interlocutory appeal.

Even if this Court were to entertain Power Integrations' cross-appeal, it fails on the merits. Power Integrations' central argument is that the trial record contains sufficient evidence to support the jury's damages verdict under either a theory of direct or induced infringement. But contrary to Power Integrations' argument, this Court did not rule in its prior opinion that the \$34 million award was based on the evidence of very limited domestic direct infringement. Instead, this Court stated that it would make that presumption if, and only if, it was supported by substantial evidence. Here, there was no evidence and certainly no finding that the very limited amount of infringing domestic manufacture caused the extensive overseas damages that Power Integrations seeks to recover. Indeed, Power Integrations' own damages expert disavowed such a theory.

Similarly, the verdict cannot be reinstated under a theory of induced infringement. This argument is foreclosed by this Court's holding that the record lacked substantial evidence of induced infringement. Power Integrations mischaracterizes this holding as "dicta" and attempts to reargue whether the trial record actually contains substantial evidence of induced infringement. But this Court's prior "no induced infringement" holding was correct, and Power Integrations' attempt to reargue the same evidence in this appeal should lead to the same result. For these reasons, the cross-appeal should be rejected.

The order on appeal should be reversed, the mandate in *Power Integrations I* should be reaffirmed, and the case should be remanded for a new damages trial in accord with that mandate.

## ARGUMENT

### I. POWER INTEGRATIONS ERRS IN CONTENDING THAT *WESTERNGECO* OVERRULED *POWER INTEGRATIONS I*

#### A. *WesternGeco* Does Not Authorize Recovery Of Extraterritorial Damages In Actions Under § 271(a)

Power Integrations is simply wrong to assert (Br. 24) that “*Power Integrations I* is no longer good law.” That decision remains controlling and binding authority. It is undisputed that *Power Integrations I* has not been explicitly overruled, and Power Integrations’ only argument that it was implicitly overruled runs counter to the Supreme Court’s careful language expressly limiting its holding to § 271(f)(2). The district court’s contrary conclusion is incorrect, and Power Integrations fails to justify it.

#### 1. *WesternGeco* Is Limited To Actions Under § 271(f)(2)

At the outset, Power Integrations has no answer whatsoever to Fairchild’s explanation (Op. Br. 16-19, 26-30) that the Supreme Court explicitly limited its decision in *WesternGeco* to the specific statutory provision that was before it, namely 35 U.S.C. § 271(f)(2). That was the only provision at issue in the case and the only one addressed in the petition for *certiorari*, and the Supreme Court thus expressly “limit[ed] [its] analysis to § 271(f)(2).” 138 S. Ct. at 2135 & n.1, 2137 &

n. 2; *see id.* at 2139 (holding limited to “lost foreign profits when the patent owner proves infringement *under § 271(f)(2)*”) (emphasis added). In doing so, the Court declined multiple invitations (including from the Solicitor General and Power Integrations itself) to issue a more sweeping decision. *See* Op. Br. 16-17 & nn.6-8. The Court, moreover, issued its decision more than four years *after* it denied Power Integrations’ petition for *certiorari* on the same extraterritoriality question that Power Integrations now wishes to relitigate. Contrary to Power Integrations’ suggestion (Br. 28), that denial is significant not as an “expression of opinion upon the merits” (citation omitted), but because the denial of review in this § 271(a) case confirms that (as is plain from *WesternGeco*’s text) the Supreme Court acted deliberately in issuing a decision that is strictly limited to § 271(f)(2). The denial of review is just one of multiple instances in which the Supreme Court has declined to overrule *Power Integrations I*’s application of the extraterritoriality presumption to § 271(a). *See SpeedTrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317, 1328 (Fed. Cir. 2015) (adhering to precedent where there was “no indication that the Court sought to overrule” it). Absent such an indication, *WesternGeco* provides no basis for this Court to depart from its precedent.

Nor does *WesternGeco* represent such a change in the governing law as to justify reconsideration of *Power Integrations I*, as Power Integrations erroneously asserts (Br. 27-28). As Power Integrations’ own authority holds, the “change in law”

exception applies only where “controlling authority has since made a *contrary* and *applicable* decision of the law.” *Banks v. United States*, 741 F.3d 1268,1276 (Fed. Cir. 2014) (emphasis added). *WesternGeco* is neither “contrary” to *Power Integrations I* nor “applicable” to this case, precisely because the Supreme Court’s decision is expressly limited to a statutory provision that *Power Integrations I* did not address and which is not raised here. In other words, *WesternGeco* presents no “conflict” with this Court’s prior decision, *E-Pass Techs., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1219 (Fed. Cir. 2007), because the cases address “different statutory schemes,” *Cal. Fed. Bank v. United States*, 395 F.3d 1263, 1275 (Fed. Cir. 2005); *see* Op. Br. 28-29. Until supervening authority holds otherwise (which has not happened), the law is that a patentee may *not* recover damages based on extraterritorial conduct in an ordinary § 271(a) infringement case.<sup>1</sup>

## **2. Power Integrations Mischaracterizes *WesternGeco***

Even setting to one side the Supreme Court’s express limitation on *WesternGeco*’s reach, Power Integrations identifies no basis to conclude that

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<sup>1</sup> Power Integrations cites a single Law360 article authored by three patent litigators (Appx2218-2219) to assert (Br. 22-23) that “*WesternGeco* likely reaches all of Section 271,” but the article does not engage in any serious analysis of the Supreme Court’s reasoning, or its application either to § 271(a) or to the facts of this case. Professor Holbrook’s careful scholarly analysis warrants greater weight than Power Integrations’ *ipse dixit*. *See* Timothy Holbrook, *WesternGeco’s Implications for Patent Law and Beyond*, PatentlyO (June 24, 2018), <https://bit.ly/2IXg7IZ>; Op. Br. 28 n.11.

applying that decision's extraterritoriality analysis to § 271(a) would yield a result that differs from the one that this Court reached in *Power Integrations I*. In fact, Power Integrations does not even attempt to undertake the extraterritoriality analysis outlined in *WesternGeco*.

As *amicus* Intel observes (Br. 6), "Congress has manifested no ... intent to overcome the presumption against extraterritoriality in § 271(a), which speaks entirely to activity 'within the United States' and does not envision any foreign involvement." Thus, at step one of the extraterritoriality analysis, the only conclusion is that "the presumption against extraterritoriality has not been rebutted," making step two of the analysis decisive. *See WesternGeco*, 138 S. Ct. at 2136.

As Fairchild explained (Op. Br. 30-37), *WesternGeco* requires the Court at step two to ask "whether the case involves a domestic application of the statute" by "identifying the statute's 'focus'" and then "asking whether *the conduct relevant to that focus* occurred in United States territory." *WesternGeco*, 138 S. Ct. at 2136 (quoting *RJR Nabisco, Inc. v. European Community*, 136 S. Ct. 2090, 2101 (2016)) (emphasis added, internal quotation marks omitted); *see id.* at 2137 (focus is on conduct that the statute "seeks to regulate") (quoting *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 267 (2010)). Relevant here, the statutory "focus" is on "mak[ing]" or "sell[ing] any patented invention." 35 U.S.C. § 271(a). So to determine whether an award of § 284 damages in a § 271(a) case is a permitted

*domestic* application (as opposed to a prohibited foreign application), the Court must ask whether the claimed damages resulted from domestic “mak[ing]” or “sell[ing],” or from analogous (but noninfringing) conduct taking place *outside* the United States.

Applying this analysis here yields the inevitable conclusion that allowing Power Integrations to recover its claimed damages from foreign manufacture and sale would constitute an impermissible extraterritorial application of §§ 284 and 271(a). That is because, as this Court and the district court both previously ruled (based on the admissions of Power Integrations’ expert Mr. Troxel), the claimed foreign damages “w[ere] not ‘rooted in Fairchild’s activity in the United States’”; they were “rooted” only in *foreign* sales of chips that had been manufactured abroad. *Power Integrations I*, 711 F.3d at 1372 (quoting Appx1938); *see* Appx1938 (alleged damages “w[ere] *not* related to parts that were manufactured, used, or sold in the United States by Fairchild”). Thus, the “conduct” that is relevant to the statutory “focus” occurred abroad. It may be subject to regulation under foreign law, but not under the U.S. Patent Act.

Power Integrations’ contrary argument rests on the assertion (Br. 21-22) that § 271(a) has a domestic focus and “vindicates domestic interests.” That leaves the inquiry incomplete. *WesternGeco* asks the courts both to identify the relevant conduct based on the language of the statute at issue, and then to determine *where*

*that relevant conduct took place*: The question is whether “the conduct relevant to the statute’s focus occurred in the United States,” or whether instead “the relevant conduct occurred in another country.” *WesternGeco*, 138 S. Ct at 2137 (citations and internal quotation marks omitted). And here, the relevant conduct vis-à-vis Power Integrations’ claimed foreign damages all occurred in foreign countries. *Power Integrations I*, 711 F.3d at 1372; Appx1938. The Patent Act does not regulate such conduct.

Power Integrations asserts (Br. 23-24) that *WesternGeco* “permitted damages for ‘lucrative foreign service contracts’” (quoting *WesternGeco*, 138 S. Ct. at 2139), and later contends on that basis (Br. 30) that under *WesternGeco* “foreign activity does not break the chain of causation” (emphasis omitted). But Power Integrations disregards the Supreme Court’s (and Fairchild’s) explanation that such damages were recoverable despite intervening foreign events in *WesternGeco* only because “[t]hose overseas events were merely *incidental to the infringement*” and “*d[id] not have ‘primacy’* for purposes of the extraterritoriality analysis.” *WesternGeco*, 138 S. Ct. at 2138 (emphases added; quoting *Morrison*, 561 U.S. at 267); see Op. Br. 33 (discussing same). That reasoning implies that, where (as here) a case involves overseas events that are *not* “merely incidental” to the statute’s focus and that thus *do* have “primacy” for extraterritoriality purposes, those events break the causal chain and foreclose recovery for extraterritorial injury.

Here, in contrast to *WesternGeco*, the “overseas events” at issue are the “mak[ing]” and “sell[ing]” of products that allegedly practice Power Integrations’ patents. Such conduct is not merely “incidental” to the Patent Act; it is the *focus* of the statutory provision at issue, § 271(a). *See* Op. Br. 36-37. Thus, unlike in *WesternGeco*, the “relevant conduct” that has “primacy” in this case took place abroad. Awarding foreign damages here would be like awarding § 271(f) damages based on components exported from Korea for combination in Europe. The Patent Act does not allow for such an award, because it would “involve[] an impermissible extraterritorial application [of the Patent Act] regardless of any other conduct that occurred in U.S. territory.” *WesternGeco*, 138 S. Ct. at 2137 (citation and internal quotation marks omitted). That is a sufficient basis to reverse the decision below. “[F]oreign law alone, not United States law, currently governs the manufacture and sale ... of patented inventions in foreign countries. If [Power Integrations] desires to prevent copying in foreign countries, its remedy today lies in obtaining and enforcing foreign patents.” *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 456 (2007).<sup>2</sup>

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<sup>2</sup> It bears noting that Power Integrations in fact held foreign analogs for the ’075 patent. *See* EU Patent No. 0295391 (Jan. 30, 1991), *available at* <https://www.epo.org/searching-for-patents.html>); JP Patent No. 2529717 (June 14, 1996), *available at* <https://www.j-platpat.inpit.go.jp/>; JP Patent No. 2804460 (July 17, 1998). But Power Integrations never filed suit against Fairchild in any foreign court.

**3. Power Integrations Fails To Dispel The Adverse Policy Consequences Of Overruling *Power Integrations I***

Contrary to Power Integrations’ arguments, close adherence to *WesternGeco*’s specific language and reasoning is necessary to avoid the negative policy consequences of vastly expanding the availability of extraterritorial damages. Power Integrations’ proposal to upset the existing landscape of U.S. patent law would require a complicated policy judgment that should be left to Congress. *See* Op. Br. 22-23, 37-38; Intel Br. 11-12 (collecting authorities).

This Court should be particularly hesitant to intervene here given the 163-year-old judicial understanding that damages incurred as a result of extraterritorial manufacture or sale of a U.S.-patented invention are not recoverable under the Patent Act. *See* Intel Br. 8-9 (collecting authorities including *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195-96 (1856)). Congress has not abrogated that principle. Neither has the Supreme Court.<sup>3</sup> And as Intel explains (Br. 12-14), adopting a different rule in this case would disrupt the settled expectations of companies that have chosen to locate significant operations in the United States on the understanding that liability under § 284 is limited to provable U.S. infringement. Power Integrations denies that

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<sup>3</sup> In particular, *WesternGeco* recognized only that in the narrow circumstance of § 271(f)(2), Congress has permitted recovery of damages resulting from forbidden exportation of components to be assembled abroad—even though foreign acts “incidental” to the exportation (and which lacked “primacy” vis-à-vis § 271(f)(2)) may have been “necessary” to the injury. 138 S. Ct. at 2138; *see* Intel Br. 10.

any such disruption would occur because its preferred rule was supposedly always the law before *Power Integrations I* (Br. 25), but none of the cited cases approved a claim for damages resulting from foreign sales of goods made abroad.<sup>4</sup> In fact, *Power Integrations I* was merely a continuation of a long line of decisions establishing that such damages are *not* recoverable. There is no justification now to revisit those precedents.

Power Integrations errs in contending (Br. 24) that it is not “seeking to extend U.S. infringement law to foreign acts.” The reason that the presumption against extraterritoriality forecloses Power Integrations’ claims for foreign damages is that those alleged damages are “rooted” in *foreign* sales of chips manufactured in *foreign* countries. *Power Integrations I*, 711 F.3d at 1372 (quoting Appx1938). To award such damages would thus extend U.S. law to Fairchild’s *foreign* sales and manufacturing activity.

Power Integrations misdirects in asserting (Br. 24) that it “is not advocating any change to what constitutes infringement of a U.S. patent”: The problem with its position is not a redefinition of U.S.-sited patent infringement, but the unauthorized

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<sup>4</sup> See *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983) (addressing standard for awarding prejudgment interest); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964) (explaining that § 284 permits recovery only of “damages” suffered because of infringement); *King Instruments Corp. v. Perego*, 65 F.3d 941, 947 (Fed. Cir. 1995) (rejecting argument that “lost profits can be awarded only to one who makes or sells the patented device”).

application of U.S. infringement remedies to foreign sales of products made abroad. Power Integrations' assertion that "no other case holds that a U.S. patent owner may not recover full compensation for foreseeable harm *actually caused* by U.S. infringement" (Br. 26, emphasis in original) is similarly misplaced, because (as this Court held) the foreign "harm" at issue here was *not* "caused by U.S. infringement." It was, instead, caused by Fairchild's *foreign* activities. *See infra* Point I.B. Power Integrations identifies no case standing for the surprising proposition that limited U.S. infringement may properly be used as a hook to recover damages based on *foreign* sales that are *not* rooted in that (or any other) U.S. conduct.

Power Integrations falls flat in its attempt (Br. 25) to minimize the comity problems with a worldwide damages regime (*see* Op. Br. 38-40; Intel Br. 19-24), not least of which is the risk of conflict if differing countries' patent laws are applied to the same conduct (*e.g.*, Intel Br. 19-22). It does not matter that this dispute is "*between two U.S. companies*" (Power Integrations Br. 25, emphasis in original), because § 284 does not discriminate between U.S. and foreign *entities*. Instead, the presumption against extraterritoriality recognizes that (absent express Congressional authorization) foreign *conduct* is beyond the reach of U.S. law: "Foreign *conduct* is generally the domain of foreign law," 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 (emphasis added; citation

omitted). Imposing liability for the claimed foreign damages here would mean extending U.S. law to manufacturing and sales activities that take place entirely abroad, and which are therefore properly governed by the laws of other countries. *See* Op. Br. 38-39; Intel Br. 19-20.

In attempting to avoid the conclusion that an extraterritorial-damages regime would lead to multiple recoveries (*see* Op. Br. 40-41; Intel Br. 21-22), Power Integrations does not deny that such recoveries are possible, and even likely. Power Integrations also does not acknowledge (or dispute) that a worldwide-damages regime would lead to situations in which holders of equivalent U.S. and foreign patents sue the same defendant for the same conduct—leading to conflicts that the Patent Act seeks to avoid. *See* Op. Br. 40; Intel Br. 22 n.9. Nor does Power Integrations deny the more general point (Op. Br. 40-41; Intel Br. 15-16) that its proposed regime would lead to overcompensation of U.S. patent holders by vastly increasing the scale of available damages.

Power Integrations' lone answer to these serious problems with its proposed regime (Br. 26) is that its reading of § 271(a) “presents no more risk of duplicative recovery” than does § 271(f)—but that only goes to prove Fairchild's point. Congress made a *specific choice* to enact § 271(f), fully aware that when product components are exported from the United States in a manner constituting § 271(f) infringement, the combination of those components in a foreign territory might

create a complete product that could infringe a foreign patent.<sup>5</sup> That was Congress’s judgment to make. But Congress has *not* made a similar judgment that a product made and sold entirely abroad may infringe a U.S. patent under § 271(a). *See Microsoft*, 550 U.S. at 458 (“Having attended to the gap made evident in *Deepsouth*, Congress did not address other arguable gaps” in the Patent Act); *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1252 n.2 (Fed. Cir. 2000) (“§ 271(f) does not ... change the nature of § 271(a) liability, as it provides a separate cause of action”). Absent such a Congressional declaration, there is no reason for this Court to invoke “[r]ules against duplicative recoveries” (Power Integrations Br. 26); this Court should instead prevent double recoveries from occurring in the first place, by limiting damages from § 271(a) infringement to those which are rooted in conduct occurring within the United States.

Nor does Power Integrations have any answer to Intel’s observation (Br. 9-10 n.4) that allowing an award of foreign damages in this situation would lead to the bizarre result that a U.S. court could award an *ex post* monetary remedy based on

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<sup>5</sup> Congress specifically intended § 271(f) as a response to the Supreme Court’s decision in *Deepsouth*. *See Microsoft*, 550 U.S. at 444 (citation omitted). Congress addressed the new statute to the situation where “the items exported were kits containing all the physical, readily assemblable parts of a [U.S.-patented] machine..., and those parts ... would be combined abroad by foreign buyers,” *id.* at 457-58, and so must have anticipated that the completed machine might infringe a cognate foreign patent when assembled and used abroad.

sales that the U.S. court had no jurisdiction to enjoin. Either those sales are subject to regulation pursuant to § 271(a), or they are not—there is no basis to treat them differently depending on what remedy a plaintiff may seek. And the obvious resolution of this question is that, absent contrary Congressional command, foreign conduct is *not* subject to regulation in U.S. courts.

More broadly, Power Integrations has no answer for the explanations by Fairchild (Op. Br. 41) and Intel (Br. 16-19, 23-24) that a global damages regime would be bad for commerce and trade. Companies based in the United States would be placed at a competitive disadvantage due to their expanded risk of liability, while foreign companies would opt not to invest in new U.S. facilities that could give rise to global damages awards. The threat of such awards would lead firms to “offshore” vital research, development, and manufacturing operations that would otherwise have remained in the United States. *See* Intel Br. 16-19 (collecting authorities). And it would also upset the “delicate issue of international trade negotiations”—an area that is already fraught enough even *without* the judiciary stepping in unbidden by Congress. *Id.* at 23-24.

Power Integrations tries to obscure the risk of these adverse impacts by asserting (Br. 26) without evidence that cases seeking worldwide damages “will necessarily be rare and self-limiting.” But it is not true (*contra id.*) that “[l]ost profits

cases ... are rare”—many such cases reach this Court,<sup>6</sup> and many more are resolved before an appeal arises. Moreover, Power Integrations’ damages claim is not limited to lost profits; it also includes reasonable-royalty damages based on foreign sales (*see id.* at 27). Nor is it “speculation” (*id.* at 26) to expect that U.S. research and development may be found both to infringe and to cause worldwide sales—that was the fact pattern in *Carnegie Mellon University v. Marvell Technology Group*, 807 F.3d 1283 (Fed. Cir. 2015), in which this Court properly applied the presumption against extraterritoriality to prohibit an award of reasonable-royalty damages on chips that were not made, sold, or imported in the United States. *Id.* at 1305-07. Adopting Power Integrations’ rule would mean abandoning *Carnegie Mellon*, and reopening the threat of billion-dollar verdicts based on wholly *foreign* conduct as a potential cost of doing business *in the United States*.

*Power Integrations I*’s extraterritoriality holding remains good law after *WesternGeco*. The Court should reaffirm it and should therefore reverse the order on appeal.

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<sup>6</sup> Just in the last two years, *see, e.g., TEK Glob., S.R.L. v. Sealant Sys. Int’l, Inc.*, 920 F.3d 777, 790 (Fed. Cir. 2019); *Exergen Corp. v. Kaz USA, Inc.*, 725 F. App’x 959, 970 (Fed. Cir. 2018); *Georgetown Rail Equip. Co. v. Holland L.P.*, 867 F.3d 1229, 1241 (Fed. Cir. 2017).

**B. *WesternGeco* Does Not Disturb This Court’s Causation Ruling In *Power Integrations I***

Separate and apart from the extraterritoriality issue, the mandate in *Power Integrations I* should remain undisturbed because Power Integrations cannot establish causation—a requirement that indisputably survived *WesternGeco*. Indeed, the Court need not even address extraterritoriality to resolve this appeal and reverse the decision below, because Power Integrations failed to prove the requisite causal link between domestic infringing conduct and extraterritorial damages. The record (which is closed) contains zero evidence for the implausible proposition that every chip Fairchild made in its Portland overflow facility led to sales of *fifty* more chips around the world. That alone is enough to reverse.

**1. Power Integrations May Not Now Relitigate Causation**

Power Integrations does not deny that the longstanding requirements to prove both but-for and proximate causation remain in place after *WesternGeco*. See Op. Br. 42-43; Intel Br. 24-30. Instead, Power Integrations takes the position (Br. 29-31) that *Power Integrations I* resolved the causation question in favor of the jury’s verdict, and that “[t]he sole reason” for vacating the verdict “was alleged extraterritoriality.”

But that is untrue. As Fairchild explained (Op. Br. 51-53), this Court *did* rest its prior judgment on a determination that Power Integrations’ claimed damages were not caused by domestic acts of infringement. Specifically, the Court expressly

held that Power Integrations’ claimed foreign damages “w[ere] not ‘rooted in Fairchild’s activity in the United States,’” but were “rooted” only in *foreign* acts. *Power Integrations I*, 711 F.3d at 1372 (emphasis added; quoting Appx1938). That is the language of a ruling on causation. Elsewhere, the Court stated that the question presented was whether Power Integrations could recover “compensatory damages for injury *caused by infringing activity that occurred outside the territory of the United States.*” *Id.* at 1371 (emphasis added).<sup>7</sup> The Court quoted *F. Hoffmann-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155 (2004), for the proposition that U.S. law should not be applied “to conduct that is significantly foreign, ‘insofar as that conduct causes *independent* foreign harm and that foreign harm *alone* gives rise to the plaintiff’s claim,” *Power Integrations I*, 711 F.3d at 1372 (emphases altered; quoting *F. Hoffmann-La Roche*, 542 U.S. at 166). Thus, contrary to Power Integrations’ position, a major thrust of the Court’s reasoning was that Power Integrations’ claimed foreign damages were legally and factually *caused* only by non-infringing foreign activity; they were “independent” of, and were *not* “rooted” in, any infringing domestic activity.

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<sup>7</sup> By definition, such “activity that occurred outside the territory of the United States” cannot be “infringing” under § 271(a). *See Power Integrations I*, 711 F.3d at 1371 (“foreign exploitation of a patented invention ... is not infringement at all”) (citing *Brown*, 60 U.S. at 195). The Court used “infringing” in the sentence quoted in text in an informal sense (*see* Op. Br. 49 n.21) meaning manufacturing and sales activity that *could* have been infringing *if it had occurred inside U.S. territory*.

The causation ruling was also necessary to the Court's result. The Court acknowledged the presumption that "the jury's original \$33 million award was based on a finding of direct infringement," and that the court was required to "honor[] the jury's determination of damages to the extent supported by substantial evidence." *Id.* at 1377. But the Court determined that it could *not* honor the award of foreign damages, *see id.*, as they were *not* supported by substantial evidence since they were not "rooted" in domestic infringing conduct, *id.* at 1372. Instead, the Court directed that on remand "the district court shall hold a new trial to determine the proper amount of damages for Fairchild's direct [domestic] infringement that is supported by substantial evidence in the existing record." *Id.* at 1377; *see id.* ("We anticipate that Fairchild's liability for direct infringement will be commensurate in scope with the accused domestic activity to which Fairchild stipulated."); *id.* at 1381 ("[W]e remand for a new trial on damages resulting from Fairchild's direct [domestic] infringement.").

Power Integrations hitches its contrary interpretation of this Court's decision (Br. 29; *see id.* at 12, 24-25) to the statement that "Power Integrations is incorrect that, having established one or more acts of direct infringement in the United States, it may recover damages for Fairchild's worldwide sales of the patented invention *because those foreign sales were the direct, foreseeable result of Fairchild's domestic infringement,*" *Power Integrations I*, 711 F.3d at 1371 (emphasis added by

Power Integrations). But contrary to Power Integrations’ suggestion, this Court did not endorse the proposition that Fairchild’s foreign sales were caused by its domestic infringement. The quoted sentence states that Power Integrations’ theory is “incorrect” *in toto*; it certainly does not *adopt* Power Integrations’ causation argument. The Court clarified in the next paragraph that the notion that foreign damages “were a foreseeable result of infringing conduct in the United States” is something that Power Integration “*claims*,” not something that is factually or legally accurate. *Id.* at 1372 (emphasis added). And in the end, the Court found “*neither compelling facts nor a reasonable justification*” for allowing such damages here, *id.* (emphasis added)—making clear that the end result was supported by two independent grounds, one of which was failure to prove causation. Power Integrations’ assertion (Br. 31) that the Court did not reject the jury’s causation finding as “unsupported by substantial evidence” cannot be reconciled with the Court’s conclusion that the claim for foreign damages had no factual support.<sup>8</sup>

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<sup>8</sup> Any suggestion in the first now-vacated *WesternGeco* decision (*see* 791 F.3d 1340, 1350 (Fed. Cir. 2015), *vacated*, 136 S. Ct. 2486 (2016)) that Power Integrations proved a causal link between Fairchild’s U.S. conduct and its foreign sales (*see* Power Integrations Br. 30) has no significance here. The Court merely characterized Power Integrations’ *claim*; it did not purport to have conducted a full analysis of the record in this case, and did not have the benefit of advocacy from the parties in this case. As shown in text, the panel that decided *Power Integrations I* clearly concluded that the evidence did not support any such causal link.

Disregarding these aspects of the Court’s decision, Power Integrations asserts (Br. 30) that Fairchild’s causation argument rests on the Court’s statement that “the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement,” *Power Integrations I*, 711 F.3d at 1371-72. But Power Integrations is correct that this is a statement of the Court’s *extraterritoriality* ruling. It does not affect the Court’s *separate* ruling that Power Integrations did not prove causation.

This Court’s causation holding was, moreover, consistent with the district court’s ruling on the same issue in the decision then on appeal—which this Court affirmed. The district court (Appx1937) cited this Court’s seminal causation ruling in *Rite-Hite Corp. v. Kelley Corp.*, 56 F.3d 1538, 1546-47 (Fed. Cir. 1995), and ruled based on the evidence (namely Mr. Troxel’s admissions) that Power Integrations’ claimed foreign damages were “not related to parts that were manufactured, used, or sold in the United States by Fairchild, [were] not based on parts that were imported into the United States by Fairchild or anyone else,” and were not “caused by Fairchild based on any offer for sale by Fairchild in the United States” (Appx 1938-1939) (emphases omitted). The district court thus concluded that “the damages estimates offered by [M]r. Troxel exceeded th[e] scope” of the “infringing activity by Fairchild in the United States.” Appx1939. “In other words,” the court ruled,

“the amount of damages testified to by [M]r. Troxel and adopted by the jury is *not* actually rooted in [*i.e.*, caused by] Fairchild’s infringing activity in the United States.” Appx1938.<sup>9</sup> This Court expressly adopted that causation ruling in particular. *Power Integrations I*, 711 F.3d at 1372. That decision is not subject to further challenge in this subsequent appeal. *See* Op. Br. 52-53 (collecting cases). And that conclusive ruling is sufficient to foreclose any further claim for foreign damages.

## **2. Power Integrations Identifies No Substantial Evidence Supporting Causation**

This Court’s prior holding and mandate were compelled by Power Integrations’ failure to present legally sufficient evidence that Fairchild’s domestic conduct caused Power Integrations to lose foreign sales. The record cannot possibly support a causal link between the limited acts of domestic infringement to which the parties stipulated (domestic manufacturing and sales) and the overwhelming bulk of Fairchild’s *global* sales of chips manufactured abroad. As Intel puts it (Br. 27), the mere fact that “a defendant that makes some infringing products in the United States may also make similar products in other countries” is not enough to establish

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<sup>9</sup> Power Integrations’ suggestion (Br. 29) that the district court made no causation ruling is thus incorrect. And Power Integrations’ invocation of the appellate waiver doctrine (Br. 32) is therefore misplaced: It was incumbent on *Power Integrations* (not Fairchild) to challenge the district court’s causation ruling in the prior appeal. Power Integrations did so (*see* Op. Br. 52 n.22), but this Court rightly rejected the challenge.

causation: “the former does not *cause* the latter. The fact that domestic and foreign manufacture might share certain common origins (such as R&D activities) does not mean that domestic infringement causes the foreign sales.” Additional proof is required to establish a causal link between *domestic* manufacturing and sales activity and *foreign* manufacturing and sales activity.

Here, however, as demonstrated in Fairchild’s opening brief (at 44-51), Power Integrations has provided no such proof. Instead, as Judge Wallach has explained (in a pair of dissents whose reasoning the Supreme Court tracked in its *WesternGeco* decision), Power Integrations has shown no more than a “tenuous connection between infringement and harm.” *WesternGeco*, 791 F.3d at 1354, 1360 (Wallach, J., dissenting), *vacated*, 136 S. Ct. 2486 (2016). Fairchild’s foreign sales were “independent of the extent of United States infringement,” and an award based on those sales would bear no “relation to the extent of the infringement in the United States.” *WesternGeco L.L.C. v. ION Geophysical Corp.*, 837 F.3d 1358, 1368 (Fed. Cir. 2016) (Wallach, J., dissenting), *rev’d*, 138 S. Ct. 2129 (2018). “[W]here,” as here, “the volume of non-infringing sales is independent of the extent of United States infringement, those sales should not be used as a measure of damages flowing from the domestic infringement.” *Id.* Power Integrations’ worldwide damages claim thus cannot succeed on this record even under its own reading of the extraterritoriality case law. It follows that Fairchild’s foreign sales “should not be

used as a measure of damages flowing from the domestic infringement” in this case.

*Id.*

To begin with, Power Integrations shows no substantial evidence that Fairchild’s manufacture and sale of chips in the United States caused its foreign manufacture and sales of similar chips. As Fairchild explained (Op. Br. 45-48), the record lacks evidentiary support for a conclusion that the domestic conduct found to infringe (manufacturing and selling in the United States chips worth \$765,724, Appx1004, Appx1500-1501; *Power Integrations I*, 711 F.3d at 1376-77) caused Power Integrations to suffer nearly \$34 million in damages around the world. Indeed, Mr. Troxel candidly admitted that no such link exists: His “worldwide” damages calculation “was not related to parts that were manufactured in the United States,” “was not related to parts that were sold in the United States,” and “w[as] not related to parts that were imported into the United States.” Appx1069-1070. And Mr. Troxel agreed that he “offered no opinion in this case on the amount of damages if one were to consider only the Fairchild devices sold or manufactured by Fairchild in the United States.” Appx1086-1087. Lacking any rejoinder to these dispositive admissions, Power Integrations simply ignores them.

Nor does Power Integrations identify any substantial evidence contrary to Mr. Troxel’s admissions. For example, while Power Integrations alleges (Br. 31) that “Fairchild took approximately 40% of [Power Integrations’] business,” none of the

record pages referenced in the appended (but unexplained) string-citation does anything to show that Fairchild's limited *domestic* manufacturing and sales *caused* it to make *foreign* sales.<sup>10</sup> Elsewhere (Br. 34), Power Integrations cites transcript pages showing only that Fairchild manufactured 2% of its chips at an overflow facility in Maine, which "were shipped to customers making chargers in Asia." Appx1254; *see* Appx1002-1004. That point is not in dispute, and Power Integrations may recover damages caused by Fairchild's domestic manufacture of those specific chips. But recovering all of Power Integrations' claimed worldwide damages would require a finding that Fairchild would have sold zero *Asia-manufactured* chips *in Asia* if not for the small amount of overflow production in Maine. The record does not support any such finding.<sup>11</sup>

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<sup>10</sup> *See* Appx550-552 (Fairchild gained business "because of the features ... in their products"); Appx583-585 (Power Integrations sued Fairchild without notice); Appx586-587 (Power Integrations deliberated before filing suit); Appx838-40 (only Power Integrations and Fairchild made chips for Samsung chargers); Appx888 (similar; Power Integrations lost 40% of its global wireless charger business to Fairchild); Appx965-969, Appx978 (Fairchild sold chips to Dongyang; a "power supply *produced in the Asia Pacific region* could be sold to the United States market") (emphasis added); Appx2243 ("New Design Won" by Fairchild for "Dong-Yang Electronics *in Korea*") (emphasis added); Appx2247 (summarizing Fairchild's strategy in the "*Asia Charger Market*") (emphasis added); Appx2276 (Fairchild sold chips to Dongyang); Appx2280 (quantifying worldwide revenue impact).

<sup>11</sup> Power Integrations again asserts (Br. 34-35) that Fairchild "offered infringing products to Samsung with the involvement of its U.S. sales force," but that again does not establish a link between U.S.-sited *infringement* and foreign sales. Moreover, Power Integrations does not answer Fairchild's explanation (Op. Br. 46

Power Integrations' two remaining fact-witness citations (Br. 32) show only that Fairchild sold its products globally (Appx998) and that Samsung may have desired to purchase components that would not infringe a U.S. patent if Samsung were to import it into this country (Appx981-983). But even if true, neither of those facts would establish that by manufacturing 2% of its chips in Maine, Fairchild caused sales of the other 98% of its foreign-made chips in foreign markets. Put differently, the citations do not show that by manufacturing and selling \$765,724 worth of chips in the United States, Fairchild caused some \$34 million in damages to Power Integrations around the world. Both of the cited passages are addressed to entirely different issues.

Finally, Power Integrations cites (Br. 32) Mr. Troxel's putative expert testimony. But Mr. Troxel offered no opinion that Fairchild's U.S. manufacturing and sales *caused* it to make additional foreign sales of foreign-manufactured chips. At most, Mr. Troxel asserted a theory that Power Integrations was injured when Samsung purchased power supplies with Fairchild chips from Dongyang in Korea. *See* Appx1039-1040; Appx1106-1107. Again, however, that is not a causal link

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& n.19) that the cited testimony (Appx1000) shows only that Fairchild's U.S. personnel visited Samsung *in Korea* (not in the United States) to discuss *flat-panel televisions* (not mobile phones). The other citation (Appx889-894) shows only that Fairchild took business from Power Integrations; it does not establish a causal link to infringing conduct that took place in the United States.

between the stipulated U.S. infringing conduct (domestic manufacturing and sales) and Fairchild's sales of foreign-made chips abroad.

Moreover, Mr. Troxel's expert testimony cannot support an award of worldwide damages for the additional reason that this Court ruled that it is so "unreliable" and "speculative" as to be inadmissible as "lack[ing] the hallmarks of genuinely useful expert testimony." *Power Integrations I*, 711 F.3d at 1372-74; see Op. Br. 44-45. *Power Integrations* asserts (Br. 37) that this Court "held only that Mr. Troxel's opinion regarding importation rate was unreliable," but that is false: The Court explained at length that "[M]r. Troxel's damages testimony was unreliable *in several respects*," identifying in particular the unreliable source of his underlying data and the multiple "speculative leaps" in his methodology. *Id.* at 1373-74 (emphasis added). These flaws in Mr. Troxel's testimony were not limited to his "importation rate" analysis, but infected his entire "estimate of Samsung's worldwide sales." *Id.* at 1373.

As a matter of law, Mr. Troxel's inadmissible testimony "contributes nothing to a 'legally sufficient evidentiary basis'" for a worldwide damages award. *Weisgram v. Marley Co.*, 528 U.S. 440, 454 (2000). Although *Power Integrations* notes (Br. 37) this Court's finding that the erroneous admission of Mr. Troxel's testimony did not "warrant[] a new trial," *Power Integrations I*, 711 F.3d at 1374, that statement's significance is the *opposite* of what *Power Integrations* ascribes to

it: This Court was explaining that it would not grant a new trial on worldwide damages because it was instead directing entry of judgment *for Fairchild* on that issue. *See id.* at 1381 (remanding only “for a new trial on damages resulting from Fairchild’s direct [domestic] infringement”). This Court had “[a]ppellate authority to make this determination” that further proceedings on worldwide damages were unwarranted, *Weisgram*, 528 U.S. at 444, and Power Integrations supplies no basis to upset the prior panel’s ruling.

Unable to prove a link between worldwide damages and specified violations of § 271(a)’s prohibitions on “mak[ing]” and “sell[ing]” patented inventions “within the United States,” Power Integrations advances a different “primary damages theory” that likewise fails. According to Power Integrations (Br. 36; *see id.* at 7-8, 16, 31), “Fairchild could not have sold *any* of its accused products, worldwide, if they were not capable of being sold and used in the U.S.—either through direct sales or importation into the U.S,” and thus “Fairchild’s infringement supposedly cost Power Integrations “worldwide lost profits.”

But as Fairchild explained (Op. Br. 48-49), any such theory fails as a matter of fundamental patent law. A product alone “cannot infringe under any subsection of § 271,” because the statute expressly “define[s] persons’ *actions* as infringement.” *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1347 (Fed. Cir. 2015) (en banc). Instead, a patent plaintiff must point to particular infringing *conduct*, and

further must show that the relevant “actions” took place “within the United States,” 35 U.S.C. § 271(a). Thus, it is “not infringement at all” (*Power Integrations I*, 711 F.3d at 1371 (citing *Brown*, 60 U.S. at 195)) to make or sell a device in a foreign country merely because that is “capable of being sold and used in the U.S.” (*Power Integrations Br. 36*), *even if* that device practices an invention claimed by a U.S. patent. *See, e.g., Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 527 (1972) (§ 271(a) “makes it clear that it is not an infringement to make or use a patented product outside of the United States”), *superseded by statute on other grounds*, Pub. L. No. 98-622, § 101, 98 Stat. 3383, 3383 (1984). Thus, even accepting *Power Integrations’* damages theory as factually supported (it is not), it does nothing more than tie the damages claim to conduct (*Fairchild’s* foreign sales of chips “capable of being sold and used in the U.S.”) that *does not constitute infringement under § 271(a)*. *Power Integrations’* theory accordingly *cannot* supply legally sufficient evidence that *infringing* conduct caused foreign damages, since it is linked only to *noninfringing* activities.<sup>12</sup>

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<sup>12</sup> *Power Integrations* elsewhere states (*Br. 33*): “[*Power Integrations’*] losses were the foreseeable result of *Fairchild* copying [*Power Integrations’*] patented technology and stealing [*Power Integrations’*] customers who required the ability to sell in the U.S.” But inflammatory rhetoric aside, neither “copying ... technology” nor “stealing ... customers” constitutes U.S. patent infringement unless, among other things, it occurred “within the United States,” 35 U.S.C. § 271(a). If *Power Integrations* wishes to recover damages based on such allegations, it should raise

Power Integrations’ theory thus is not reconcilable with the Patent Act. Indeed, under Power Integrations’ theory, *no* amount of domestic infringement would even be necessary to recover foreign damages, since *any* device that is merely “capable” of importation on account of practicing a U.S. patent would fall within the ambit of § 271(a). That is not and cannot be the law. The Court should reject Power Integrations’ theory, and should accordingly reaffirm that Power Integrations may not seek worldwide damages in the retrial.

**C. *Power Integrations I* Controls The Scope Of Any Damages Retrial**

This Court properly limited the new trial on remand to determining “damages for Fairchild’s direct infringement that is supported by substantial evidence in the existing record.” *Power Integrations I*, 711 F.3d at 1377. Power Integrations provides no sound basis for this Court to now change course and allow it to “supplement the record” (Br. 39). As Fairchild explained (Op. Br. 52-53), departing from the prior mandate requires “extraordinary circumstances,” and “such departures are rare.” *ArcelorMittal France v. AK Steel Corp.*, 786 F.3d 885, 889 (Fed. Cir. 2015) (collecting cases); *see also, e.g., Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.3d 1340, 1347 (Fed. Cir. 2012) (“Under the law of the case doctrine, a court adheres to its decision in a prior appeal

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them in the country where the underlying conduct took place. *See Microsoft*, 550 U.S. at 456. Here, that would be Korea, not the United States.

absent exceptional circumstances.”). But Power Integrations does not acknowledge this standard, let alone show that it is met here.

Power Integrations asserts (Br. 39) without support that the prior panel’s limitation on remand proceedings was “unusual,” but that would be immaterial even if true. The mandate cannot now be undone in the absence of *extraordinary* circumstances, which are not present. Moreover, the Court’s decision was amply supported by its express finding that “Power Integrations has had a full and fair opportunity to develop the record” in this case, which was first filed in 2004. 711 F.3d at 1381. Power Integrations cannot dispute that finding.<sup>13</sup>

Power Integrations has no basis for its contention (Br. 39) that closure of the record is “unfair in light of *WesternGeco*.” The parties developed the record in this case under a pre-*Power Integrations I* regime under which Power Integrations had every incentive and opportunity to develop evidence both to support a worldwide damages claim and to establish the extent of its alleged domestic injury. If Power Integrations failed to avail itself of that opportunity, that is Power Integrations’ own

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<sup>13</sup> The Court should reject Power Integrations’ footnoted suggestion (Br. 40 n.5) that it should be allowed to engage a new damages expert on remand. As discussed (*supra*, at Point I.B), the Court ordered Mr. Troxel’s damages testimony excluded in its entirety, and then directed that the record on remand is closed. Mr. Troxel would not have been permitted to offer any opinions at the new trial if he were still active, and there is no justification for allowing Power Integrations to replace a nonentity with a new expert at this late stage (and in contravention of the mandate in *Power Integrations I*).

fault. As this Court already ruled, it is too late for a second bite at the apple. *See Power Integrations I*, 711 F.3d at 1381.

Power Integrations’ real complaint (Br. 39) is that the Court’s mandate may limit the retrial to “*de minimis* damages.” But if that is so, it is because *de minimis* damages are all that Power Integrations can prove based on the trial record showing only an insignificant amount domestic infringement.<sup>14</sup> Power Integrations points to Fairchild’s alleged “culpability” (Br. 39), but even if proven (it is not), that would not be a basis to extend U.S. patent law to reach conduct that occurred only abroad.<sup>15</sup>

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<sup>14</sup> Contrary to Power Integrations’ suggestion (Br. 39), this is not a “zero damages” situation. The parties stipulated that Fairchild made or sold \$765,724 in infringing chips in the United States. Provided Power Integrations proves causation and otherwise makes its case at a new trial, it may recover a commensurate amount of damages for lost sales, or in the alternative would be entitled under § 284 to a reasonable royalty.

<sup>15</sup> Contrary to Power Integrations’ suggestion (Br. 39), this Court has made no negative “comments about Fairchild’s culpability”: The Court previously *vacated* the district court’s prior willfulness ruling “in view of [its] other holdings,” *Power Integrations I*, 711 F.3d at 1381, and the district court’s subsequent willfulness decision on remand (Appx2182-2204) has not yet been subject to appellate review. Fairchild reserves its right to appeal the willfulness determination (which was not part of the order certified for interlocutory review) on appeal from final judgment.

What is more, the record is undisputed that all of the allegedly “culpable” conduct occurred *in Korea*, when Korean engineers designed products in Korea to be made in Korea and then sold to a Korean company. *See* Appx1213-1216, Appx1687-1689. None of Fairchild’s products was designed (or copied) through conduct in the United States. Basing any aspect of a damages award on such conduct would itself violate the rule against extraterritorial application of the Patent Act.

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For all the reasons set forth above and in Fairchild's opening brief, *Power Integrations I* should be left entirely undisturbed by this appeal. The district court's order should be reversed, and the case should be remanded for a new trial limited to damages suffered as a result of Fairchild's alleged direct infringement, limited to the evidence in the existing trial record, just as this Court previously mandated.

## **II. THE COURT SHOULD REJECT POWER INTEGRATIONS' PUTATIVE CROSS-APPEAL**

Power Integrations' interlocutory cross-appeal is both procedurally improper and unmeritorious. Power Integrations does not raise legal questions warranting interlocutory review under 28 U.S.C. § 1292(b). To the contrary, Power Integrations raises textbook examples of *factual* questions that are not appropriate for such review. Power Integrations asks this Court to reconsider rulings that this Court made in its prior decision in this case, including whether the trial record contains substantial evidence of proximate causation of worldwide damages and induced infringement. And it asks this Court to reinstate the jury's nearly \$34 million damages verdict, which was premised on that discredited theory of induced infringement, under a new theory that the entirety of that damages amount was caused by limited direct infringement. *WesternGeco* says nothing about the standard for induced infringement or damages causation and therefore cannot justify this untimely request for reconsideration and reinstatement of the verdict. Even if it did,

a request that this Court take a second dive into a trial record to consider whether it contained substantial evidence is precisely the type of factual question that is not appropriate for interlocutory review.

**A. The Court Should Dismiss Power Integrations’ Cross-Appeal**

Under 28 U.S.C. § 1292(b), a district court may certify an interlocutory appeal only if (1) it involves a “controlling question of law”; (2) there is a “substantial ground for difference of opinion” on that question; and (3) certification would “materially advance the ultimate termination of the litigation.” Once certified, the court of appeals has discretion to decide whether to accept the appeal or not. 28 U.S.C. § 1292(b). The district court did not find that these statutory requirements were met with respect to Power Integrations’ request to reinstate the verdict. That decision was correct, and the cross-appeal should accordingly be dismissed for failure to present an issue warranting review.

**1. The District Court Correctly Declined To Certify The Question On Cross-Appeal**

Power Integrations’ cross-appeal ignores that the district court did not find that the questions it raises are appropriate for interlocutory appeal. The district court issued its certification order for the sole purpose of allowing this Court to answer the question whether “in light of *WesternGeco II*, the trial [in this case] should be limited to U.S. damages or should, instead, consider worldwide damages.” Appx5.

The district court did *not* find appropriate for interlocutory appeal the question whether the record in the previous trial, already considered by this Court in the prior appeal, contains substantial evidence of induced infringement or whether the jury verdict should be reinstated under a theory of direct infringement. To the contrary, the district court stated that “all aspects of the *Power Integrations* mandate that are unaffected by *WesternGeco II* remain binding on the Court,” and identified induced infringement as one such unaffected aspect of the mandate. Appx5. (“Power will not be permitted to press its claim for induced infringement”) (citing *Power Integrations I*, 711 F.3d at 1376, 1377, 1381). The district court found that its order exceeded this Court’s mandate *only* because it authorized a new trial that would include worldwide damages and not merely damages suffered within the United States. Appx3-4.

With respect to the questions Power Integrations raised in its petition, however, the district court correctly *followed* the mandate by excluding induced infringement from the upcoming new trial and declining to reinstate the verdict. *See Power Integrations I*, 711 F.3d at 1381 (“We vacate the district court’s award of damages based on infringement by inducement, and we remand for a new trial on damages resulting from Fairchild’s direct infringement.”). The district court did *not* find that an interlocutory appeal of whether the trial record contained substantial evidence of inducement or whether the jury verdict should be reinstated presented

“controlling question[s] of law” on which there was “substantial ground for difference of opinion” and as to which an appeal “may materially advance the ultimate termination of the litigation.” 28 U.S.C. § 1292(b).

Although this Court may, in its discretion and in unusual cases, expand an interlocutory appeal to encompass other rulings not certified by the district court but contained in the same order, *see Yamaha Motor Corp., U.S.A. v. Calhoun*, 516 U.S. 199, 205 (1996), it should not exercise that discretion here. *See Rollins v. Dignity Health*, 830 F.3d 900, 912-913 (9th Cir. 2016) (declining to exercise discretion to consider other questions raised in interlocutory appeal but not certified for appeal by district court), *rev’d on other grounds*, 137 S. Ct. 1652 (2017). In the conclusion of its opinion providing its certification analysis, the district court invited the parties to “submit any additional proposed order they request the Court to enter to effectuate its decisions announced here.” Appx5. Power Integrations did not seek reconsideration or submit a proposed order asking the district court to certify the questions it now presents to this Court. This Court should reject Power Integrations’ attempt to now “parlay a discrete certified question” into an unrelated interlocutory review of the sufficiency of a trial record that this Court has already considered and rejected. *Phillips v. Sci.-Atlanta, Inc.*, 374 F.3d 1015, 1017 n.3 (11th Cir. 2004).

**2. This Court Lacks Interlocutory Appellate Jurisdiction Over The Cross-Appeal Under Section 1292(b)**

This Court should decline to engage in the interlocutory substantial-evidence review that Power Integrations requests. Questions are not appropriate for interlocutory review under § 1292(b) unless they involve “controlling question[s] of law” on which reasonable jurists may disagree and whose resolution will materially advance the termination of the litigation. Power Integrations’ cross-appeal satisfies *none* of these three criteria.

*First*, the question whether the record contains substantial evidence to support a claim or defense is not a controlling question “of law.” *McFarlin v. Conseco Servs., LLC*, 381 F.3d 1251, 1258 (11th Cir. 2004) (“The term ‘question of law’ does not mean the application of settled law to fact. It does not mean any question the decision of which requires rooting through the record in search of the facts or of genuine issues of fact.”) (citation omitted); *Ahreholz v. Bd. of Trustees of Univ. of Ill.*, 219 F.3d 674, 677 (7th Cir. 2000) (Posner, J.) (sufficiency of the evidence, which “requires hunting through the record ... to see whether there may be a genuine issue of material fact lurking there,” is not a controlling question of law). Indeed, questions of the sufficiency of the evidence have been described as “[t]he antithesis of a proper § 1292(b) appeal.” *McFarlin*, 381 F.3d at 1259.

Power Integrations violates this basic principle by seeking review of the highly fact-intensive question of whether there is substantial evidence to support a

\$34 million damages award. That effort fails. This Court has no interlocutory jurisdiction to decide whether, as Power Integrations argues (Br. 13-14, 35-36), the record shows that Fairchild induced Samsung to import millions of infringing units into the United States. Power Integrations' inducement theory failed on the merits in the previous appeal because this Court held that the trial record lacked substantial evidence of induced infringement. *Power Integrations I*, 711 F.3d at 1376 (“[T]here was no basis upon which a reasonable jury could find Fairchild liable for induced infringement.”); *id.* at 1377 (“[T]he record contains insufficient evidence to support Fairchild's liability for induced infringement.”); *id.* at 1381 (“We vacate the district court’s award of damages based on infringement by inducement.”). Power Integrations may not now ask this Court to reverse its prior opinion and reinstate the jury verdict on the ground that these statements were erroneous or “dicta.” Nor does this Court have interlocutory appellate jurisdiction to decide the fact-intensive question whether, as Power Integrations argues (Br. 34-35), Fairchild’s domestic manufacture of \$765,724 of accused products caused \$34 million in damages from foreign sales.

*Second*, Power Integrations errs in arguing that there is a substantial ground for disagreement on any question of law that this Court resolved in the previous appeal and that is unaffected by the intervening *WesternGeco* decision. As noted above, this Court’s prior opinion held that Power Integrations failed to introduce at

trial any substantial evidence of induced infringement under 35 U.S.C. § 271(b). *Power Integrations*, 711 F.3d at 1376-77, 1381. And this Court also held that the record lacked substantial evidence that any infringement caused Power Integrations' alleged foreign lost profits. *See supra* Point I.B.

Nothing in *WesternGeco* affects those holdings. *WesternGeco* does not address the standard for proving induced infringement under § 271(b) or what evidence would permit a jury to find induced infringement. And *WesternGeco* explicitly declined to rule on the standard for proving causation of damages. 138 S.Ct. at 2139 n.3. *WesternGeco* therefore does not provide a basis for substantial disagreement with the legal underpinnings of this Court's prior holdings on induced infringement or causation.

*Third*, Power Integrations fails to show that interlocutory review of the issues it presents on cross-appeal would materially advance the termination of this litigation. The only argument Power Integrations presented in its petition for review was that, "if PI is correct, no remand trial will be necessary." No. 19-102, Dkt. 2 at 4. The same argument is true in the vast majority of cases where this Court vacates and remands for a new trial. In such cases, if the Court accepted the losing party's argument instead, no new trial would have been ordered and no remand trial necessary. That fact does not even justify a petition for rehearing, much less an

interlocutory appeal years later on questions of the sufficiency of the evidence that the Court has already decided.

**B. The Court Should Not Reinstate The Damages Verdict**

If the Court reaches the cross-appeal's merits (it should not), it should reject Power Integrations' arguments for reinstating the original damages verdict (Br. 37-38), and should instead remand for a new trial as ordered by *Power Integrations I*. Power Integrations' theories for reinstating the verdict are precluded by this Court's prior opinion, which held both that the district court had correctly found that the claimed foreign damages were not "rooted" in direct domestic infringement, and that the trial record lacks substantial evidence to support a theory of induced infringement. The jury's damages verdict therefore cannot be reinstated even if Power Integrations' interpretation of *WesternGeco* prevails.

**1. WesternGeco Provides No Basis To Reinstate The Damages Verdict**

Power Integrations' cursory lead argument for reinstating the verdict is to speculate (Br. 37) that, if this Court had not applied the presumption against extraterritoriality, "it would never have reached the remittitur." But that simply is not true. As discussed (*supra* Point I.B; *see infra* Point II.B.2), this Court rejected Power Integrations' claim for foreign damages for the *separate* reason that the record does not support a finding that those damages were caused by domestic acts of direct infringement. And as shown below (*infra* Point II.B.3), the Court *also* held that *no*

amount of damages is supportable on an induced-infringement theory. The Court reached and decided those issues in the prior appeal, irrespective of the extraterritoriality question. Those rulings are the law of the case, and Power Integrations again identifies no extraordinary circumstances warranting any departure therefrom. *See ArcelorMittal France*, 786 F.3d at 889; *Transocean*, 699 F.3d at 1347; *supra* Point I.C.

In any event, hypotheticals about the order in which this Court might have addressed the issues on appeal in *Power Integrations I* if it had ruled the other way on extraterritoriality cannot change the fact that (as this Court ruled) the trial record does not contain substantial evidence to support findings of either causation or induced infringement. Thus, even if *WesternGeco* had overruled *Power Integrations I*'s extraterritoriality ruling (it did not), that would not provide a basis to overturn the *other* aspects of this Court's decision—which would be necessary to reinstate the verdict.

## **2. Fairchild's Limited Domestic Direct Infringement Provides No Basis To Reinstate The Damages Verdict**

Power Integrations similarly fails in contending (Br. 37; *see* Br. 29-31) that the verdict should be reinstated under a theory that the jury found that manufacturing 2% of the accused products in the United States caused the entirety of the nearly \$34 million verdict. Power Integrations misplaces reliance (Br. 31, 34, 37) on the “presum[ption] that the jury's original \$33 million award was based on a finding of

direct infringement,” *Power Integrations*, 711 F.3d at 1377. This Court immediately and correctly qualified the quoted statement with the observation that courts “must honor the jury’s determination of damages [*only*] *to the extent supported by substantial evidence.*” *Id.* (emphasis added). And, as discussed (*supra* Point I.B), the Court distinctly ruled that the jury’s determination to award foreign damages in this case was *not* supported by substantial evidence insofar as those damages are not “rooted” in infringing domestic conduct. 711 F.3d at 1372.

That ruling was compelled by Mr. Troxel’s own admissions that his damages figure was not “related to parts that were manufactured in the United States” (Appx1069), and that he “offered no opinion in this case on the amount of damages if one were to consider only the Fairchild devices sold or manufactured by Fairchild in the United States” (Appx1086-1087). Those admissions were not contradicted by any other evidence in the trial record. *See supra* Point I.B.2. Nor is the Court’s conclusion refuted by Power Integrations’ “primary damages theory” (*see* Br. 7-8, 16, 31, 36), which succeeds only in tying the claimed damages to *noninfringing* foreign conduct. *See supra* Point I.B.2.

Accordingly, any implied finding of causation is thus legally and factually unupportable, and the Court correctly rejected it in *Power Integrations I*. That ruling is now unassailable. Power Integrations offers no good ground to overturn

this Court's own prior judgment so as to reinstate a legally and factually baseless causation finding.

**3. The Rejected Theory Of Induced Infringement Provides No Basis To Reinstate The Damages Verdict**

Power Integrations likewise errs in suggesting (Br. 34-36, 38) that the damages verdict should be reinstated (in part) under a theory of induced infringement.<sup>16</sup> This argument is foreclosed by this Court's holding in the prior appeal that the trial record lacked substantial evidence of induced infringement. Power Integrations mischaracterizes this holding as "dicta" and attempts to reargue whether the trial record actually contains substantial evidence of induced infringement. It does not, and Power Integrations' argument fails.

To begin with, this Court already correctly held that the trial record lacks substantial evidence of induced infringement. Power Integrations errs in contending (Br. 35-36) that this Court did not already conclude that the trial record lacks substantial evidence of induced infringement. The Court need look no further than the plain language of its own opinion to refute this argument. This Court noted, "Fairchild further argues that the evidence does not support an award of damages for

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<sup>16</sup> Any reinstatement based on an inducement theory would necessarily be only partial, as there is no contention that *all* of the chips sold by Fairchild worldwide entered the United States in a manner that would constitute direct infringement and which could support an induced-infringement finding. *See* 711 F.3d at 1374 (noting "Power Integrations' argument that 18% of the infringing devices sold worldwide are eventually imported into the United States by unnamed third parties").

infringement by inducement, which requires both specific intent and underlying direct infringement.” 711 F.3d at 1375. This Court agreed with Fairchild that there is no such evidence in the record:

[T]he data do not support [Mr. Troxel’s] assumption that the 18% of Samsung’s mobile phones sold in the United States included chargers incorporating Fairchild’s infringing circuits. In fact, evidence was presented that Samsung sold chargers that did not incorporate Fairchild’s infringing circuits. As a result, [Mr. Troxel’s] assumption that all purported U.S. sales included infringing circuits amounts to pure speculation. ... There is no evidence that the imports of Samsung products included chargers, nor is there evidence that any included chargers incorporated Fairchild’s infringing circuits.

*Id.* at 1375-76. Thus, the Court “f[ound] that Power Integrations adduced insufficient evidence of induced infringement to sustain the district court’s award of damages under that theory,” and “vacate[d] the district court’s damages award” specifically “[b]ecause there was no basis upon which a reasonable jury could find Fairchild liable for induced infringement.” *Id.* at 1376; *see also id.* at 1377 (“[T]he record contains insufficient evidence to support Fairchild’s liability for induced infringement.”). Nor does Power Integrations explain why, assuming its interpretation of the Court’s opinion is correct, this Court would have remanded for a new trial limited solely to “damages resulting from Fairchild’s direct infringement,” as opposed to damages for direct *and* induced infringement. *Id.* at 1381.

Power Integrations incorrectly labels (Br. 35) these statements “*dicta*,” but this Court’s remand instructions to the district court are the mandate, not dicta. If Power Integrations were correct that this Court’s statements were dicta, this Court could not have remanded for a new trial on damages limited solely to direct infringement. The remand would necessarily have included damages for induced infringement as well. But the Court did not remand for a new trial on damages for indirect infringement. Power Integrations is therefore simply incorrect when it argues that the Court did not decide whether the record contained substantial evidence of induced infringement.

Nor is Power Integrations correct in contending (Br. 35-36) that the question of inducement was not raised in Fairchild’s appeal brief in the prior appeal. Fairchild argued in the prior appeal that “Power Integrations’ Speculation Cannot Support Either Induced Or Contributory Infringement” (Appx2371), that the “record lacks any evidence demonstrating that *Fairchild* engaged in [induced] infringement connected with such importation” (*id.*), that “Power Integrations failed to show even a single instance of *direct infringement* underlying Fairchild’s alleged indirect infringement” (Appx2371-2372, emphasis in original), and that “Power Integrations failed to adduce sufficient evidence of the mental state necessary for indirect infringement” (Appx2372; *see* Appx2373-2376).

Power Integrations cites (Br. 13) one of the Questions Presented by Fairchild in the previous appeal, but that citation *confirms* that Fairchild raised the inducement issue. Specifically, Fairchild appealed on whether there was “evidence of a single, specific instance of direct infringement” necessary to support a finding of induced infringement or “evidence of the requisite mental state for induced infringement.” Appx2330. The Question Presented refutes Power Integrations’ argument.<sup>17</sup>

Moreover, Power Integrations’ renewed effort to find substantial evidence of induced infringement in the trial record is unavailing. Power Integrations argues (Br. 36) that this Court’s prior holding of no induced infringement is inconsistent with “unrebutted evidence that Fairchild’s customers imported the accused products into the United States” (citing Appx1246), but the cited trial testimony does not show that any *Fairchild* product was imported into the United States. The testimony shows only that Samsung and other cell phone manufacturers import *cell phones* into the United States:

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<sup>17</sup> Power Integrations’ own filings also refute its current argument. Its brief in the previous appeal acknowledged that “Fairchild contests whether (1) any infringing chips were incorporated into a power supply that was imported into the U.S.” Appx2457. Similarly, Power Integrations conceded in its certiorari petition that “Fairchild appealed the remitted damages award and challenged the jury’s finding that it had engaged in induced infringement.” Pet. for Writ of Certiorari at 11, *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, No. 13-269 (U.S. Aug 23, 2013), reprinted at 2013 WL 4585328. It is therefore clear that the parties asked this Court to determine whether the record contained substantial evidence of induced infringement, and that this Court answered that question “No.”

Q. And Samsung and LG and Motorola, it's a secret that those folks are selling consumer products into the United States?

A. No.

Q. No, it's not. They run ads in the paper every day; right?

A. If I may respond, it's true that Motorola, everybody knows Motorola sells cell phones in the United States. How many Razor M phones they sell in the United States is very much their business. They won't tell anybody.

Q. So --

A. They don't tell.

Q. I didn't mean to cut you off. What you're really saying it's not that we don't know these products are sold in the U.S., we just don't know exactly how many; right?

A. That's right.

Appx1246. Power Integrations ignores the fact that Samsung products often used competing circuits instead of Fairchild circuits, *Power Integrations*, 711 F.3d at 1375-76 (“In fact, evidence was presented that Samsung sold chargers that did not incorporate Fairchild’s infringing circuits.”); Appx887-888, and Power Integrations presented no evidence that the products Samsung imported were not using those non-Fairchild circuits.

During oral argument in the prior appeal, this Court asked counsel for Power Integrations what evidence was admitted at trial to show what proportion (if any) of Samsung’s imported products contained Fairchild chips. In response, Power Integrations asserted that the products competed in a two-player market, but it cited

no *evidence* admitted at trial that Samsung incorporated Fairchild circuits (as opposed to Power Integrations circuits) into any of the products that Samsung imported into the United States.<sup>18</sup> Beyond reconfirming that the Court specifically considered and decided the issue (*see supra* Point II.B.2), this colloquy again refutes Power Integrations' contention that the record contains substantial evidence to support a finding of induced infringement. Absent such evidence, Power Integrations' induced-infringement claim fails as a matter of law.<sup>19</sup>

**C. The Court Should Not Permit Power Integrations To Present An Inducement Theory On Remand**

For all the reasons set forth above, the Court should reject Power Integrations' cursory request (Br. 40) to be allowed to "pursue worldwide damages for inducement" on remand. Power Integrations' inducement theory is out of the case, and should not be revived in any form. The Court should adhere to its prior mandate,

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<sup>18</sup> *See* Oral Arg. in No. 2011-1218 at 29:09-30:24, *available at* <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2011-1218.mp3>.

<sup>19</sup> The other evidence Power Integrations string-cites (Br. 14) also fails to show induced infringement. That evidence shows only that cell phone manufacturers import their products into the United States. It fails to show that any imports of Samsung's products included chargers or that any included chargers incorporated Fairchild's infringing circuits. *See* Appx1239; Appx1245-1246. Moreover, Power Integrations did not cite or rely on this trial testimony in the prior appeal (*see generally* Br. for Plaintiff-Cross Appellant, *Power Integrations, Inc. v. Fairchild Semiconductor Int'l Inc.*, Nos. 11-1218, -1238 (Fed. Cir. June 22, 2011) (Dkt. 31)), and it cannot justify a decision in this appeal to "interpret" or overturn this Court's prior decision.

and should therefore restrict the new trial to damages from domestic acts of direct infringement. 711 F.3d at 1381.

### CONCLUSION

The Court should reverse the order on appeal on the grounds urged in Fairchild's appeal, and should remand the case with instructions to conduct a new trial consistent with this Court's prior mandate.

The Court should dismiss the cross-appeal. In the alternative, the Court should affirm the order on appeal insofar as it denies Power Integrations' request to reinstate the damages verdict.

DATED: May 22, 2019

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I, Kathleen M. Sullivan, hereby certify that on May 22, 2019, I caused the foregoing Brief for Defendants-Appellants to be electronically filed with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. Service will be accomplished on all counsel of record via the CM/ECF system.

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**CERTIFICATE OF COMPLIANCE**

Pursuant to Federal Rule of Appellate Procedure 32(g), the undersigned certifies that this brief complies with the type-volume limitations of Federal Circuit Rule 28.1(b)(1)(A) and the typeface and type-style requirements of Federal Rule of Appellate Procedure 32(a)(5)-(6).

1. Exclusive of the exempted portions, this brief includes 13,961 words.
2. This brief has been prepared in proportionally spaced typeface using Microsoft Word 2013 in 14 point Times New Roman font.

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