

**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.  
AND FAIRCHILD SEMICONDUCTOR CORPORATION

*Defendants-Appellants.*

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APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF  
DELAWARE IN CASE No. 04-CV-1371, JUDGE LEONARD P. STARK

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**POWER INTEGRATIONS' REPLY BRIEF**

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June 12, 2019

**CERTIFICATE OF INTEREST**

Counsel for Plaintiff-Cross-Appellant certifies the following:

1. Full name of every party represented by me is:

Power Integrations, Inc.

2. Name of the real party in interest represented by me is:

Power Integrations, Inc.

3. Parent corporations and publicly held companies that own 10% or more of stock in the party:

BlackRock, Inc.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (including those who have not or will not enter an appearance in this case) are:

FISH & RICHARDSON P.C.: Frank. E. Scherkenbach, Howard G. Pollack, Michael R. Headley, Neil A. Warren, John W. Thornburgh, Craig E. Countryman, Jonathan J. Lamberson, Michael J. Kane, Douglas E. McCann, Joseph B. Warden, William J. Marsden,\* Tamara D. Fraizer,\* Kyle W. Compton,\* David J. Miclean,\* Gina M. Steele,\* Sean P. Hayes,\* Desa L. Burton,\* John D. Hamann,\* John Horvath,\*; and Abrams & Bayliss LLP: John M. Seaman.

(\*no longer with the firm).

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. DE Case 04-1371-LPS.

Dated: June 12, 2019

Respectfully submitted,

By: /s/ Frank E. Scherkenbach

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## INTRODUCTION

The Jury in this case found that Fairchild's acts of infringement in the United States were the but-for cause of lost profits for sales Power Integrations would have made to a customer (Samsung) located in Korea. The jury was given correct instructions on the standards for both direct and induced infringement— instructions that required the jury to find infringing activities occurred in the United States. The Jury found such infringement. The Jury was also properly instructed on the *Panduit* factors, which are one well-established way to show causation for lost profits damages. The Jury once again agreed with Power Integrations that in a but-for world without Fairchild's acts of U.S. infringement, Samsung would not have purchased Fairchild parts at all—it would have only purchased Power Integrations parts. The Jury presumptively credited Power Integrations' evidence that Samsung wanted a part that could supply the entire worldwide market, and would not have considered using different parts to supply different regions of the world. In other words, the Jury presumptively found that in a but-for world where Samsung could not use Fairchild parts in the U.S., Samsung would also choose not to use those Fairchild parts for non-U.S. sales, and would instead have stayed with its previous sole supplier for the entire worldwide market—Power Integrations.

The district court rejected the Jury's verdict not based on the insufficiency of any evidence, but because it concluded Power Integrations could not seek damages for any sales occurring overseas, unless there was also evidence those parts were ultimately imported into the United States. The district court thus allowed Power Integrations to recover lost profits damages only for the approximately 18% of chargers it concluded were eventually imported into the U.S.

In *Power Integrations I*, this Court affirmed the district court's exclusion of extraterritorial damages, but it vacated the district court's remittitur, because it concluded there was insufficient evidence that 18% of Samsung's overseas sales were in fact imported back into the United States. The Court made no other holdings regarding inducement or causation. Fairchild's position to the contrary depends on imagining that this Court granted a JMOL that the district court never even considered.

Because this Court's decision on extraterritoriality in *Power Integrations I* is plainly inconsistent with the Supreme Court's decision in *WesternGeco II*, and because an 18% importation rate is not relevant to PI's primary damages theory or the Jury's verdict, the Court should reinstate that verdict and remand for the district court to consider in the first instance Fairchild's arguments regarding inducement and causation (to the extent that Fairchild preserved those arguments in its previous post-trial motions).

Fairchild is also demonstrably wrong on other procedural issues. PI's cross-appeal is based on the district court's order denying PI's motion to reinstate the Jury verdict. Contrary to Fairchild's assertion, the district court certified this *entire order* for interlocutory appeal. PI also does not ask this Court to reweigh any evidence. Instead, PI merely asks the Court to interpret its prior mandate, which is an issue of law—a point that Fairchild fails to address.

This Court should therefore consider PI's cross-appeal and grant the relief requested.

### **ARGUMENT**

#### **I. PI'S CROSS-APPEAL IS PROCEDURALLY PROPER**

This interlocutory appeal was prompted by PI's motion in the district court to reinstate the Jury's damages verdict in light of *WesternGeco II*. See Appx1-7. The district granted that motion in part, but denied it in other respects. *Id.* As a result, both parties wished to appeal, and both parties agreed that interlocutory appeal was appropriate. See Appx5 (“The Court’s conclusion on material advancement is strengthened by the unusual fact that, after thorough discussion of the matter, the parties agree with the Court that certifying an interlocutory appeal is the appropriate next step in this case. Over nearly 15 years of litigating this matter, the parties have rarely agreed on anything.”) (internal citation omitted).



Unfortunately, the parties' agreement was short lived, possibly because Fairchild changed counsel on appeal. PI supported Fairchild's petition for interlocutory appeal, but Fairchild unexpectedly opposed PI's petition, which was referred to the panel for resolution. Case 19-102, Dkt. No. 17.

Fairchild is wrong that the district court did not certify PI's appeal, and wrong that PI seeks to appeal factual issues. The district court certified its *entire order* for interlocutory appeal, not just part of it. Appx7 ("the Court CERTIFIES *this Order* for interlocutory review by the Court of Appeals for the Federal Circuit pursuant to 28 U.S.C. § 1292(b)") (emphasis added). This certification even appears on the same page as the paragraph of the Order that PI seeks to appeal. *See id.* ("Plaintiff Power Integrations' Motion is DENIED IN PART in all other respects, including to the extent that it seeks to reinstate the original jury verdict in this case or be permitted a new trial on inducement in this case").

PI's cross-appeal involves legal issues because PI asks the Court to interpret its prior mandate and address how *WesternGeco II* affects the Court's legal rulings. Fairchild has no response to PI's authority that interpretation of the Court's prior mandate "is properly considered a question of law, reviewable *de novo*." *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 950 (Fed. Cir. 1997).

For example, Fairchild admits the Court held that it must "presume that the jury's original \$33 million award was based on a finding of direct infringement."

Case 19-102, Dkt. No. 8 at 12, quoting *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013) at 1377 (“*Power Integrations I*”). As demonstrated herein, the *only* reason the Court set aside that verdict was its ruling on extraterritoriality, which is inconsistent with *WesternGeco II*. In particular, the Court did not make any finding that the jury’s direct infringement damages award was unsupported for any other reason. Therefore, *as a matter of law*, the jury’s damages verdict should be reinstated. No examination of the evidence is required, or appropriate.

In the alternative, PI asks the Court to review its prior decision and confirm that its holding with respect to inducement damages should be vacated because of *WesternGeco II*. In particular, the Court held that PI failed to prove an importation rate. However, an importation rate is not relevant under *WesternGeco II* since PI was entitled to seek worldwide damages on the facts of this case. Therefore, since the Court did not make any finding that the jury’s inducement verdict was unsupported for any other reason, as detailed herein, the Jury’s verdict should again be reinstated as a matter of law.

Finally, PI’s cross-appeal will materially advance the conclusion of the litigation because it will prevent the need for yet another trial if PI is correct. Fairchild is wrong that “[t]he same argument is true in the vast majority of cases.” Yellow Brf. at 48. The “vast majority of cases” do not involve a jury verdict

overturned by an appellate court on grounds the Supreme Court would subsequently reverse in another case. Fairchild also concedes this Court has discretion to consider this cross-appeal. Yellow Brf. at 45. If PI is correct that the original verdict should be reinstated, there is no need for a new trial on remand. If PI is required to raise this issue after a remand trial, the entire remand trial may be wasted.

The Court should consider PI's cross-appeal on the merits.

## **II. THE JURY'S VERDICT SHOULD BE REINSTATED**

The Supreme Court announced a view of extraterritoriality in *WesternGeco II* that is very different from *Power Integrations I*. For example, the Supreme Court held that foreign acts do not cut off the chain of causation, such that lost profits from lost *foreign service contracts* could be recovered where those losses were the foreseeable result of U.S. infringement. *WesternGeco L.L.C. v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2139 (2018). Fairchild fundamentally misunderstands this holding, arguing “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.” Yellow Brf. at 9-10. That is clearly not what the Supreme Court held, nor is it the argument Power Integrations makes. Power Integrations only seeks compensation for acts of infringement in the

United States. Those infringing U.S. acts caused harms that occurred around the world. With respect to this theory of lost profits, there is no meaningful difference between Sections 271(a) and (f), where U.S. infringement caused PI's worldwide losses. The "conduct relevant to the statute's focus"—infringement—occurred in the United States. Therefore, damages sufficient to afford "complete compensation" are both *permissible* and *required* by Section 284. *WesternGeco II*, 138 S. Ct. at 2137.

If this Court agrees with PI that the decision on extraterritoriality in *Power Integrations I* is not consistent with the Supreme Court's decision in *WesternGeco II*, the question becomes *what is the result?* PI submits that the Court should reinstate the Jury's verdict so that the district court can consider in the first instance whether Fairchild's other challenges (*e.g.*, sufficiency of the evidence for causation or inducement) are meritorious, to the extent they were preserved.<sup>1</sup>

The Jury's damages verdict may be sustained for *either* direct infringement

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<sup>1</sup> The parties agree that the Court should not review the evidence and make factual determinations at this stage. *E.g.*, Yellow Brf. at 43 ("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"); *see also id.* at 47 ("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."). Instead, the Court should remand so that the district court can undertake a review of the Jury's verdict on any remaining issues in the first instance.

or inducement. As this Court previously held, “we must presume that the jury’s original \$33 million award was based on a finding of direct infringement, and we must honor[] the jury’s determination of damages to the extent supported by substantial evidence.” *Power Integrations I*, 711 F.3d at 1377. No court—not the district court, and not this Court—ever examined whether the Jury’s determination of causation was *factually* supported. Instead, both the district court and this Court rejected PI’s claim on *legal* grounds, for extraterritoriality. To be sure, the record contains evidence supporting the Jury’s implicit finding that Fairchild’s direct infringement was a but for cause of PI’s losses. For example, U.S. manufacturing was required for Fairchild to avoid capacity constraints and meet the demand of its customers. Appx1002-1004 at 772:23-773:15, Appx1240-1241 at 1009:19-1010:6, Appx1254 at 1023:4-16. This specifically included the infringing Fairchild part sold to Samsung. Appx1034-1035 at 804:2-805:11 (PI lost profits based on Fairchild FSD210HD part sold to Samsung/Dongyang); Appx1004 at 774:12-23 (Fairchild manufactured 2.73 million FSD210HD devices in the U.S.); Appx2496 (one page of admitted trial exhibit PX-380, a 114-page spreadsheet identifying Fairchild FSD210HD sales to Samsung/Dongyang).<sup>2</sup> Thus, direct infringement was required for Fairchild to win the business of its largest customer, and

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<sup>2</sup> Dongyang was a PI/Fairchild customer for the chips at issue, and the largest supplier of power supplies for Samsung. Appx888 at 658:8-24; Appx1023 at 793:6-14; *see also* Appx885-888 at 655:15 – 658:7.

previously PI's largest customer. No court has reviewed the sufficiency of this evidence, as detailed in the sections A-B below.

As for inducement, the Court vacated the district court's remittitur that was based on an 18% importation rate, but that was because it held PI failed to introduce substantial evidence of how many accused products were imported into the United States. *Power Integrations I*, 711 F.3d at 1376. But again, neither the district court nor this Court examined whether PI's main inducement theory—which does not depend on importation rate—was factually supported, because both courts rejected that theory on legal grounds, as detailed in sections A and C below.

**A. This Court Did Not Grant JMOL on Inducement or Causation**

The main premise of Fairchild's opposition to PI's cross-appeal is that this Court ruled as a matter of law that PI failed to prove causation and/or inducement. However, since the district court entered judgment on a different issue—extraterritoriality—it never considered these issues, Appx1929-1942, and therefore this Court had no occasion to review them. For example, the district court's order never analyzes whether substantial evidence supports the Jury's implicit finding that PI's worldwide losses were the foreseeable result of Fairchild's U.S. infringement—*e.g.*, because direct infringement by Fairchild was required to win the business of its largest customer (Samsung), because Fairchild induced infringement by designing its chips for use in the U.S., because no customers

would buy chips they could not sell in the U.S., and because this was Fairchild’s business plan. The district court’s opinion is silent on these issues. Certainly, it does not address the relevant testimony—or conclude that no reasonable jury could have found as this Jury did. Indeed, because the district court based its ruling on the legal issue of extraterritoriality, it did not reach other aspects of Fairchild’s post-trial motion. Moreover, Fairchild did not even seek JMOL on causation apart from extraterritoriality.<sup>3</sup>

Fairchild nonetheless argues that *this* Court granted JMOL of no causation and no inducement in the first instance. As shown below, the text of this Court’s opinion in *Power Integrations I* demonstrates that Fairchild is mistaken. In addition, it would be highly unusual for this Court to grant a JMOL not first

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<sup>3</sup> The district court should decide in the first instance on remand whether Fairchild preserved the arguments it makes now, but Fairchild’s post-trial motion did not argue causation apart from extraterritoriality. *See* Appx2102 (“Power Integrations ‘worldwide’ damages are not caused by any conduct, by any party, at any time within the United States”). On the other hand, Fairchild did argue that inducement requires “proof of individual, identified underlying acts of direct infringement” and that PI failed to meet this burden. Appx2110. Though PI has prevailed on this issue in other cases against Fairchild, the district court did not reach this issue here. *See* Appx1929-1942; *compare Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 843 F.3d 1315, 1335 (Fed. Cir. 2016) (“*Power Integrations IP*”) (“[w]hile none of this evidence can be directly linked to the particular HP printer, Acer notebook computer, or Samsung notebook computer Power Integrations introduced at trial as representative acts of direct infringement, it was sufficient to allow the jury to find that Fairchild had induced its customers (including HP, Acer, and Samsung) to infringe as a class. This is all that we require.”).

considered by a district court—and not even filed by Fairchild, in the case of causation. *E.g.*, *Abbott Laboratories v. Syntro Bioresarch, Inc.*, 334 F.3d 1343, 1351 (Fed. Cir. 2003) (“Abbott urges that we enter JMOL in its favor instead of ordering a new trial. However, we think the issue of whether JMOL or a new trial should be granted is an issue best addressed in the first instance by the district court.”). Fairchild’s suggestion that this Court entered a JMOL not considered by the district court, or even filed by Fairchild, without even acknowledging that it was doing so, is simply not plausible.

#### **B. This Court Did Not Make Findings on Causation**

Fairchild boldly asserts that “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.” Yellow Brf. at 2. Yet no such statement appears anywhere in *Power Integrations I*. The only time the word “causation” appears in *Power Integrations I* is in the following sentence: “To the contrary, 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 (emphasis added). However, that sentence is clearly part of the Court’s extraterritoriality analysis—as Fairchild concedes (at 30)—and in fact presumes that PI prevailed on causation,



since the paragraph begins by stating “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.*” *Id.* at 1371 (emphasis added).

The Court’s statement that “the entirely extraterritorial production, use, or sale of an invention . . . cuts off the chain of causation” is also clearly inconsistent with *WesternGeco II*, which approved damages for *foreign service contracts*—that is, wholly foreign *use* of components exported from the United States.

*WesternGeco II*, 138 S. Ct. at 2139.

Fairchild also asserts that this Court “held” that “the foreign ‘harm’ at issue here was not ‘caused by U.S. infringement.’ It was, instead, caused by Fairchild’s foreign activities.” Yellow Brf. at 21; *see also id.* at 27 (“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”). Yet *Power Integrations I* contains no such statements. The word “caused” appears only twice in the Court’s decision, and neither instance supports Fairchild’s argument. First, the Court says “Regardless of how the argument is framed under the facts of this case, the underlying question here remains whether Power Integrations is entitled to compensatory damages for injury *caused* by infringing activity that occurred

outside the territory of the United States. The answer is no.” *Power Integrations I*, 711 F.3d. at 1371 (emphasis added). Since there can be no direct infringement outside the U.S., “infringing activity that occurred outside the territory of the United States” must refer to inducement. This quote thus presumes that PI *prevailed* on causation, but lost on grounds of extraterritoriality.

Second, the Court stated that “[l]ost revenue caused by a reduction in the market price of a patented good due to infringement is a legitimate element of compensatory damages.” *Id.* at 1378. This statement also does not support Fairchild’s premise. It relates to a different issue entirely, and was a precursor to the Court’s holding that “[t]he district court’s decision to exclude Power Integrations’ evidence of pre-notice price erosion was incorrect as a matter of law.” *Id.* at 1380.

Fairchild next attempts to transform the district court’s holding that damages were not “rooted in Fairchild’s activity in the United States” into a causation finding rather than an extraterritoriality ruling. Yellow Brf. at 31, citing Appx1938. This too is mistaken. The district court actually held that “the jury’s verdict, to the extent it was based on inducement of infringement, was supported by the evidence.” Appx1941. The language that Fairchild quotes is instead part of the district court’s rejection of PI’s case on *extraterritoriality* grounds, and is expressly a response to PI’s argument that “based on Fairchild’s infringement in

the United States, it was foreseeable that Power Integrations would lose sales worldwide.” Appx1938.

This Court’s approval of the district court’s ruling in *Power Integrations I* was also expressly based on extraterritoriality, not lack of causation. Indeed, in so holding, the Court stated that “[w]e find neither compelling facts nor a reasonable justification for finding that Power Integrations is entitled to ‘full compensation’ in the form of damages based on loss of sales in foreign markets which it claims were *a foreseeable result* of infringing conduct in the United States.” *Power Integrations I*, 711 F.3d at 1372. Again, this holding presumes that PI was correct on causation, and it is contrary to the central premise of Fairchild’s brief.

If the district court had not vacated the Jury’s verdict for extraterritoriality, and if this Court had not affirmed that ruling, everything in the *Power Integrations I* opinion starting at page 1372 would necessarily have been different. The Court would have had to review the Jury’s verdict for substantial evidence—not the district court’s remittitur, which was based on a different damages theory. The Court simply did not conduct that analysis, just as the district court did not, given the rulings on extraterritoriality.

In short, *Power Integrations I* contains no “finding” that Fairchild’s infringement did not *cause* PI’s damages.

**C. This Court Did Not Make Any Rulings on Inducement Beyond Its Holding That PI Failed to Prove an 18% Importation Rate**

Fairchild includes many soundbites but fails to rebut the showing in PI's opening brief that this Court's analysis of inducement in *Power Integrations I* was limited to the district court's finding, in the context of remittitur, that Fairchild induced its customers to import 18% of its sales into the United States.

It is true the Court made statements suggesting that PI failed to prove inducement. *E.g.*, *Power Integrations I*, 711 F.3d at 1377 (“As we have already concluded, the record contains insufficient evidence to support Fairchild's liability for induced infringement.”). However, the language “[a]s we have already concluded” is a cross-reference to the Court's previous discussion, which puts the remarks in context. Earlier in the opinion, the Court explained its conclusion: “[T]he amount of the district court's remittitur is not supported by substantial evidence, and we hold that the district court erred in relying on Dr. Troxel's inherently speculative 18% figure. For the reasons above, we find that Power Integrations adduced insufficient evidence of induced infringement to sustain the district court's award of damages under that theory.” *Id.* at 1376. That statement is more precise: it specifies that the district court's error was relying on insufficient evidence of an “18%” importation rate, and it concludes that PI “adduced insufficient evidence of induced infringement to sustain the district court's award

of damages under that theory.” *Id.* (emphasis added). In other words, the Court’s conclusion was limited to damages, and was also limited to damages under the district court’s 18% remittitur theory.

Again, PI’s main inducement case did not depend on an importation rate. PI sought worldwide lost profits because it introduced substantial evidence that Fairchild’s customers would not have bought any of the accused products—worldwide—if they could not have imported them into the United States.

*Fairchild does not even dispute this key point.* It also cites no evidence that it could have entered the market without U.S. infringement. And it cannot, since its customers were not interested in buying chips that they could not sell in the U.S., given the unique requirements of the power supply business. For example, PI’s inventor and CEO Balu Balakrishnan explained that “manufacturers don’t want to make different products for different countries.” Appx549-550 at 319:11-320:4. PI’s expert Mr. Troxel likewise testified that “[w]hen Samsung buys a power supply from Dongyang, they’re not going to buy one for use outside the United States, and another one for use inside the United States on cell phones.”

Appx1039-1040 at 809:22-810:14. Industry analyst Shawn Slayton concurred, testifying that Samsung “would just get rid of the infringing part.” Appx981-983 at 751:23-753:20; *see also* Appx998 at 768:4-24. And a former Fairchild employee, Hubertus Engelbrechten, agreed that Fairchild designed its products to

comply with “Energy Star in the U.S. to meet the standards” so that it could “sell its products anywhere in the world.” Appx998 at 768:4-24. *Compare Power Integrations II*, 843 F.3d at 1332-35 (finding sufficient evidence of inducement to avoid JMOL in another case where Fairchild also designed its products to meet U.S. standards such as Energy Star). Thus, in a but-for world where Samsung cannot use Fairchild parts either made in the United States or parts for which Fairchild induced importation into the United States, Samsung would have foregone Fairchild parts altogether, and would have stuck with its previous sole-supplier Power Integrations for all of its purchases.

Fairchild also does not dispute evidence that it had zero market share before infringement, and a large market share after. For example, PI’s sales executive at the time, Bruce Renouard, testified that “Every Samsung wireless cell phone that’s ever been produced in the world, is using either a PI chip or Fairchild chip now. And prior to Fairchild copying our intellectual property they were all PI chips.” Appx839-840 at 609:21-610:15.

Again, the Jury accepted this evidence. It was instructed on the requirement of “but for” causation, and it agreed with PI that Fairchild’s direct and indirect infringement *caused* PI’s worldwide losses. Appx1906 at 1675:1-13; Appx1927. This finding would be entitled to deference if Fairchild had actually challenged it in the district court. But as Fairchild elsewhere admits, “whether there is

substantial evidence to support a \$34 million damages award” is “highly fact-intensive question,” Yellow Brf. at 46-47, which is likely why Fairchild never actually brought a motion challenging this aspect of the verdict, and certainly did not raise it on appeal in this case.

Except for its ruling on extraterritoriality, this Court therefore had no occasion to address the evidence of worldwide inducement and causation, or the Jury’s findings in PI’s favor on those issues. Fairchild says it *argued* that PI failed to show “a single instance” of direct infringement or the required “mental state” (Yellow Brf. at 54), but there is no hint in the *Power Integrations I* opinion that this Court agreed. Certainly, there was sufficient circumstantial evidence for the Jury to infer that at least one accused product entered the U.S. and that Fairchild intended this result. For example, Fairchild’s vice president of marketing and sales, Tom Beaver, expressly admitted at trial that Fairchild knew its customers imported the accused chips into the United States. Appx1244-1246 at 1013:2-1015:20 (cited during previous appeal as JA5704-5707; *see* PI’s prior Red Brf. at 54-55, 56, 59). Fairchild argues that this testimony relates only to phones, not Fairchild’s chips, but the transcript reveals otherwise. The line of questioning expressly begins by asking “there is no question that you all know, at Fairchild know that these chips ultimately go into end products like cell phones and laptops?” Appx1244 at 1013:7-9. The witness then admitted that “they”—

Fairchild’s chips—get put “into” products sold “worldwide” including in “the United States.” Appx1244-1245 at 1013:24-1014:15.

Furthermore, in *Power Integrations I*, the Court stated that “the underlying question here remains whether Power Integrations is entitled to compensatory damages for injury caused by *infringing activity that occurred outside the territory of the United States*. The answer is no.” *Power Integrations I*, 711 F.3d at 1371 (emphasis added). Again, since there can be no direct infringement outside the U.S., “infringing activity that occurred outside the territory of the United States” must refer to inducement. This indicates the Court accepted PI had proven some inducement—just not 18% importation—but rejected PI’s damages on legal grounds.

Finally, as discussed at the beginning of this brief, it is highly unlikely that the Court intended to reach the sufficiency of PI’s inducement evidence (beyond the importation rate) since the district court had not considered this in the first instance.

**D. Mr. Troxel Did Not Make Any Admissions on Causation**

Fairchild also spends much of its brief on supposed admissions from PI’s damages expert, Mr. Troxel. Namely, Mr. Troxel readily agreed that he did not quantify damages for products that Fairchild made or sold in the U.S. Appx1086-1087 at 856:20-857:1; Appx1069-1070 at 839:12-840:8. However, Fairchild never



once acknowledges or responds to Mr. Troxel’s main point: that Fairchild’s foreign sales would not have occurred *but for* its U.S. infringement. *Compare* Appx1106-1107 at 876:24-877:5 (“[Damages] was based on infringement in the U.S., but the damages then occurred because they lose the sales worldwide.”); Appx1068 at 838:1-12 (“assuming infringement in the U.S., then I’m saying . . . this is how they’re hurt worldwide”).

In other words, Fairchild conflates Mr. Troxel’s testimony on his damages *base* with his testimony on *causation*. Mr. Troxel consistently testified that he used a *worldwide damages base* (not limited to U.S. sales) because U.S. infringement *caused* worldwide damages. Mr. Troxel’s only “admission” was that he did not perform a separate calculation using a different U.S.-only base. There is simply no admission regarding a lack of causation, and indeed Mr. Troxel’s entire damages theory (which the jury ultimately credited) was based upon the existence of such causation.

**E. The Court Did Not Sustain Any Other Objections to Mr. Troxel’s Testimony**

Fairchild also argues that “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.’” Yellow Brf. at 36, citing *Power*

*Integrations I*, 711 F.3d at 1372-74. However, the pages cited from the opinion are directed to Mr. Troxel's methodology for calculating *importation rates* (specifically, the percentage of Samsung phones imported into the United States). Again, importation rates are not relevant to PI's main damages claim.

**F. The Jury's Verdict Should Be Reinstated**

The Jury's damages verdict should be reinstated because it can be supported by *either* direct infringement or inducement, and because neither this Court nor the district court has ever reviewed whether substantial evidence supports the Jury's implicit findings that (a) Fairchild's direct infringement caused PI's worldwide losses because it was a prerequisite for Fairchild to enter the market at all; (b) Fairchild's inducement caused PI's worldwide losses because no customer would have purchased Fairchild's products if the customer could not import them into the United States; and (c) Fairchild induced its customers to import the accused products, *e.g.* by designing them for use in the United States, even if the exact number of imports is not known.

*WesternGeco II* permits PI to recover worldwide losses if they are caused by U.S. infringement. Again, in *WesternGeco II*, the Supreme Court permitted recovery of lost profits for entirely foreign service contracts because the loss of business was the foreseeable result of U.S. infringement. *WesternGeco II*, 138 S. Ct. at 2139. In so holding, the Supreme Court overruled this Court's contrary

decision in *WesternGeco I* that was expressly based on *Power Integrations I*. Compare *WesternGeco L.L.C. v. ION Geophysical Corp.*, 791 F.3d 1340 (Fed. Cir. 2015) (“*WesternGeco I*”) at 1351 (“[u]nder *Power Integrations*, WesternGeco cannot recover lost profits resulting from its failure to win foreign service contracts, the failure of which allegedly resulted from ION’s supplying infringing products to WesternGeco’s competitors.”).

Given the Supreme Court’s analysis in *WesternGeco II*, this Court’s ruling in *Power Integrations I* that PI failed to prove an importation rate is not dispositive. PI’s main damages theory—that Fairchild could not have entered the market at all without U.S. infringement—does not depend in any way on an importation rate. Instead, PI’s damages case is like WesternGeco’s: PI lost worldwide business as a foreseeable result of Fairchild’s U.S. infringement, both direct and indirect.

**III. AT A MINIMUM, THIS COURT SHOULD PERMIT A NEW TRIAL ON DAMAGES THAT IS CONSISTENT WITH WESTERNGECO II**

If this Court does not reinstate the Jury’s verdict, it should at least permit PI “to seek recovery of worldwide damages” during a new trial, as the district court ordered. Appx4. It should also modify the portion of its mandate limiting PI to “the existing record.”

Fairchild offers no compelling reason why PI should not be permitted to adapt its proofs to the legal framework articulated by the Supreme Court in *WesternGeco II*. Moreover, denying PI this opportunity would be especially harsh in light of the Court's other findings in *Power Integrations I* that "Fairchild competed with Power Integrations by reverse engineering and copying of Power Integrations' products" and that "[t]he record indicates that Fairchild fostered a corporate culture of copying, which was not limited to the '876 Patent." *Power Integrations I*, 711 F.3d at 1369.

It is also clear that the Court did not intend to limit PI to the existing trial record in other respects. For example, the Court held that the district court improperly excluded evidence of pre-infringement prices, and that "[i]n the new trial on damages for direct infringement, the district court shall admit Power Integrations' evidence of pre-notice price erosion that is relevant in calculating damages for Fairchild's post-notice direct infringement." *Power Integrations I*, 711 F.3d at 1380. The Court also "reverse[d] the district court's denial of Power Integrations' motion for an accounting" and permitted PI to introduce new evidence of "post-verdict infringing sales." *Id.* at 1381.

While the Court limited the remand to direct infringement, that was based on pre-*WesternGeco II* law. PI should now be free to pursue worldwide damages for inducement, so long as its case does not depend on importation rate evidence. The

district court should be allowed to decide in the first instance what additional proof PI should be permitted on remand.

**CONCLUSION**

This Court should affirm the district court's ruling that *WesternGeco II* overrules this Court's prior ruling on extraterritoriality. However, this Court should reverse the district court's refusal to reinstate the original Jury's damages verdict, so that the district court can consider Fairchild's other challenges to PI's proof in the first instance, to the extent those challenges were preserved. At a minimum, this Court should affirm the district court's order permitting a new trial on worldwide damages, but in that case, PI should be permitted to supplement the record to meet the proof requirements of *WesternGeco II*. PI should also be permitted to seek worldwide damages for both direct and induced infringement.

Dated: June 12, 2019

Respectfully submitted,

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**CERTIFICATE OF SERVICE AND FILING**

I hereby certify that I electronically filed the foregoing document using the Court's CM / ECF filing system on June 12, 2019. All counsel of record were served via CM / ECF on June 12, 2019.

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**CERTIFICATE OF COMPLIANCE**

The undersigned attorney certifies that the foregoing document complies with the type-volume limitation set forth in Fed. R. App. P. 27. The relevant portions of the brief, including all footnotes, contain 5579 words, as determined by Microsoft Word.

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