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The Accidental Tourist: Examining Analogies In WesternGeco

By **Daniel McDonald and Ryan Borelo** (May 23, 2018, 1:01 PM EDT)

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The U.S. Supreme Court heard oral arguments in April 2018 in WesternGeco LLC v. Ion Geophysical Corp., which examined the ability of a U.S. patent owner to recover lost profits for foreign sales based on domestic acts of infringement.[1] The proceedings included discussion of various versions of a recurring and at times amusing analogy of an unlucky French visitor who is hit by a car.

Like a car accident, patent infringement involves a tortious act. Because of this similarity, and perhaps a desire to simplify the analysis of thorny issues of proximate cause of cross-border damages, counsel and the court framed many points and arguments using the car/French person analogy. The court and counsel may have found the analogy more useful than the subject of the patent at issue, involving a technology used in sweeping ocean floors for oil exploration.

Counsel for the petitioner took the initial test drive of the analogy and presented an example where the French ambassador is hit by a car. The analogy was an attempt by the petitioner's counsel to persuade the court that comity with the laws of other nations should lead to an award of lost profits. The plaintiff/victim in this scenario, he asserted, is entitled to full compensation for all hospital bills, even if he or she paid some of those bills in France to a French hospital. The petitioner's counsel contended that the Federal Circuit should be reversed because its categorical refusal to award lost profits from overseas lost sales arising from infringing exportation under 35 U.S.C. § 271(f) contradicted the common-sense damages award of French hospital expenses in the car accident analogy.

Justice Neil Gorsuch sympathized with the plight of the "poor French Ambassador," but sought help with applying the analogy to patent infringement on the high seas or, for example, Lake Michigan. In response, the petitioner's counsel emphasized the specific language of 35 U.S.C. § 271(f), which makes clear that infringement on the high seas should be treated as if it took place on Lake Michigan.

The motor vehicle analogy reappeared during arguments by the respondent's counsel, who maintained that two distinct injuries are at issue: (1) the act of exporting the parts of a patent with the intent that they be combined as required by § 271(f), and (2) the resulting overseas combination that results in lost profits for the patent owner. Counsel for the respondent compared this duality with the situation where someone drives a car over the Roosevelt Bridge and crashes into a motorcyclist, who then wanders

down the bridge across the state line, where she or he is hit by another vehicle. Counsel contended that these were two distinct injuries: one from the original accident and a second, such as getting a foot run over, by the driver of the second car. The respondent's counsel thus encouraged the court to apply the presumption against extraterritorial application of U.S. patent law and affirm the Federal Circuit's refusal, in effect, to hold the first driver liable for the acts of the later driver.

But is the respondent's version of the analogy a valid comparison to lost sales from infringement under § 271(f)? Justice Anthony Kennedy seemed unimpressed, replying to counsel, "[I]t seems to me as if [in this case] you got back in the car and then hit him [again] when he went [to] Virginia." While the transcript reports that laughter ensued, Justice Kennedy's point was more than a joke. Unlike the situation of an injured motorcyclist crossing the bridge and encountering a second car, here the second act was a direct and intended result of the first. The language of § 271(f) requires that the tortious act, the act of exportation, be performed "in such manner as to actively induce" the later act, which is the assembly of the components. Inducement requires "knowledge that the induced acts constitute patent infringement."[2] Although the combination abroad is not a separate act of infringement of the U.S. patent, the "actively induce" language of Section 271(f) indicates a requirement that the accused infringer know that its exported parts will be combined abroad as claimed in the patent.

Moreover, merely exporting unpatented components per se does not result in the lost sales at issue. The lost sales only occur because of the subsequent action of combining the parts in the manner claimed in the U.S. patent, which was the result known to the infringing exporter.

Justice Elena Kagan also seemed skeptical, calling the respondent's example "a classic law school proximate-cause hypo," which indicated that the respondent's hypothetical did not support the absolute bar on recovery of patent infringement damages from foreign-based sales. Instead, Justice Kagan's statement indicated that the hypothetical supported applying traditional proximate cause damages analysis to lost profits under § 271(f) regardless of where the lost sales arose. Justice Stephen Breyer also seemed to find difficulty in finding the respondent's hypothetical helpful to its plight, saying "the damages here are pretty closely related."

One can imagine another analogy perhaps more directly on point to § 271(f) than the respondent's example. Suppose a motor vehicle operator pushed his or her car from a hilltop in Maryland, setting the steering wheel to aim at a pedestrian (French or not) standing in Virginia. In this scenario, the tortious action occurred in Maryland, but damages and injury arose in Virginia. In that event, the damages are not only foreseeable, but in fact intended by the tortfeasor. In that scenario, there would seem little dispute that the tortfeasor should provide full compensation to the victim.

Similarly, if the tortfeasor in the car was on a hilltop in Maine and the pedestrian was standing across the border in Canada, again one would expect that the Canadian victim (French Canadian?) would receive full compensatory damages under U.S. law. The tortious act is not too remote from the damages to be considered proximately caused by the tort. The fact that the act crosses an international border does not change the causality analysis. Liability seems especially appropriate if the tortious act required that the tortfeasor intend that the car cause damage.

This seems to be analogous to damages under § 271(f), in the sense that the statute requires exporting the parts with the knowledge that the parts will be combined outside the U.S. in a manner that would infringe if done in the U.S. The inducement requirement of § 271(f), while narrowing the range of acts deemed infringing, would also seem to affirm that damages arising from combining the parts as intended are foreseeable and proximately caused by the act of infringing exportation.

In some respects, § 271(f)'s intent requirement may limit the scope of compensable damages under 35 U.S.C. § 284. Suppose, for example, that the accused infringer exports parts with the intent that they be combined, but the parts are never combined in fact to form a patented combination. In that event, the patent owner may suffer lost profits abroad in some form, such as lost sales of competing individual components. However, such lost-profits damages from overseas sale or use of uncombined parts may not be the foreseeable, proximately caused damages from the tortious act of exportation in such manner as to actively induce the patented combination. Thus, such lost-profit damages may not be recoverable under § 284 due to issues of causation, regardless of any presumption against extraterritoriality.

The Maine/Canada example also illustrates, perhaps, how to address the "gap" between the ephemeral injury (from exportation) and practical injury (from assembly abroad) that concerned Justice Samuel Alito. Justice Alito raised this concern to the solicitor general, who again returned to the car analogy (while demoting the French ambassador to a mere French tourist). Counsel described a tourist bringing her car to a shop to work on the brakes. The shop improperly repairs the brakes. No injury in fact occurs when the tourist leaves the shop, but an accident occurs later due to the shop's negligence. According to the solicitor general, the faulty repair "set into motion" the injury, and the shop would be liable.

In the solicitor general's scenario, the act of improperly repairing the brakes caused the "ephemeral" damage, but the "practical" injury arose from a subsequent event at a different time and place — presumably, when the brake failed and the driver suffered injury. By analogy, the solicitor general appeared to contend, although exportation is the wrongful act under § 271(f), liability extends to the lost-profits damages that directly resulted from that infringing act, even if they arise later and elsewhere. The comparison seems even more compelling when it is noted that, unlike the negligent but presumably unintentional car repair shop, the patent infringer exports with knowledge that its parts will be combined abroad.

The various motor vehicle/French victim analogies seem to illustrate that lost profits should be available under § 271(f). In any event, the justices' responses appeared to favor reversal of the Federal Circuit and a broadening of damages available for infringement under 35 U.S.C. § 271(f). In short, the biggest victim from the car wreck analogies might have been the respondent.

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[1] No. 16-1011 (argued April 16, 2018).

[2] Astornet Techs. Inc. v. BAE Sys., Inc., 802 F.3d 1271, 1279 (Fed. Cir. 2015).