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WesternGeco LLC v. ION Geophysical Corp.: Supreme Court to Determine Lost Profits Damages Arising from Patent Infringement

Q: COULD YOU EXPLAIN THE SIGNIFICANCE OF THE UPCOMING SUPREME COURT CASE WESTERNGECO LLC V. ION GEOPHYSICAL CORP.?

RONALD E. CAHILL: *WesternGeco* will address extraterritorial reach and a specific type of infringement under Sec. 271(f) of the patent statute, where components of an invention are made in the U.S., but sent outside the country to be combined in an infringing device. The key issue at stake is whether the full panoply of U.S. patent damages are available even where the infringing device is only made and sold outside the U.S. In this case, *WesternGeco* is seeking lost profit damages, i.e., the amount that they would have made in sales if the infringement didn't occur. The case law allows for limited extraterritorial application of patents, but the critical question remains: how far do these protections extend? Certainty is important in a climate where the White House regularly issues statements about protecting U.S. intellectual property abroad.

Q: THIS SEEMS LIKE AN OBSCURE CORNER OF PATENT LAW, WHY IS THE SUPREME COURT INTERESTED?

REC: The Supreme Court has recently considered the extraterritorial reach of U.S. law generally. Here, the Supreme Court has the opportunity to weigh in on the specific question of, if U.S. law does apply outside the U.S., what remedies are available. This will actually be the third time that the Supreme Court considers section 271(f) since 2006. It may be obscure, but the Supreme Court sure seems to think it is important. Also, *WesternGeco* is the third of three cases in where the appeals court has considered the territorial reach of U.S. patent damages—and the Solicitor General (the attorney for the federal government and an important voice to the Supreme Court) has asked that the Supreme Court consider all three of those cases.

Q: WHY IS THE ENERGY INDUSTRY FOLLOWING THIS CASE SO CLOSELY?

REC: The outcome of *WesternGeco* applies to all industries, but the case has particular import for inventions that are used at sea. Off shore oil rigs and wind farms may be located in no jurisdiction, meaning that there is no other country to go to for relief. That makes full damages under U.S. law that much more important.

Q: DO BUSINESSES FACE ANY UNINTENDED CONSEQUENCES AS A RESULT OF HOW THE SUPREME COURT RULES?

REC: Yes – how other countries will react is a big question mark. Competition exists among the federal courts in different states in America to decide major patent litigation cases and this competition plays out internationally, too. The EU wants to become the go-to destination for patent litigation and they have established new patent courts to achieve this goal. How will they react if, for example, pharma companies sue in U.S. courts for formulations made outside the U.S.? Will they enact their own laws for European damages? That remains to be seen.

Q: WILL THE WESTERNGECO DECISION PROVIDE FINAL CLARITY ON DAMAGES?

REC: Damages are the hottest topic on the appeals court docket right now and this question crops up on a recurring basis. *WesternGeco* may or may not rock the world, but the issue does need to be decided. On the other hand, *Mentor Graphics Corp. v. EVE-USA Inc.* strikes right at the heart of the lost profit damages question: should lost profits be apportioned so that only patented features are covered? The current law, where current cases seem to contradict hundred-year-old Supreme Court jurisprudence, makes it impossible to predict damages. *Mentor Graphics* has the potential to be a truly landmark ruling—it has drawn a lot of amicus briefing and I hope the Supreme Court accepts it.

Q: WHAT DO YOU PREDICT WILL HAPPEN IN THE AFTERMATH OF THE WESTERNGECO DECISION?

REC: Companies are well aware of the existing statute. This decision may ultimately enforce what Congress intended. If the Supreme Court rules that companies are eligible for lost profit damages, that could push companies to both manufacture components and assemble them outside the U.S., especially in countries with less developed intellectual property regimes. Vietnam and Malaysia could see a spike in production as companies seek to avoid infringement claims. The large multinational corporations already sell their products all over the world; instead, second-tier companies will feel the impact and adjust accordingly.



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Ronald E. Cahill chairs Nutter's Intellectual Property Department. His advice to clients ranges from designing intellectual property protection that maximizes the protectable value of the client's investment in research and development to applying that intellectual property in court and in the marketplace to allow clients to realize that value. While much of Ron's work involves presenting his clients' case to judges and juries around the country, many clients ask him to apply that experience to strategic planning within their business, and especially with respect to their competitors or potential deal partners.

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