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IMPLICIT OVERRULING AND FOREIGN LOST PROFITS

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INTRODUCTION

How does one know when the Supreme Court has implicitly overruled a circuit panel precedent? In other words, how might a court choose between following a directly-on-point circuit panel precedent, versus a subsequent Supreme Court case that is less directly on point but arguably overruled that panel precedent? Despite the fact that federal circuit courts (and district courts) are faced with this question on a regular basis, the answer is not clear.

The Federal Circuit is currently faced with exactly this question. In *WesternGeco LLC v. ION Geophysical Corp. (WesternGeco III)*, the Supreme Court held that foreign lost profits can be a permissible form of damages upon a verdict of infringement under 35 U.S.C. § 271(f).[1] This was a reversal of the Federal Circuit, which had held that foreign lost profits are categorically not recoverable under § 271(f), because such foreign profits occur "outside the jurisdictional reach of U.S. patent law," and thus would offend the "presumption against extraterritoriality."[2] In so holding, the Federal Circuit had relied upon one of its own precedents, *Power Integrations v. Fairchild Semiconductor*, which had held that foreign lost profits were generally not recoverable when the infringement was based on § 271(a).[3] The Federal Circuit had reasoned that it would be anomalous if foreign lost profits were recoverable under § 271(f), but not § 271(a), as such a construction "would make § 271(f), relating to components, broader than § 271(a), which covers finished products."[4] Now that the Supreme Court has reversed the Federal Circuit's holding in *WesternGeco*, we might face precisely this seemingly anomalous situation. Or perhaps not.

In a recent case, the District of Delaware ruled that the Federal Circuit's *Power Integrations* case was "implicitly overruled" by the Supreme Court in *WesternGeco*, such that foreign lost profits are now potentially recoverable under both § 271(a) and § 271(f).[5] This despite the fact that the Supreme Court

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[1] 138 S. Ct. 2129, 2134 (2018).

[2] WesternGeco LLC v. ION Geophysical Corp. (*WesternGeco I)*, 791 F.3d 1340, 1349-51 (Fed. Cir. 2015).

[3] *See id*. at 1350 (citing Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1371 (Fed. Cir. 2013)).

[4] *Id.* at 1351. For reference, 35 U.S.C. 271(a) states:

> "Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent." By contrast, 35 U.S.C. 271(f)(2) states: "Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer."

[5] *See* Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc. (*Power Integrations II*), No. 04-1371-LPS, 2018 U.S. Dist. LEXIS 171699, at *4-*5 (D. Del. Oct. 4, 2018).

did not address the § 271(a) issue, though the Court clearly was aware of the issue as a primary basis of the Federal Circuit decision below.[6]

This Article will consider whether *WesternGeco* was an implicit overruling of the Federal Circuit decision in *Power Integrations*. Part I will set out the issues and implications that turn on how broadly *WesternGeco* is read, including whether foreign lost profits are recoverable under § 271(a). Part II will discuss the case law and literature on and relating to overruling by implication. Finally, Part III will apply the concepts explored in the previous part to the *WesternGeco* case and the *Power Integrations* issue and offer some conclusions and recommendations on how to interpret *WesternGeco*.

I. THE ISSUE OF *WESTERNGECO*'S PRECEDENTIAL SCOPE

A. The Federal Circuit's Reliance on Power Integrations

Infringement of a patent is governed by 35 U.S.C. § 271.[7] WesternGeco filed a patent infringement suit against ION Geophysical Corp. in the Southern District of Texas, and the jury found infringement under both §§ 271(f)(1)-(2), which prohibit supplying uncombined components of a patented invention from the United States to be later combined abroad.[8] The basic idea of § 271(f) is that one should not be able to avoid infringement simply by waiting until the components have left the United States before combining them, if there would be infringement had the components been combined in in the United States.[9]

WesternGeco's asserted system claims covered technologies involving series of long streamers equipped with sensors capable of searching for oil and gas beneath the ocean floor.[10] In WesternGeco's invention, an air gun bounces waves off of the ocean floor, allowing the sensors to pick up the returning sound waves, creating a map of the subsurface geology, which could be useful in identifying drilling locations for oil and gas.[11] The asserted patents and claims related to two improvements in this technology: first, "controlling the streamers and sensors in relation to each other," and second, "using the sensors to generate four-dimensional maps" wherein "it is possible to see changes in the seabed over time."[12]

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[6] *See WesternGeco III*, 138 S. Ct. at 2135.

[7] 35 U.S.C. § 271 (2012) (defining patent infringement).

[8] § 271(f)(1)-(2); *WesternGeco I*, 791 F.3d at 1340, 1344.

[9] Congress enacted Section 271(f) to overrule a Supreme Court decision that allowed a would-be infringer to do just that. *WesternGeco I*, 791 F.3d at 1350 ("Congress enacted § 271(f), which overruled *Deepsouth* [*Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972)] to impose liability on domestic entities shipping components abroad (with the requisite intent), just as if they had manufactured the infringing product itself in the United States.").

[10] *Id.* at 1343.

[11] *Id*.

[12] *Id.*

The parties were competitors in the industry.[13] WesternGeco used its commercial embodiment of the invention, the Q-Marine, to perform surveys on behalf of oil companies, often performing the surveys in oceans outside of the United States' territorial waters.[14] The defendant, ION, manufactured its device, the DigiFIN, and then shipped the device, the components of which were uncombined, to its customers, who performed the surveys.[15] Upon finding that ION was an infringer under § 271(f), the jury awarded WesternGeco $93,400,000 in lost profits and $12,500,000 in reasonable royalties.[16]

The lost profits award was based on ten contracts for services to be performed abroad on the high seas, which WesternGeco proved it would have been awarded but for ION's supplying of the infringing DigiFIN.[17] On appeal to the Federal Circuit, ION argued per the "presumption against extraterritoriality" — *i.e.*, the presumption that United States law should not apply abroad —WesternGeco could not receive lost profits for these contracts as they were to be performed "outside of the jurisdictional reach of US. Patent law."[18]

The Federal Circuit agreed, noting that the "presumption that United States law governs domestically but does not rule the world applies with particular force in patent law."[19] The court observed that the "enactment of § 271(f) expanded the territorial scope of the patent laws to treat the export components of patented systems abroad . . . just like the export of the finished systems abroad," but found "no indication that in doing so, Congress intended to extend the United States patent law to cover uses abroad of the articles created from the exported components."[20]

In reaching its conclusion, the Federal Circuit relied substantially on its own precedent of *Power Integrations*,[21] which held that foreign lost profits are generally not available where the infringement occurred pursuant to § 271(a).[22] In *Power Integrations*, the patentee chip supplier lost contracts to supply chips abroad because the infringer became a competitor for such contracts as a result of infringing sales in the U.S, as the contracts necessarily involved supplying

[13] *Id*.

[14] *Id*.

[15] *Id*.

[16] *Id*. at 1342-43. The reasonable royalties award was based on products ION produced in the United States, and was not challenged on appeal. *See WesternGeco III*, 138 S. Ct. at 2140, 2142 (Gorsuch, J., dissenting) ("[T]he jury awarded $93.4 million in lost profits from uses in 10 foreign surveys but only $12.5 million in royalties for 2,500 U.S.-made products.").

[17] *Id.* at 1349.

[18] *Id*.

[19] *Id.* at 1350.

[20] *Id*.

[21] Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc. (*Power Integrations I*), 711 F.3d 1348 (Fed. Cir. 2013).

[22] *WesternGeco I*, 791 F.3d at 1350-51.

chips both in the United States and abroad.[23] The Federal Circuit, however, agreed with the district court that the plaintiff was not entitled to world-wide lost profits.[24] The court instead limited *Power Integrations* to lost profits in the United States, finding that the "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."[25]

The Federal Circuit in *WesternGeco* found that under *Power Integrations*, where infringement was based on § 271(a), WesternGeco was not entitled to foreign lost profits under § 271(f), and also cited for further support *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, another case that rejected foreign lost profits under § 271(a).[26] Unsurprisingly, WesternGeco had attempted to distinguish *Power Integrations* and *Halo* by arguing that § 271(f) is significantly different because, unlike § 271(a), it contemplates that the actual combination and use of the patented article would occur outside of the United States, but creates liability anyway.[27] However, the Federal Circuit rejected this distinction, pointing out that even under § 271(f), it "is the act of exporting the components from the United States which creates the liability."[28] The Federal Circuit reasoned that "§ 271(f) was designed to put domestic entities who export components to be assembled into a final product in a similar position to domestic manufacturers who sell the final product domestically or export the final product"— but not at an advantageous position.[29]

B. The Supreme Court's Reversal in WesternGeco

The Supreme Court reversed the Federal Circuit's decision and held that WesternGeco was entitled to its $93,400,000 in foreign lost profits.[30] Citing to *RJR Nabisco, Inc. v. European Community*, the Supreme Court applied "step

[23] *Id.* at 1350.

[24] *See id.* at 1350-51 (discussing *Power Integrations I*, 711 F.3d at 1371-72).

[25] *Power Integrations I*, 711 F.3d at 1371-72.

[26] *WesternGeco I*, 791 F.3d at 1351 (citing Halo Elecs., Inc. v. Pulse Elecs., Inc., 769 F.3d 1371, 1380 (Fed. Cir. 2014)) ("Following Halo's logic, a foreign sale of goods covered by a U.S. patent that harms the business interest of a U.S. patent holder would incur infringement liability under § 271(a). Such an extension of the geographical scope of § 271(a) in effect would confer a worldwide exclusive right to a U.S. patent holder, which is contrary to the statute and case law.").

[27] *Id.* at 1352.

[28] *Id*. at 1351.

[29] *See id.* at 1352.

[29] *Id*.

[30] *See WesternGeco III*, 138 S. Ct. 2129, 2134 (2018).

two" of its *RJR Nabisco* test (exercising its discretion to "forgo" step one).[31] Under to the *RJR Nabisco* test, "'[i]f the conduct relevant to the statute's focus occurred in the United States, then the case involves a permissible domestic application' of the statute, 'even if other conduct occurred abroad.'"[32] Applying that principle in *WesternGeco*, the Court concluded that "the conduct relevant to the statutory focus in this case is domestic."[33]

The Court began with § 284, which "provides a general damages remedy for the various types of patent infringement," and states that "'the court shall award the claimant damages adequate to compensate for the infringement.'"[34] The Court found that "'the infringement' [was] the focus of this statute," but also that this observation did not "fully resolve this case, as the Patent Act identifies several ways that a patent can be infringed."[35] Therefore, the Court reasoned that in order to "determine the focus of § 284 in a given case, we must look to the type of infringement that occurred," and thus turned to § 271(f)(2), which the Federal Circuit had relied upon as the basis for infringement liability.[36] The Court then found that "Section 271(f)(2) focuses on domestic conduct," as it regulates the domestic act of supplying components from the United States.[37] The Court thus held that "the focus of § 284, in a case involving infringement under § 271(f)(2), is on the act of exporting components from the United States," and the "conduct in this case that is relevant to that focus clearly occurred in the United States, as it was ION's domestic act of supplying the components that infringed WesternGeco's patents."[38] Thus, "the lost-profits damages that were awarded to WesternGeco were a domestic application of § 284."[39]

The Court recognized that the lost profits occurred extraterritorially, but found that "[t]hose overseas events were merely incidental to the infringement."[40] The Court further reasoned that "[u]nder § 284, damages are 'adequate' to compensate for infringement when they 'plac[e] [the patent owner] in as good a position as he would have been in' if the patent had not been

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[31] *Id*. at 2137. Step one asks whether the presumption against extraterritoriality has been rebutted by a clear indication that the law was intended to apply beyond the United States. *Id.* at 2136.

[32] *Id*. (quoting RJR Nabisco, Inc. v. European Community, 136 S. Ct. 2090, 2101 (2016)).

[33] *Id.* (quoting 35 U.S.C. § 284 (2012)).

[34] *Id*.

[35] *Id.* (citing 35 U.S.C. §271 (2012)).

[36] *Id. See also WesternGeco I*, 791 F.3d 1340, 1348 (Fed. Cir. 2015) ("We need not reach the question whether the district court applied the correct standard under § 271(f)(1). The verdict was clear that the jury found liability under § 271(f)(2) for all asserted claims. . . . [T]he correctness of the infringement finding with respect to (f)(2) forms an adequate basis for liability.").

[37] *WesternGeco III*, 138 S. Ct. at 2137-38.

[38] *Id.* at 2138.

[39] *Id*.

[40] *Id*.

infringed," and that this "recovery can include lost profits."[41] But importantly, the Court did recognize some potential limits on the availability of extraterritorial damages, stating that "we do not address the extent to which other doctrines, such as proximate cause, could limit or preclude damages in particular cases."[42]

Although its reasoning (or *ratio decidendi*) was broad and would seem to (at least potentially) allow the recovery of foreign lost profits when infringement is found pursuant to other parts of § 271, including § 271(a), the Court explicitly limited its holding to § 271(f)(2): "as we hold today, it [a patent owner's recovery] can include lost foreign profits when the patent owner proves infringement under § 271(f)(2)."[43] In doing so, the Court thus did not explicitly overrule the Federal Circuit's *Power Integrations* holding as to § 271(a), though the Court seemed aware of that holding and the Federal Circuit's reliance upon it below.[44]

C. Power Integrations after WesternGeco

After the Supreme Court's decision in *WesternGeco*, the *Power Integrations* case resumed before the District Court of Delaware, where Power Integrations argued that it should now be entitled to a new trial on its worldwide lost profits that had previously been disallowed.[45] The district court agreed, finding that "the Supreme Court's *WesternGeco II* decision implicitly overruled the Federal Circuit's *Power Integrations* opinion."[46] The court reasoned that "Fairchild has identified no persuasive reason to conclude that the interpretation of § 284 should differ here from what was available in *WesternGeco II* just because the type of infringing conduct alleged is different," instead agreeing with plaintiff-Power Integrations that "Section 271(a) 'vindicates domestic interests' no less than Section 271(f)."[47]

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[41] *Id*. at 2139.

[42] *Id*. at 2139 n.3.

[43] *Id*.

[44] *Id.* at 2137-38.

[45] *Power Integrations II*, No. 04-1371-LPS, 2018 U.S. Dist. LEXIS 171699, at *2 (D. Del. Oct. 4, 2018). The case had been remanded by the Federal Circuit for a new damages trial limited to direct infringement, as the Federal Circuit found the jury's finding of induced infringement unsupported by substantial evidence, and the jury verdict did not separate damages for induced infringement from damages for direct infringement. *See Power Integrations I*, 711 F.3d at 1377, 1381.

[46] *Id*. at *4. The district court referred to the Federal Circuit decision as "WesternGeco I" and the Supreme Court decision as "WesternGeco II," *id*., although the Supreme Court's decision is the third decision in this line of cases. See WesternGeco L.L.C. v. Ion Geophysical Corp. (*WesternGeco II*), 913 F.3d 1067 (Fed. Cir. 2019).

[47] *Id*. (quoting *WesternGeco III*, 138 S. Ct. at 2138). *See also id.* at *2 ("Rather than limiting Power to seeking U.S. damages, the Court will permit Power to seek recovery of worldwide damages.").

The district court on remand in *Power Integrations* also stated that the Federal Circuit's overruled *WesternGeco* decision was based "almost entirely on the Federal Circuit's *Power Integrations* decision," and claimed that "[i]t logically follows that when the Supreme Court expressly overruled *WesternGeco I* it also implicitly overruled *Power Integrations*."[48] This claim of logical consequence is suspect. The Federal Circuit in *WesternGeco* analogized to and extended its own precedent of *Power Integrations*. In reversing the Federal Circuit in *WesternGeco*, it is possible that the Court merely overruled this analogy or extension of *Power Integrations*. Thus it does not necessarily "logically follow" that the Court implicitly overturned *Power Integrations*, though the Court may have done so anyway.

Indeed, the district court recognized that there "are substantial grounds on which the Federal Circuit could well disagree with this Court's assessment that the Supreme Court in *WesternGeco II* implicitly overruled the Federal Circuit's *Power Integrations* decision[.]"[49] Therefore, the district court certified the issue for interlocutory appeal pursuant to 28 U.S.C. § 1292(b).[50] The Federal Circuit granted the petition to appeal, agreeing that "the issue of whether *WesternGeco* . . . implicitly overruled *Power Integrations* is a controlling question of law as to which there is substantial ground for difference of opinion and for which an immediate appeal may materially advance the ultimate termination of the litigation, and warrants immediate review under § 1292(b)."[51]

The Court recognized "the unusual nature of a District Court telling a Court of Appeals that the District Court will not follow a binding Court of Appeals precedent because, in the view of the District Court, the Supreme Court has overruled the Court of Appeals."[52] The next part will discuss and analyze the caselaw and literature applicable to this sort of situation.

II. OVERRULING CIRCUIT PRECEDENT BY IMPLICATION

Most circuit courts, including the Federal Circuit, are generally bound to follow their own precedent, unless that precedent has since been overruled by the circuit court sitting *en banc*, or by the Supreme Court.[53] Such overruling need not be explicit; the circuit courts at times find that their own precedents

[48] *Id*. *4-5, 4 n.1 (citing Miller v. Gammie, 335 F.3d 889, 899 (9th Cir. 2003)); Troy v. Samson Mfg. Corp., 758 F.3d 1322, 1326 (Fed. Cir. 2014)).

[49] *Power Integrations II*, 2018 WL 4804685, at *2 ("[T]he 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.").

[50] *Id.* at *2.

[51] Order Granting Interlocutory Appeal at 2, Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc. (Fed. Cir. Dec. 3, 2018) (No. 2019-103).

[52] *Power Integrations II*, 2018 WL 4804685, at *2.

[53] *See* C. Steven Bradford, *Following Dead Precedent: The Supreme Court's Ill-Advised Rejection of Anticipatory Overruling*, 59 FORDHAM L. REV. 39, 39-40 (1990).

have been implicitly overruled by the Supreme Court.[54] Indeed, for a higher court "to compile a list of each and every [lower court] prior case killed off by [a] major new pronouncement is almost unheard of," as it "goes beyond the needs of the moment and can, it is assumed, be trusted to inference."[55]

Implicit overruling pits vertical stare decisis (the circuit court's obligation to follow Supreme Court precedent) against horizontal stare decisis (the circuit court's obligation to follow its own precedent).[56] Vertical stare decisis is generally considered a stronger obligation, but difficult questions can arise where the Supreme Court decision is less directly on point than a prior circuit precedent.[57] The issue before the Federal Circuit provides just such a situation: the *Power Integrations* horizontal Federal Circuit precedent is directly on point; indeed, it is the very same case, and could therefore be considered the "law of the case."[58] Moreover, the *Power Integrations* case has been pending for nearly fifteen years, and the Federal Circuit has particularly "emphasized the importance of [applying] the law of the case doctrine in" protracted litigation.[59] The vertical precedent of the Supreme Court — the *WesternGeco* decision — is less directly on point, because the decision was based on § 271(f) instead of § 271(a), and is thus arguably of weaker precedential force, even though it is from a higher authority.[60]

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[54] *Id.* at 40-41.

[55] Maurice Kelman, *The Force of Precedent in the Lower Courts*, 14 WAYNE L. REV. 3, 17 (1967).

[56] Richard Re, *Narrowing Supreme Court Precedent from Below*, 104 GEO. L.J. 921, 923-24 (2016).

[57] *Cf. id.* at 951. ("In [sum], narrowing from below is legitimate less often than horizontal narrowing, and under conditions that vary depending on one's theory of vertical stare decisis.").

[58] *See* Christianson v. Colt Indus. Op. Corp., 486 U.S. 800, 817 (1988) ("[T]he law-of-the-case doctrine 'merely expresses the practice of courts generally to refuse to reopen what has been decided.' . . . A court has the power to revisit prior decisions of its own or of a coordinate court under any circumstance, although as a rule courts should be loathe to do so in the absence of extraordinary circumstances."); United States v. Polland, 56 F.3d 776, 779 (7th Cir. 1995) ("The law of the case doctrine is a corollary to the mandate rule and prohibits a lower court from reconsidering on remand an issue expressly or impliedly decided by a higher court absent certain circumstances.").

[59] Suel v. Secretary of Health & Human Servs., 192 F.3d 981, 985 (Fed. Cir. 1999). The law of the case doctrine is of course subject to an exception for when there has been an intervening change of law. *See* Jon Steinman, *Law Of The Case: A Judicial Puzzle in Consolidated and Transferred Cases and in Multidistrict Litigation*, 135 PENN. L. REV. 595, 600 (1987) ("many decisions indicate that a ruling should be reconsidered when controlling law has been changed by an intervening decision of a higher court"). But the question here is whether there has been such a change.

[60] *See* Andrew C. Michaels, *The Holding-Dictum Spectrum*, 70 ARK. L. REV. 661, 667 (2017) ("Constraining force or weight is thus a scalar quantity with magnitude inversely proportional to breadth for path-to-judgment statements — *i.e.*, statements that are not asides.").

So how does a circuit court determine whether its own precedent has in fact been implicitly overturned by the Supreme Court? This is a tricky question and, as will be shown in this part, an examination of the caselaw suggests a number of different possible tests or modes of analysis.

A. Clearly Irreconcilable Reasoning

The first test apparent from the caselaw can be described as follows: if the more-recent Supreme Court case has undercut the theory or the reasoning of the prior circuit precedent to such an extent that the circuit precedent is clearly irreconcilable with the Supreme Court decision, the Supreme Court has impliedly overruled the circuit court.[61] This test for finding an implied overruling was set forth by the Ninth Circuit sitting *en banc* in *Miller v. Gammie*:

> We hold that in circumstances like those presented here, where the reasoning or theory of our prior circuit authority is clearly irreconcilable with the reasoning or theory of intervening higher authority, a three-judge panel should consider itself bound by the later and controlling authority, and should reject the prior circuit opinion as having been effectively overruled."[62]

Stated differently, "the relevant court of last resort must have undercut the theory or reasoning underlying the prior circuit precedent in such a way that the cases are clearly irreconcilable."[63]

The Ninth Circuit's view that "the issues decided by the higher court need not be identical in order to be controlling,"[64] might be in some tension with the Supreme Court's recurrent reminder — stemming from Chief Justice Marshall almost two centuries years ago —"that general expressions, in every opinion, are to be taken in connection with the case in which those expressions are used."[65] The Supreme Court has fairly recently reversed the Federal Circuit for applying too broadly a single sentence of reasoning from a case with different facts, quoting Justice Marshall's "sage observation" in this regard.[66] As Justice Marshall stated and the Supreme Court reminded the Federal Circuit, if general expressions in a precedential opinion "go beyond the case, they may be

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[61] *Cf*. Bradley Scott Shannon, *Overruled by Implication*, 33 SEATTLE U. L. REV. 151, 154 (2009) ("[I]t should be apparent that no special language is necessary to overrule a prior decision; the simple existence of some later, irreconcilably inconsistent holding by the same court is sufficient.").

[62] Miller v. Gammie, 335 F.3d 889, 893 (9th Cir. 2003) (en banc).

[63] *Id*. at 900.

[64] *Id*.

[65] Cohens v. Virginia, 19 U.S. (6 Wheat.) 264, 399-400 (1821).

[66] Ark. Game & Fish Comm'n v. United States, 133 S. Ct. 511, 520 (2012) ("We resist reading a single sentence unnecessary to the decision as having done so much work. In this regard, we recall Chief Justice Marshall's sage observation that 'general expressions, in every opinion, are to be taken in connection with the case in which those expressions are used.").

respected, but ought not to control the judgment in a subsequent suit when the very point is presented for decision."[67]

On one hand, if the reasoning of a precedential Supreme Court case is "clearly irreconcilable" with an earlier circuit precedent, the circuit precedent has been overruled,[68] but on the other hand, one must resist plucking isolated broad statements of reasoning out of one context and viewing them as controlling in another, different context. There is necessarily a degree of flexibility in this balancing act.[69] As Frederick Schauer has pointed out, the "reasoning" of a decision will almost always "go beyond the case," because "to provide a reason for a decision is to include that decision within a principle of greater generality than the decision itself," and thus to "transcend the very particularity of that case."[70]

The Ninth Circuit pointed to a law review article by then Justice Antonin Scalia, describing lower courts as "being bound not only by the holdings of higher courts' decisions but also by their 'mode of analysis.'"[71] This calls to mind the old distinction (which has since fallen out of favor) between the precise "holding," and the broader *ratio decidendi* (or reasoning) of a case, which provides the "generally applicable rule of law on which the opinion says the holding rested."[72] According to Karl Lewellyn, the holding "must be stated quite narrowly," whereas the *ratio decidendi* may have "so to speak, second-order precedential value."[73]

The troublesome issues of separating holding from dictum, and especially of the relation between the breadth of a legal pronouncement and its precedential force,[74] are quite bound up with the issue of implicit overruling, and in fact generated a fair bit of disagreement amongst the Ninth Circuit judges sitting *en banc* in *Miller* itself.[75] The question of whether the Supreme Court implicitly

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[67] *Id*.

[68] *See supra* notes 61-63 and accompanying text.

[69] *See* KARL N. LLEWELLYN, THE BRAMBLE BUSH: THE CLASSIC LECTURES ON THE LAW AND LAW SCHOOL 71 (1930) ("People—and there are curiously many—who think that precedent produces or ever did produce a certainty that did not involve matters of judgment and of persuasion . . . simply do not know our system of precedent in which they live.").

[70] Frederick Schauer, *Giving Reasons*, 47 STAN. L. REV. 633, 635, 641 (1995).

[71] Miller v. Gammie, 335 F.3d 889, 900 (9th Cir. 2003) (en banc) (quoting Antonin Scalia, *The Rule of Law as a Law of Rules*, 56 U. CHI. L. REV. 1175, 1177 (1989)).

[72] KARL N. LLEWELLYN, THE CASE LAW SYSTEM IN AMERICA 14-15 (Paul Gewirtz ed., Michael Ansaldi trans., Univ. of Chi. Press 1989 (1933)); Michael Abramowicz & Maxwell Stearns, *Defining Dicta*, 57 STAN. L. REV. 953, 1048 (2005) (noting that the "distinction between holding and ratio decidendi has blurred, as has that between dictum and obiter dictum," and referring to the distinctions as "seemingly dated.").

[73] *Id.* at 14-15.

[74] *See id*. *See also* LLEWELLYN, supra note 72, at 36 ("But how wide, or how narrow, is the general rule in this particular case? That is a troublesome matter.").

[75] *Compare Miller*, 335 F.3d at 900-01 (Kozinski, J., concurring); *with id.* at 902 (Tashima, J., concurring).

overruled a circuit court decision is at base a question of how broadly (*i.e.*, at what level of generality) to identify the Supreme Court's holding.

The Ninth Circuit in *Miller* took the case *en banc* in order to "address when, if ever, a district court or a three-judge panel is free to reexamine the holding of a prior panel in light of an inconsistent decision by a court of last resort on a closely related, but not identical issue."[76] Using its clearly irreconcilable reasoning test, the court found that the "present case is an example where intervening Supreme Court authority is clearly irreconcilable with our prior circuit authority" because "the blanket absolute immunity for social workers recognized [by the prior panel] in *Babcock* is directly at odds with the functional approach taken by the Supreme Court in *Antoine* and *Kalina*."[77] The en banc Ninth Circuit recognized that a goal "must be to preserve the consistency of circuit law," but reasoned that this objective "must not be pursued at the expense of creating an inconsistency between our circuit decisions and the reasoning of state or federal authority embodied in a decision of a court of last resort."[78] As such, the court concluded that in "future cases of such clear irreconcilability, a three-judge panel of this court and district courts should consider themselves bound by the intervening higher authority and reject the prior opinion of this court as having been effectively overruled."[79]

Judge O'Scannlain, however, although agreeing that the intervening Supreme Court cases justified overruling the prior panel decision, wrote separately to express his view that "such an outcome was reachable only by way of an *en banc* review," thus disagreeing with the majority's view "that the three-judge panel in this case was free to disregard prior Ninth Circuit precedent."[80] His view (joined by Judge Tallman) rested on "the clear authority of the *en banc* court to do what three-judge panels normally cannot — namely, overrule prior decisions of three-judge panels," and his conclusion that "the Supreme Court's intervening precedent" had not "so clearly undermined *Babcock* as to allow a three-judge panel to overrule it."[81] Judge O'Scannlain's opinion thus demonstrates the indeterminacy of the clearly irreconcilable reasoning test — *viz.*, the possibility for disagreement over whether the intervening Supreme Court decision's reasoning is in fact "clearly irreconcilable," or not.

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[76] *Miller*, 335 F.3d at 889.

[77] *Id*. at 900 (referring to Antoine v. Byers & Anderson, Inc., 508 U.S. 429, 432-37 (1993); Kalina v. Fletcher, 522 U.S. 118, 127-29 (1997); Babcock v. Tyler, 884 F.2d 497, 501-04 (9th Cir. 1989)).

[78] *Id.*

[79] *Id*.

[80] *Id*. at 901 (O'Scannlain, J., concurring in part).

[81] *Id*. at 902.

B. No Meaningful Distinction

The no meaningful distinction test discussed in this section is similarly indeterminate, but in a different way; it is focused more on differences in the facts, rather than (ir)reconcilability of the reasoning.

In *Troy v. Samson Mfg. Corp*.,[82] the Federal Circuit confronted a potential conflict between its own prior *Conservolite, Inc. v. Widmayer* precedent,[83] as well as the Supreme Court's decision in *Kappos v. Hyatt*.[84] The question was whether a patent applicant appearing before a district court in a § 146 action appealing from an interference proceeding before the Board of Patent appeals (Board), could introduce new evidence and arguments that were not submitted to the Board.[85] Prior Federal Circuit panel precedent had "held that new evidence on an issue not presented to the Board was generally to be excluded in district court proceedings."[86] However, an intervening Supreme Court decision in *Hyatt* had held that in a § 145 proceeding — a similar proceeding before a district court where the applicant is appealing from an ex parte reexamination rather than an interference — "there are no evidentiary restrictions beyond those already imposed by the Federal Rules of Evidence and the Federal Rules of Civil Procedure."[87]

The question was whether this broad statement should be read as applying to § 146 actions as well, which were not at issue in *Hyatt*,[88] and thus implicitly overruling the prior Federal Circuit precedent to the contrary. The Federal Circuit answered this question in the affirmative, agreeing with the patent applicant that "there is no meaningful difference between § 145 and § 146 and that both types of proceedings ought to be subject to the same evidentiary rules."[89]

In finding no meaningful distinction between § 145 and § 146, the Federal Circuit reviewed the history and found that the two provisions "began in a single statutory section, where there was no distinction . . . ."[90] Although the "1952 Patent Act broke this single statutory section into two sections," the court saw

[82] 758 F.3d 1322, 1326 (Fed. Cir. 2014).

[83] 21 F.3d 1098, 1102 (Fed. Cir. 1994).

[84] 566 U.S. 431 (2012).

[85] *Troy*, 758 F.3d at 1323-1325 ("Mr. Troy challenges the district court's refusal to consider evidence pertaining to issues not raised before the Board.").

[86] *Id*. at 1326 (citing *Conservolite*, 21 F.3d at 1102).

[87] *Hyatt*, 132 S. Ct. at 1694, 1700-01 ("[W]e conclude that there are no limitations on a patent applicant's ability to introduce new evidence in a § 145 proceeding beyond those already present in the Federal Rules of Evidence and the Federal Rules of Civil Procedure.").

[88] *Id*. at 1699 ("[I]n this case we are concerned only with § 145 proceedings in which new evidence has been presented to the District Court."); *Troy*, 758 F.3d at 1328 ("There was no discussion in Hyatt of the language of § 146, or any conclusion that there was any basis for differentiating the two statutes as they relate to the type of evidence that is admissible.").

[89] *Troy*, 758 F.3d at 1326.

[90] *Id*. at 1327.

"no basis in the language of the statutes for differing treatment with regard to the types of evidence that ought to be admitted."[91] As such, the court concluded "that the Supreme Court's decision ought not to be read to create an evidentiary chasm between § 145 and § 146,"[92] and so "the Supreme Court's decision in *Hyatt* applies with equal force to both § 145 and § 146 actions,"[93] thus implicitly overruling the Federal Circuit's prior precedent to the contrary.[94]

The no meaningful distinction test for implied overruling again calls to mind aspects of the holding / dictum distinction; specifically, Arthur Goodhart's material facts-plus-outcome approach, which holds that it "is by his choice of the material facts that the judge creates law."[95] Similarly, under the spectrum approach that I have previously proposed, a "subsequent court may find the relatively weak constraining force of broad generalizations outweighed by countervailing considerations, and may narrow overbroad statements by finding a principled distinction consistent with the overall reasoning of the precedent case."[96] There is necessarily a degree of flexibility in the inquiry of whether a factual distinction is a material (or meaningful) one, versus a distinction without a difference.[97]

The search for a meaningful distinction is also perhaps related to what Richard Re has called "narrowing from below."[98] According to Professor Re, such narrowing occurs when a circuit court interprets a Supreme Court precedent "more narrowly than it is best read,"[99] but narrowing from below can nevertheless be legitimate as long as the circuit court's narrow interpretation (though not "best") is at least "reasonable."[100] It would seem that a narrow

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[91] *Id*.

[92] *Id*. at 1328.

[93] *Id*. at 1327-28.

[94] *Id*. at 1326 ("We conclude that to the extent that our prior precedent . . . held that new evidence on an issue not presented to the Board was generally to be excluded in district court proceedings, it is no longer viable following the Supreme Court's *Hyatt* decision.").

[95] Arthur L. Goodhart, *Determining the Ratio Decidendi of a Case*, 40 YALE L. J. 161, 165 (1930); *see also* Michaels, *supra* note 60, at 685-88 (discussing the material facts-plus-outcome approach).

[96] Michaels, *supra* note 60, at 687-88 ("The spectrum model borrows from Professor Goodhart's approach in allowing a constrained court to narrow an overbroad announcement by drawing a principled *material* distinction from the facts of a precedent case, so long as the narrowing is generally consistent with the overall goals and reasoning of the precedent case.").

[97] *See id*. at 685-87, 685 n.132, 686-87 nn.140-41; *See also* Lone Star Silicon Innovations LLC v. Nanya Tech. Corp., 2019 U.S. App. LEXIS 16077 at *23 (May 30, 2019) ("Where intervening Supreme Court precedent makes clear that our earlier decisions mischaracterized the effects of s. 281, we are bound to follow that precedent rather than our own prior panel decision.") (citing Troy, 758 F.3d at 1326).

[98] Re, *supra* note 56, at 921.

[99] *Id*. at 926.

[100] *Id*. at 925 ("This Article contends that, in many situations, a lower court can legitimately narrow Supreme Court precedent by adopting a *reasonable* reading of it."); *id*. at

interpretation of a Supreme Court precedent, one that would avoid finding an implicit overruling, is more likely reasonable if there is a meaningful distinction between the Court precedent and the arguably implicitly overruled circuit precedent.

C. Scope of Supreme Court Holding

Perhaps the best and most straightforward mode of analysis for determining whether for determining whether prior panel precedent has been implicitly overruled by a later Supreme Court decision, is to directly consider the scope of the Court's holding and whether it reaches the present facts. However, this approach could be accused of begging the question, or merely restating the relevant question, rather than providing guidance towards an answer. As I have argued elsewhere, the holding-dictum distinction is in some circumstances best thought of as a spectrum rather than a binary.[101] Under my spectrum model, the farther a generalized statement strays from the facts of the particular case in which it was made, the weaker its precedential force.[102]

In *Conforto v. MSPB*, the majority of Federal Circuit panel found that the "scope of the Court's holding in *Kloeckner*" did "not bear on the precise question" before the court, so the Federal Circuit instead followed its own prior circuit precedent.[103] Under the Civil Service Reform Act of 1978, a federal agency employee who believes that he or she has wrongfully been the victim of an adverse action such as suspension or removal may in certain cases file an appeal from the agency's final action to the Merit Systems Protection Board (MSPB).[104] Generally, appeals from the MSPB go the Federal Circuit, but such appeals go to district court instead when (in the relevant statutory language) the employee: "(A) has been affected by an action which the employee . . . may appeal to the Merit Systems Protection Board" and "(B) alleges . . . discrimination."[105] In other words, cases that allege discrimination in addition to an adverse action appealable to the MSPB, (a so called "mixed case")[106] should be appealed from the MSPB to district court rather than the Federal Circuit.[107]

936 ("[N]arrowing from below can be legitimate when a lower court reads a higher court precedent in a way that is both reasonable and consistent with the lower court's own view of the law.").

[101] Michaels, *supra* note 60 ("a more consistent framework can be achieved by positing that statements that are not asides should be treated as a spectrum or scalar").

[102] *Id.* ("Statements narrowly tailored to the facts have greater constraining force and approach the status of binding holding. Broader or more general statements have less constraining force and tend to approach dicta.").

[103] Conforto v. Merit Sys. Prot. Bd., 713 F.3d 1111, 1118-19 (Fed. Cir. 2013) (discussing Kloeckner v. Solis, 568 U.S. 41, 55 (2012)).

[104] 5 U.S.C. § 1101 *et seq.* (2012); *Conforto*, 713 F.3d at 1115.

[105] 5 U.S.C. § 7702(a)(1) (2012); *Conforto*, 713 F.3d at 1118.

[106] *See Conforto*, 713 F.3d at 1115-16.

[107] *Id.* at 1116.

A long line of Federal Circuit precedent had held that "mixed case" appeals from the MSPB go to district court only when MSPB decides the merits of the discrimination claim; if the discrimination claim was instead dismissed by the MSPB on procedural or jurisdictional grounds, the appeal would instead go the Federal Circuit (as appeals from the MSPB generally do).[108] But this long line of Federal Circuit precedent was at least partially overruled by the Supreme Court in the case of *Kloeckner v. Solis*,[109] which held that when the MSPB dismisses a mixed case on *procedural* grounds, the appeal goes to district court, not the Federal Circuit.[110] The question at issue in *Conforto* was whether an appeal dismissed by the MSPB on *jurisdictional* (as opposed to procedural) grounds should go to the Federal Circuit (in accord with prior Federal Circuit precedent), or instead to district court (arguably in accord with *Kloeckner*).[111] Thus, the Federal Circuit had to decide whether *Kloeckner*, in explicitly overruling Federal Circuit precedent on procedural dismissals, had also implicitly overruled the circuit precedent on jurisdictional dismissals from the MSPB.

The Federal Circuit answered this question in the negative, finding that no such implied overruling took place.[112] In other words, the Federal Circuit found that "the Supreme Court reversed only the line of authority holding that 'mixed cases' dismissed by the Board on *procedural* grounds were appealable to this court."[113]

In determining the "scope of the Court's holding in *Kloeckner*" to exclude jurisdictional dismissals by the MSPB, the Federal Circuit looked to the wording of the issue on which the Court granted certiorari: "'to resolve a Circuit split on whether an employee seeking judicial review should proceed in the Federal Circuit or in a district court when the MSPB has dismissed her mixed case on procedural grounds."[114] The Federal Circuit noted that "the courts of appeals that have addressed the issue have unanimously agreed that this court is the appropriate forum for jurisdictional dismissals, and therefore there was no circuit split for the Supreme Court to resolve on that point."[115] The Federal

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[108] *See id*. at 1116-17 ("[J]udicial review would be proper in district court only if the Board decided the merits of the discrimination claim. In other cases, including dismissals on procedural grounds, we held that this court would be the proper forum to review the Board's decision.").

[109] Kloeckner v. Solis, 568 U.S. 41 (2012)

[110] *See Conforto*, 713 F.3d at 1116 (interpreting the Supreme Court's recent decision in *Kloeckner*).

[111] *See id*.

[112] *See id*. ("After close consideration of the *Kloeckner* decision . . . we conclude that this court has jurisdiction to review a determination by the Board that it lacks statutory jurisdiction over an employee's appeal.").

[113] *Id*. at 1118 (emphasis added).

[114] *Id*. (citing *Kloeckner*, 568 U.S. at 48).

[115] *Id*.

Circuit also observed that the Court "reiterated several times throughout its opinion," that it was deciding the issue for "procedural dismissals" and "never mentioned jurisdictional dismissals," and found this to be evidence of a meaningful distinction between the two.[116]

Thus, the Federal Circuit held that *Kloeckner*'s holding did not extend to jurisdictional dismissals.[117] Therefore, the Federal Circuit's precedents on that point were "still good law [that the court was] required to follow."[118] As it turns out, the Supreme Court later overruled the Federal Circuit's precedents on jurisdictional dismissals as well.[119] However, this does not necessarily mean that the Federal Circuit panel in *Conforto* was wrong to adhere to its own binding precedent. The right answer for a circuit panel is not always the same as the right answer for the Supreme Court (or for the circuit court *en banc*), as the Court has a freedom that the circuit panel does not: the freedom to consider the issues unconstrained by prior panel precedent.[120]

III. OVERRULING BY IMPLICATION: APPLIED

This part will apply the three "tests" for overruling by implication to the issue of whether *WesternGeco* overruled *Power Integrations* by implication. The three tests (or modes of analysis) are of course related ways of getting at the same inquiry, but they will nevertheless be considered separately in turn.

A. Clearly Irreconcilable Reasoning?

Is the Supreme Court's reasoning in *WesternGeco* clearly irreconcilable with that of the Federal Circuit in *Power Integrations*? At first blush, the answer would seem to be at least a possible yes. In general, the Supreme Court's reasoning in *WesternGeco* did not seem limited to § 271(f); rather, most of the reasoning seemed to apply more broadly, including to the § 271(a) context of *Power Integrations*.

The Supreme Court in *WesternGeco* rested its decision on the notion that "the conduct relevant to the statutory focus in this case is domestic," reasoning that "the focus of § 284, in a case involving infringement under § 271(f)(2), is on the

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[116] *Id*. at 1118-19, 1119 n.2 ("In light of the Supreme Court's consistent reference to 'procedural' dismissals, we do not agree with the dissent that *Kloeckner* was simply silent on the distinction between procedural and jurisdictional limitations.").

[117] *Id*. at 1119.

[118] *Id*. at 1119 ("Because *Kloeckner* does not bear on the precise question before us, the rule we apply today must be consistent with the binding law of this circuit.").

[119] *See* Perry v. Merit Sys. Prot. Bd., 137 S. Ct. 1975, 1975 (2017).

[120] *Cf.* Ashutosh Bhagwat, *Separate But Equal?: The Supreme Court, the Lower Federal Courts, and the Nature of the "Judicial Power,"* 80 B.U. L. REV. 967, 1001 (2000) ("[T]he 'law' in effect at the time the motion was brought was *different* for the Supreme Court and for all other courts, because the effect of precedent varied in the Supreme Court as opposed to other courts.").

act of exporting components from the United States."[121] The Court explained that § 271(f)(2) "focuses on domestic conduct," because it regulates the "domestic act" of supplying components in or from the United States.[122] The focus of § 271(a) would seem to be at least as clearly domestic, as it deems an infringer anyone who "without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor."[123] In other words, if the focus of § 271(f) is domestic, then the focus of § 271(a) is *a fortiori* domestic, as § 271(f) is outward looking in a way that § 271(a) is not.[124]

However, a footnote in *WesternGeco* provides a possible saving grace for the Federal Circuit's *Power Integrations* decision.[125] Upon holding that recovery for infringement "can include lost foreign profits when the patent owner proves infringement under § 271(f)(2)," the Court explicitly noted that it did "not address the extent to which other doctrines, such as proximate cause, could limit or preclude damages in particular cases."[126] This is potentially a significant disclaimer, given that the Federal Circuit in *Power Integrations* seemed to rely (at least in part) on notions of proximate cause in upholding the lower court's refusal to allow foreign (worldwide) lost profits, stating: "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."[127]

Thus, foreseeability and proximate causation provide at least a possible basis for reconciling the Supreme Court's reasoning in *WesternGeco* with the Federal Circuit's reasoning in *Power Integrations*. But is there any meaningful

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[121] *WesternGeco III*, 138 S. Ct. 2129, 2137-38 (2018).

[122] *See id*.

[123] 35 U.S.C. § 271(a) (2012).

[124] It is true that step two of *RJR Nabisco* depends to some extent on the facts of the particular case. *See* Timothy R. Holbrook, *Extraterritoriality and Proximate Cause after WesternGeco*, 21 YALE J.L. & TECH. 189, 199 (2019). But it is hard to see how that could alter the conclusion above. In *WesternGeco*, the Court first analyzed § 284 and relied on the facts in the sense of looking "to the type of infringement that occurred," which in that case was under § 271(f)(2). *WesternGeco III*, 138 S. Ct. at 2137. From there, the Court found that the "conduct in this case that is relevant to that focus clearly occurred in the United States, as it was ION's domestic act of supplying the components that infringed WesternGeco's patents." *Id.* at 2138. Since this is precisely what § 271(f)(2) prohibits, the analysis does not seem particularly fact intensive here, and indeed the Supreme Court generalizes in saying that "the focus of § 284, in a case involving infringement under § 271(f)(2), is on the act of exporting components from the United States." *Id.*

[125] *WesternGeco III*, 138 S. Ct. at 2139, 2139 n.3.

[126] *Id*.

[127] *Power Integrations I*, 711 F.3d at 1371-72. *Cf.* Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 N.D. L. REV. 1745, 1770 (2017) ("The Federal Circuit, however, declined to award Power Integrations lost profits for these sales, although the reason for such denial is not entirely clear.").

distinction that might allow us to find that foreign lost profits were foreseeable in *WesternGeco* but not in *Power Integrations*? This question will be considered next.

B. No Meaningful Distinction?

The most obvious distinction here is that infringement in *WesternGeco* was based on § 271(f), whereas infringement in *Power Integrations* was based on § 271(a). But since no two cases are exactly alike – there will always be some distinction – the question is whether this is a *meaningful* distinction, or merely a distinction without a difference. In tentatively ruling that *Power Integrations* had been implicitly overruled in *WesternGeco*, Judge Stark of the District of Delaware found no meaningful distinction between the two cases, stating that "Fairchild has identified no persuasive reason to conclude that the interpretation of § 284 should differ here from what was available in *WesternGeco II* just because the type of infringing conduct alleged is different," because "'Section 271(a) "vindicates domestic interests" no less than Section 271(f).'"[128]

While it is true that the focus of § 271(a) is just as, if not more, domestic than that of § 271(f), the proximate cause foreseeability angle discussed in the previous part may provide a more fruitful grounds for meaningful distinction. Since § 271(f) regulates the act of exporting, it is perhaps unsurprising that lost sales occur abroad, as that is by definition where the components of the patented invention are being shipped.[129] Indeed, it is not easy to see how damages under § 271(f) could ever stem from entirely domestic conduct.[130] By contrast, since § 271(a) deals with entirely domestic conduct, or with importing, foreign lost profits would seem to be less foreseeable, and thus more appropriately viewed as an "intervening act" that "cuts off the chain of causation," as the Federal Circuit found in *Power Integrations*.[131]

Relying on this distinction though might seem counterintuitive. If the Supreme Court held that foreign lost profits were available in *WesternGeco* because the focus of § 271(f) is domestic, then how can it be that foreign lost

[128] *Power Integrations II*, No. 04-1371-LPS, 2018 U.S. Dist. LEXIS 171699, at *4.

[129] 35 U.S.C. § 271(f) (2012).

[130] *Cf.* WesternGeco LLC v. Ion Geophysical Corp., 953 F. Supp. 2d 731, 755 (S.D. Tex. 2013) ("ION insists that it can only be liable for 'supplying' the component and cannot extend to subsequent 'making' or 'using' of a device abroad. . . . If ION were strictly held liable for supplying, then § 271(f) would lose all its weight, allowing a loophole for manufacturers to export components for infringing uses abroad."); *WesternGeco I*, 791 F.3d at 1358 (Wallach, J., dissenting) ("had ION chosen to compete against WesternGeco directly by manufacturing components in the United States, assembling them abroad, and then underbidding WesternGeco to win and perform seismic survey contracts, there would be no sales of patent-practicing devices (or components thereof) on which to base a reasonable royalty").

[131] *Power Integrations I*, 711 F.3d at 1371-72. *But see* Holbrook, *supra* note 124, at 220-21. ("Section 271(a) does not contemplate any activity outside of the United States, other than the importation of the invention into the United States, the impact of which would be domestic.").

profits are *not* available in *Power Integrations* given the focus of § 271(a) is *even more* domestic? This apparent paradox stems from the tension between the presumption against extraterritoriality and the proximate cause requirement that damages be foreseeable.[132] A statute that's focus is entirely domestic is less likely to offend the presumption against extraterritoriality, but is also less likely to foreseeably lead to foreign lost profits. While an award of foreign lost profits under § 271(a) would not offend the presumption of extraterritoriality any more than one under § 271(f),[133] such an award could potentially fail for lack of proximate cause, a doctrine which the Supreme Court in *WesternGeco* declined to address.[134]

C. Scope of WesternGeco's Holding?

So far, we have seen that the doctrine of proximate cause and foreseeability — which was a basis of the Federal Circuit's holding in *Power Integrations*, but was not addressed by the Supreme Court in *WesternGeco* — provides a potentially meaningful distinction and grounds for reconciling the reasoning of the two cases. Perhaps, then, *WesternGeco* should be seen as holding that foreign lost profits do not offend the presumption against extraterritoriality, but leaving intact the *Power Integrations* holding that foreign lost profits are unrecoverable where an "intervening act" disrupts the "chain of causation initiated by an act of domestic infringement."[135]

Such a reading of *WesternGeco* finds ample support in the language of the decision, which focuses primarily on applying the *RJR Nabisco* "framework for deciding questions of extraterritoriality."[136] In describing its decision to grant certiorari, the Court specifically referenced the issue of "the extraterritoriality of § 271(f)."[137] In describing its holding, the Court emphasized that the lost profits award was a permissible domestic, as opposed to extraterritorial, application of § 284.[138] Despite its clear awareness of the Federal Circuit's reliance on *Power*

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[132] *Cf. Power Integrations I*, 711 F.3d at 1371 ("Power Integrations' 'foreseeability' theory of world-wide damages sets the presumption against extraterritoriality in interesting juxtaposition with the principle of full compensation.").

[133] *But see WesternGeco III*, 138 S. Ct. 2129, 2139 (2018) (Gorsuch, J., dissenting) ("The Court holds that WesternGeco's lost profits claim does not offend the judicially created presumption against the extraterritorial application of statutes. With that much, I agree.").

[134] *Id*. at 1239 n.3. *But see* Holbrook, *supra* note 124, at 220 ("I'm not so sanguine, therefore, that *WesternGeco* requires the rejection of territorial limits on damages available for infringement under section 271(a). The focus of section 271(a) is more dramatically circumscribed territorially.").

[135] *See Power Integrations I*, 711 F.3d at 1371-72.

[136] *See WesternGeco III*, 138 S. Ct. at 2136 (discussing RJR Nabisco, Inc. v. European Community, 136 S. Ct. 2090 (2016)).

[137] *See id*. ("[T]he panel majority reinstated the portion of its decision regarding the extraterritoriality of § 271(f).").

[138] *See id*. at 2139 ("We hold that WesternGeco's damages award for lost profits was a permissible domestic application of §284.").

Integrations as precedent disallowing foreign lost profits under § 271(a),[139] the Court declined to explicitly address that issue.[140] And the Court explicitly stated that its holding did not address proximate cause.[141]

That the Supreme Court exercised restraint and declined to address the relationship between proximate cause and extraterritoriality in patent law seems to indicate that it intended to leave this issue to be fleshed out Federal Circuit. This is perhaps wise and unsurprising given that the Federal Circuit has more experience and expertise than the Supreme Court in the area of patent law.[142] Furthermore, the Federal Circuit's expertise in patent law may provide a reason why it should perhaps be particularly hesitant to find that one of its patent law precedents has been implicitly overruled by the Supreme Court. And indeed, some have claimed that an "analysis of Federal Circuit case law reveals a pattern of resistance to implementing Supreme Court decisions overruling Federal Circuit precedent."[143]

The Federal Circuit has noted that "proximate cause" is a judicial tool that has been used to "limit legal responsibility for the consequences of one's conduct that are too remote to justify compensation."[144] However, the doctrine of proximate cause is underdeveloped in patent law, but it may be that the extraterritoriality of foreign damages is one factor that should be considered in

[139] *See id*. at 2135 ("The Federal Circuit had previously held that § 271(a), the general infringement provision, does not allow patent owners to recover lost foreign sales.") (citing *Power Integrations*).

[140] *But see* Re, *supra* note 56, at 947 ("[A]mbiguity in a higher court precedent can itself be regarded as a meaningful message to lower courts, suggesting that the higher court deliberately postponed resolution of certain issues.").

[141] *WesternGeco III,,* 138 S. Ct. at 2139 n.3 ("In reaching this holding, we do not address the extent to which other doctrines, such as proximate cause, could limit or preclude damages in particular cases.").

[142] John M. Golden, *The Supreme Court as "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 662 (2009) ("[T]he Circuit hears enough patent cases to acquire unquestionable expertise on questions of substantive patent law. The Supreme Court lacks such expertise and has typically demonstrated little in the way of generalist legal craft that can add significant value to the resolution of such substantive questions."). Though on the other hand, the Supreme Court has certaintly not been shy about reversing the Federal Circuit in recent years.

[143] Laura G. Pedraza-Farina, *Understanding the Federal Circuit: An Expert Community Approach*, 30 BERKELEY TECH. L.J. 89, 124 (2015). *See also* Rochelle Cooper Dreyfuss, *What the Federal Circuit can Learn from the Supreme Court and Vice Versa*, 59 AM. U. L. REV. 787, 800 (2010) (explaining that the Supreme Court "has severely criticized the Federal Circuit on departures from precedent"); *but see* Re, *supra* note 56, at 940 (explaining that "a lower court may have reason to think that its own view is especially reliable," and that its differing view may be "based on a subject of lower court expertise") (citing Aaron-Andrew P. Bruhl, *Following Lower-Court Precedent*, 81 U. CHI. L. Rev. 851, 851, 858 (2014)).

[144] Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1546 (Fed. Cir. 1995).

the proximate cause analysis.[145] In my view then, this issue seems important enough, complex enough, and uncertain enough, that the law would benefit from the enhanced consideration, briefing, and precedential freedom that come with *en banc* review.[146]

This reading finds further support in the academic commentary. In his amicus brief, Professor Stephen Yelderman argued that the well-established common law damages doctrine should apply no differently in patent cases than in other cases, and that while common law doctrines "erect a number of barriers" to recovery, such as proximate causation, extraterritoriality "does not, in and of itself," create an additional barrier.[147] According to Professor Yelderman, "the proximate cause requirement stands ready to prevent patentees from obtaining foreign lost profits that are too far removed from the domestic acts of infringement."[148] To the extent that *Power Integrations* can be seen as resting its holding on proximate cause, rather than extraterritoriality,[149] it may remain good law even after *WesternGeco*.

CONCLUSION

The most relevant language from the Federal Circuit panel decision in *Power Integrations* is as follows: "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."[150] On its face, this holding of *Power Integrations* seems to be based more on the doctrine of proximate cause than extraterritoriality *per se*. To be sure, the court says that extraterritoriality is relevant to proximate cause, but it does not say that extraterritoriality always cuts off proximate cause.

The Supreme Court decision in *WesternGeco* is not inconsistent with this language, because the Court did not address proximate cause. Though declining to address proximate cause, the Court in rejecting a *per se* rule against foreign lost profits under § 271(f) does strongly imply that extraterritoriality would not *always* cut off causation. But *Power Integrations* is still potentially reconcilable because it does not create such a *per se* rule; instead, it states that

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[145] *See generally* Amy L. Landers, *Proximate Cause and Patent Law*, 25 B.U. J. SCI. & TECH. L. (2019).

[146] *See* FED. R. APP. P. 35 ("[E]n banc hearing or rehearing is not favored and ordinarily will not be ordered unless: (1) en banc consideration is necessary to secure or maintain uniformity of the court's decisions; or (2) the proceeding involves a question of exceptional importance.").

[147] Brief of Law Professor Stephen Yelderman as Amicus Curiae in Support of Petitioner at 1-2, *WesternGeco III*, 138 S. Ct. 2129 (No. 16-1011).

[148] *Id*. at 22.

[149] *Cf. id*. at 23 ("For its part, Power Integrations also involved a remote theory of damages, one which the traditional proximate cause requirement was again well-equipped to handle.").

[150] *Power Integrations*, 711 F.3d at 1371-72.

extraterritoriality cuts off the chain of causation "under almost all circumstances." Perhaps extraterritoriality should be one factor weighing against a finding of proximate cause, but not the only relevant factor.

Thus, it seems that *Power Integrations*, to the extent that it relied upon proximate causation, was not implicitly overruled by *WesternGeco*. The upcoming Federal Circuit panel on interlocutory appeal in *Power Integrations* could take this opportunity to clarify and flesh out the meaning of "under almost all circumstances," that is, the relationship between extraterritoriality and proximate cause. But this language stands as panel precedent. If the Federal Circuit would like to engage in more of a full reconsideration (rather than just an elaboration) of this language in light of *WesternGeco*, then the full court should do so sitting *en banc*.