Nos. 2013-1527, 2014-1121, -1526, -1528

United States Court of Appeals
For The Federal Circuit

WESTERNGECO L.L.C.,

***Plaintiff-Cross-Appellant*,**

v.

ION GEOPHYSICAL CORPORATION,

Defendant-Appellant.

Appeals from the United States District Court for the Southern District of Texas in case no. 09-cv-1827, Judge Keith P. Ellison.

CORRECTED NON-CONFIDENTIAL REPLY BRIEF FOR DEFENDANT-APPELLANT ION GEOPHYSICAL CORPORATION

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CERTIFICATE OF INTEREST

Counsel for the Defendant-Appellant certifies the following:

1. The full name of every party represented by counsel is:

ION Geophysical Corporation

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

N/A

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

N/A

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 are:

Fish & Richardson P.C.: David J. Healey, Justin M. Barnes, Frank Porcelli, Brian G. Strand, Francis J. Albert, Olga May, Kevin Su, Robert Courtney, Bailey Harris, Jackob Ben-Ezra;

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INTRODUCTION

WG's Response Brief seeks to misdirect the Court from the straightforward law and evidence that decide ION's three appellate issues: standing, liability, and lost profits. Underneath the façade, however, WG's brief admits or leaves uncontested the vast majority of facts and law necessary for ION to win. On the remaining points where true disagreement exists, WG's arguments are unsupported by the record and/or incongruous with this Court's precedent. WG's cross-appeal issues are self-defeating, and unsupported in any event. WG's numerous tangents bear no relation to the issues on appeal, and this Court should not follow WG down these rabbit holes.

Standing

The only written assignments from the inventors are to STC in 2001. WG's opposition admits, or leaves uncontested, key facts regarding the assignments:

- They are the only documents produced in this case signed by the inventors regarding their property rights. Opp. at 40.
- They are to ***STC***, the power of attorney was to ***STC's attorneys***, and the parent patent to the Bittleston Patents, the '017, still shows ***STC*** as the recorded assignee in the PTO records. A012199-210.
- Dr. Bittleston's assignment is the only recorded assignment, and WG's attorneys directed the PTO to that assignment as the basis for authority to prosecute the Bittleston Patents. Opp. at 40-41.

Try as it might, WG cannot overcome this compelling evidence.

WG offers three alternative arguments for showing standing, but they are contradictory to one another, and each contains fatal flaws. WG's first argument is

that because it is the listed assignee on the Bittleston Patents, it is the "patentee" as well, and therefore presumed to be the proper owner pursuant to §100(d). But this tautological argument would effectively preclude ever "looking behind the curtain" for lack of standing, and conflates "assignee" and "patentee." This same argument was raised in *Stanford*, and this Court rejected it.

WG's second argument involves a convoluted and largely unexplained chain of title. As an initial matter, even though WG asserts that the PTO determined ownership, WG never asserted chain of title and never referenced or provided the "supporting" documents to the PTO. Upon scrutiny, there is good reason these documents were never provided, as they do not show what WG purports. The first link is entirely reliant on conclusory inventor testimony, with no details whatsoever regarding the supposed assignment's terms. The other links in the chain also fail to transfer title, as they do not contain language sufficient to satisfy §261's requirements for legally transferring title; quite the opposite, they explicitly state that [redacted]. A012829, A012860.

WG's first and second arguments are in fact contradictory. WG's "presumption" argument is predicated on WG being the listed assignee by virtue of the PTO 3.73(b) forms, which indicated WG had a direct assignment from the

inventors.[1] But WG's chain of title argument is predicated on the exact opposite position, that there was no direct assignment. In reality, WG has neither a direct assignment from either inventor nor a chain of title.

Finally, WG's third argument tries to skirt review by arguing deference to the district court's findings, but those are based on contracts, and so like standing itself, they are reviewed *de novo*. The Constitution does not permit parties to create jurisdiction where none exists, and WG's cases are inapposite. Unlike those cases, where predicate facts were admitted, and unrefuted by the record, here the "fact" supposedly admitted is the ultimate conclusion of legal title, and that "fact" is directly refuted by the inventors' assignment of their rights to STC.

Liability

The district court's §271(f)(1) summary judgment ruling was based on an improper legal standard, as the intent required to "actively induce" should have tracked what *Global-Tech* requires for the nearly identical §271(b). ION moved *in limine*, and then in jury instructions, for rulings that would prevent WG from using the summary judgment finding as evidence of infringement for other claims and

[1] WG's claim that ION's reference to this "misinformation" is "merely purported" (Opp. at 46) is wrong. The 3.73(b) forms unequivocally claim a direct assignment to WG where none exists, and the accompanying cover pages name WG – not STC – as the identified assignee. A013277, A013393, A013479. Those mistaken forms directly led to the PTO issuing the patent to the wrong party. WG's own actions badly obscured title, and appeared to show standing where none existed.

infringement theories, but the court rejected these requests. Unsurprisingly, WG then deliberately leveraged the MSJ ruling in argument and evidence to undermine ION's §271(f)(2) defense. A006196-97, A006201. As with standing, WG's brief admits, or leaves uncontested, many of these key facts:

- §271(b) requires an accused infringer to have specific intent to induce infringement, but here under §271(f)(1) the district court required only intent to induce the combination of components. Opp. at 18, 49-50.
- ION moved *in limine* and for specific jury instructions to keep the summary judgment ruling on §271(f)(1) from being considered for §271(f)(2), but the court refused these requests, and thereafter WG and the court repeatedly informed the jury of the summary judgment ruling. A010653, A010793, ION Brief at 15-16, Opp. at 55-56.

WG's opposition relies on three main arguments. First, WG argues that the summary judgment ruling was correct because §271(f)(1) should have a lesser intent standard than §271(b). This argument is nonsensical and ignores the legislative history as a whole. Liability should be commensurate for domestic activities under §271(b) and exports under §271(f)(1).

WG's second argument – that even if the §271(f)(1) MSJ ruling was incorrect, it did not infect the §271(f)(2) verdict – is explicitly belied by the record. WG told the jury it could, and should, use the summary judgment ruling as evidence that WG did not have a good faith defense for §271(f)(2). A006196-97, A006201. WG opposed ION's requested instructions that would have prevented such an argument. A010915-16. A new trial is required where the issues cannot

be fairly said to have been considered distinctly and separately; here WG made the strategic choice to tie the district court's §271(f)(1) ruling to §271(f)(2), and WG now has to live with that choice's consequences. Reversal of summary judgment is necessary, and a new trial on §§271(f)(1) and (f)(2) liability is also required.

WG's third argument is that *Commil*[2] was not a change in the law. But this Court, and the Solicitor General, have explicitly stated otherwise. The jury was not instructed on that changed law, nor could it be, so this plain error requires a new trial under both §§271(f)(1) and (f)(2).

Lost Profits

Power Integrations holds that damages for wholly extraterritorial activities, even if the foreseeable result of domestic activity, are not recoverable. Here, ***the entirety*** of lost profits were calculated on wholly extraterritorial activity.

Separately, the jury instructions required competition in the relevant market, but it is undisputed that ION and WG do not compete in the same market. No reasonable jury could have awarded lost profits here, and failure to grant JMOL was error. As with standing and liability, WG's brief either admits or leaves uncontested critical facts on these points:

[2] On December 5, 2014, the Supreme Court granted certiorari on the first (of two) questions in Commil's petition, which is directly relevant here: "Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b)."

- Lost profits were calculated on competition with ION's customers, not ION, and for use of the claimed inventions in marine surveys conducted wholly outside the United States. Opp. at 70-71.
- WG sought a jury instruction that would have permitted lost profits in the market for performing marine seismic surveys (as opposed to the market where ION sold its components), but the court refused, and WG had no evidence nor even argument to show lost profits based on sales of competing components. ION Brief at 57; Opp. at 70, 75-76.

This leaves WG with the fallacious argument that while *Power Integrations* precludes damages for foreseeable wholly extraterritorial activities under §271(b) infringement, it does ***not*** preclude damages for foreseeable wholly extraterritorial activities under §271(f). This makes no more sense for damages than for liability.

WG's argument on the jury instruction also fails, because it corresponds to the proposed instruction WG ***failed to get***, not the instruction as given. WG sought, but lost, an instruction that would have allowed lost profits for competition in the market served by ION's ***customers***, as opposed to ION's market. Thus, to collect lost profits, WG needed to address equipment sales (e.g., component exports), but WG admittedly does not compete in this market. Lost profits here were both wholly extraterritorial and contrary to the explicit jury charge, and on either ground must be reversed.

Cross-Appeal

WG's cross-appeal issues fare no better, and in fact are self-defeating. WG's royalty argument is just an attempt to backdoor its lost profits theory

through a royalty, based on nothing but unfounded speculation. WG never adequately explained how or why ION would agree to pay a royalty not on ION's revenue from its device sales, but on ION's ***customers'*** revenue from conducting marine seismic surveys, particularly where such an open-ended royalty was, at the time of trial, already equivalent to a 400% royalty on ION's sales. Further, royalty opinions based on revenue earned from extraterritorial use by others would have been inadmissible in any event under *Power Integrations*. The district court did not abuse its discretion in excluding WG's unreasonable theory.

WG's conditional appeal on willfulness is also self-defeating. Since the conditional appeal will not be reached unless ION prevails on its appellate points, ION's claim cannot be objectively baseless. WG relies on a turn of phrase by the district court to attempt to draw a distinction between this Court's standard and that applied by the district court. This distinction is one without a difference – and in any event, it does not undermine the principle that the Court reviews judgments and not opinions. If ION prevails here, there cannot be objective willfulness.

Irrelevant Tangents

WG focuses an inordinate amount of its brief on tangents that bear no relation to this appeal. WG opens its brief with a jab at ION's former chairman, which it never ties to any later argument. This shows what WG believes is its "best" defense to ION's appellate arguments. Casting aspersions on ION, such as

supposed "walking back" on indemnity to Fugro, or alleged lying under oath, is a transparent smear campaign calculated to distract from ION's persuasive issues.[3, 4]

Re-focusing on what matters, the judgment below must be reversed.

ARGUMENT

I. WG lacks title to the Bittleston Patents, as the inventors assigned their rights to STC

The burden of proof rests with WG to establish standing via competent evidence. *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005) ("The party bringing the action bears the burden of establishing that it has standing."). WG has failed to meet its burden. Indeed, WG either expressly admits, or leaves uncontested, numerous facts proving there is no standing:

- The only produced documents showing written assignments from each inventor, Mr. Hillesund and Dr. Bittleston, are to STC (Opp. at 40);
- The original U.S. application filed in 2001 was filed on behalf of STC, and originally prosecuted under STC's name;
- The STC assignment from Dr. Bittleston is the only assignment recorded at the PTO, and WG's attorneys referred to and/or filed it when submitting PTO 3.73(b) forms (Opp. at 40-41); and
- On the 3.73(b) forms, WG never argued it had chain of title; instead WG referred only to a direct assignment – the one from Dr. Bittleston to STC (Opp. at 35, A013277, A013393, A013479, A012204-06, A012208-10).

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[3] Indeed, the alleged "lying under oath" was disputed by ION but not appealed since it related only to the injunction, which WG admits ION has complied with.

[4] Similarly, WG's statements that ION "admits" that the patents are valid and that DigiFIN practices the inventions (Opp. at 7, 13, 23) are not only irrelevant, but wrong. Just because something is no longer being pursued with limited briefing space does not mean it is "admitted." ION Brief at fn. 5, 6.

In an attempt to overcome these facts, WG attempts to lower its burden by alleging that legal title is a question of fact (Opp. at 30), but standing is a legal question reviewed *de novo*. *Abbot Point of Care Inc. v. Epocal, Inc.*, 666 F.3d 1299, 1302 (Fed. Cir. 2012). Similarly, WG argues that the district court's ruling was not "clearly erroneous" (Opp. at 41), but the district court's June 19, 2013 Order was based on contract interpretation, also reviewed *de novo*.[5] *Lucent Techs. v. Gateway, Inc.*, 543 F.3d 710, 717 (Fed. Cir. 2008).

But frankly, standing cannot be affirmed under any review standard. There are clear assignments from each inventor to STC, one of which was recorded at the PTO, and these are the only assignments from the inventors in evidence. A012195-98. WG attempts to usurp this with an eleventh hour chain of title theory never disclosed to the PTO, and a flawed presumption argument that this Court rejected in *Stanford*. WG also attempts to forego its obligation altogether via an "admission" argument unsupported by the facts and forbidden by the Constitution.

[5] Indeed, there are no "findings of fact" in the district court's opinion, just legal conclusions. A000005-6. Even for testimony about contracts, the standard for review of the terms and impact on standing is *de novo*. *Tyco Healthcare Grp. LP v. Ethicon Endo-Surgery, Inc.*, 587 F.3d 1375, 1378-79 (Fed. Cir. 2009).

A. WG largely ignores the unambiguous assignment to STC and STC's prosecution of the Bittleston Patents

WG hides from the STC assignments until the very end of its argument, labeling them "an apparent belt-and-suspenders" approach that merely "identifies an ambiguity." Opp. at 40, 41 n.4. WG's conclusory assertion – that these documents, written by STC's attorneys, signed by each inventor, attested to by witnesses, and which expressly transfer their rights to STC, are somehow superfluous – is outlandish. The inventors assigned their invention to STC on February 26, 2001. A012195-98. That same day, the inventors signed Power of Attorneys to STC's attorneys. A012665-66, A012673-74, A012678-79.[6,7] STC's attorneys filed the parent application to the Bittleston Patents (which issued as the '017 patent) on March 21, 2001, and signed other filings in June, 2001. A013145-49, A013158. Even today, PTO records show STC as the '017 patent's legal title holder. A012199-202. All of these actions occurred ***after*** the convoluted set of agreements WG now cites, and demonstrate that STC's actions were not "belt and suspenders," but rather multiple deliberate actions by a party having proper legal title.

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[6] Contrary to WG's assertion, the inventors did not sign powers of attorney to WG's attorneys. Opp. at 35.

[7] The company listed on the power of attorney is GeoQuest, which is an entity that merged with STC many years earlier, and even on the original power of attorney is listed as a division of STC. A013830-35; *see also* A013149 (noting that GeoQuest is a division of STC).

Only in December 2002 did WG or WG attorneys appear at the PTO, in an "Appointment of Associate Attorneys and Change of Correspondence Address." A013160. At no time, however, in prosecuting the '017 patent or any of its continuations, is any mention made of an assignment from STC to WG, and the 3.73(b) forms reference only the assignment to ***STC***. A013277, A013393, A013479.

If not for WG's attorneys claiming WG (rather than STC) as the assignee on the 3.73(b) forms, there would be no debate regarding standing. But merely because WG created apparent confusion by listing the wrong entity as assignee, and then sought to capitalize on that confusion by now alleging that WG in fact had title all along via chain of title (never disclosed to the PTO), does not mean there is any actual confusion – there is not. This Court need not analyze any facts beyond those in the paragraphs above; everything else is merely WG distraction. Nonetheless, WG's various, sundry arguments are addressed below.

B. WG's main arguments conflict with one another, and undermine any "presumption" in WG's favor

WG argues that, under §100(d), as the "patentee" WG is presumed to have title. Alternatively, WG alleges chain of title. But these contradict one another. WG is listed as assignee because WG's attorneys asserted a direct assignment (the STC assignment) on the 3.73(b) form, marking box "A":

STATEMENT UNDER 37 CFR 3.73(b)

Applicant/Patent Owner: WesternGeco, L.L.C.

Application No./Patent No.: _____ Filed/Issue Date: _____

Entitled: CONTROL SYSTEM FOR POSITIONING MARINE SEISMIC STREAMERS

WesternGeco, L.L.C., a corporation
(Name of Assignee) (Type of Assignee, e.g., corporation, partnership, university, government agency, etc.)

states that it is:
1. ☑ the assignee of the entire right, title, and interest; or

2. ☐ an assignee of less than the entire right, title and interest.
The extent (by percentage) of its ownership interest is _____ %
in the patent application/patent identified above by virtue of either:

A. [✓] An assignment from the inventor(s) of the patent application/patent identified above. The assignment was recorded in the United States Patent and Trademark Office at Reel 011969, Frame 0794, or for which a copy thereof is attached.

OR

B. [ ] A chain of title from the inventor(s), of the patent application/patent identified above, to the current assignee as shown below:

1. From: _____ To: _____
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

2. From: _____ To: _____
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

3. From: _____ To: _____
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

[ ] Additional documents in the chain of title are listed on a supplemental sheet.

[ ] Copies of assignments or other documents in the chain of title are attached.
[NOTE: A separate copy (*i.e.*, a true copy of the original assignment document(s)) must be submitted to Assignment Division in accordance with 37 CFR Part 3, if the assignment is to be recorded in the records of the USPTO. See MPEP 302.08]

The undersigned (whose title is supplied below) is authorized to act on behalf of the assignee.

6/16/2006
Date

713-689-5799
Telephone number

Liangang (Mark) Ye
Typed or printed name

Signature

Attorney-In-Fact

A013277, A013393, A013479. But now, WG asserts that there is a chain of title, ***not*** a direct assignment, based on a theory never made and documents never disclosed to the PTO; indeed, the 3.73(b) form neither marks check box "B" nor describes the alleged chain of title. Any "presumption" resulting from WG's

"assignee" designation is therefore rebutted by ***WG's own argument*** as to how/why title allegedly lies with WG.

WG's ensuing argument that because of the supposed presumption, "that alone is enough to reject ION's standing argument" (Opp. at 32) is belied by cases where the named assignee was found to lack standing. *See, e.g., Lucent*, 543 F.3d at 717; A013826 (face page listing only Lucent as assignee); *Board of Trustees of Leland Stanford Jr. University v. Roche Molecular Systems, Inc.*, 583 F.3d 832, 838, 847-49 (Fed. Cir. 2009) ("*Stanford*"), *aff'd on other grounds*, 131 S. Ct. 2188 (2011); A013827-29 (face pages listing Stanford as assignee). A party's status as "assignee" or "patentee" depends on a lawful assignment from the inventor and honest representation to the PTO as to how that status arises – here, neither exists.

Further, if WG's "presumption" argument were correct, §261 and §100(d) would conflict. WG alleges §100(d) provides presumption of title to the named assignee, ignoring that §261(d) presumes title belongs to the recorded entity, which is often different. *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1327–28 (Fed. Cir. 2010). The foundational flaw in WG's argument is that it incorrectly assumes "patentee" and "assignee" are synonyms. But "patentee" refers to inventors and any ***actual successors in legal title***. *Prima Tek II, L.L.C. v. A–Roo Co*., 222 F.3d 1372, 1377 (Fed. Cir. 2000); *Arachnid, Inc. v. Merit Indus., Inc.,* 939 F.2d 1574, 1578 n.2 (Fed. Cir. 1991); *Ortho Pharmaceutical Corp. v. Genetics*

Institute, Inc., 52 F.3d 1026, 1030. *Pandrol* does not help WG, because – like the above cases – it refers to ***lawful*** successors in interest being a patentee. *Pandrol v. Airboss Ry. Prods.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003) ("The word 'patentee' includes 'successors in title to the patentee,' . . . and exclusive licensees holding all substantial rights to the patent."). Here, the whole point is that WG is ***not*** a lawful successor in interest, as the record is bereft of any assignment from the inventors to WG or a proper chain of title. That WG unilaterally listed itself on the 3.73(b) forms and on the assignment cover sheets is probative of nothing.

Stanford makes this exact point. Although Stanford was the asserted patents' sole listed assignee, this Court gave no presumption of standing and examined the purported chain of title, finding that the inventors – prior to any assignment to Stanford taking effect – had assigned the patents to a third party (Cetus), rendering the assignment to Stanford null and void. *Stanford*, 583 F.3d at 837-38, 842.[8] *Mayfair Wireless LLC v. Cellco Partnership*, 2013 WL 4657507 (D. Del. August 30, 2013), currently before this Court as Case No. 2014-1587, appears

[8] WG's citation to the *Stanford* district court opinion on §100(d) as being ***affirmed*** (Opp. at 33) is wrong, since this Court applied no such presumption, and remanded the case with instructions to dismiss due to lack of standing. *Board of Tr. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 848-49 (Fed. Cir. 2009). This Court's opinion was affirmed by the Supreme Court, which likewise did not apply a presumption to the listed assignee. *Board of Tr. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 131 S. Ct. 2188, 2199 (2011).

to be the only case to have explicitly discussed the relationship between §100(d) and §261.[9] Like *Stanford*, the *Mayfair* court rejected the plaintiff's argument that, by virtue of being listed as the assignee, it had legal title; instead the court looked to the underlying evidence and held there was no standing. *Id.* at *4, *11.[10]

WG's argument also fails on a policy level. If there is a presumption that the listed assignee has title, and is "alone…sufficient to reject [defendant's] standing argument" (Opp. at 32), a party that incorrectly represented title in prosecution (deliberately or otherwise), would, by its own wrongful or mistaken acts, trump the true owner. Instead, *Stanford* holds that a court has not only the authority – but indeed the duty – to determine standing in every case, no matter the listed assignee. *Stanford*, 583 F.3d at 841; *see also* Fed. R. 12(h)(3) ("If the court determines at any time that it lacks subject matter jurisdiction, the court must dismiss the action.").

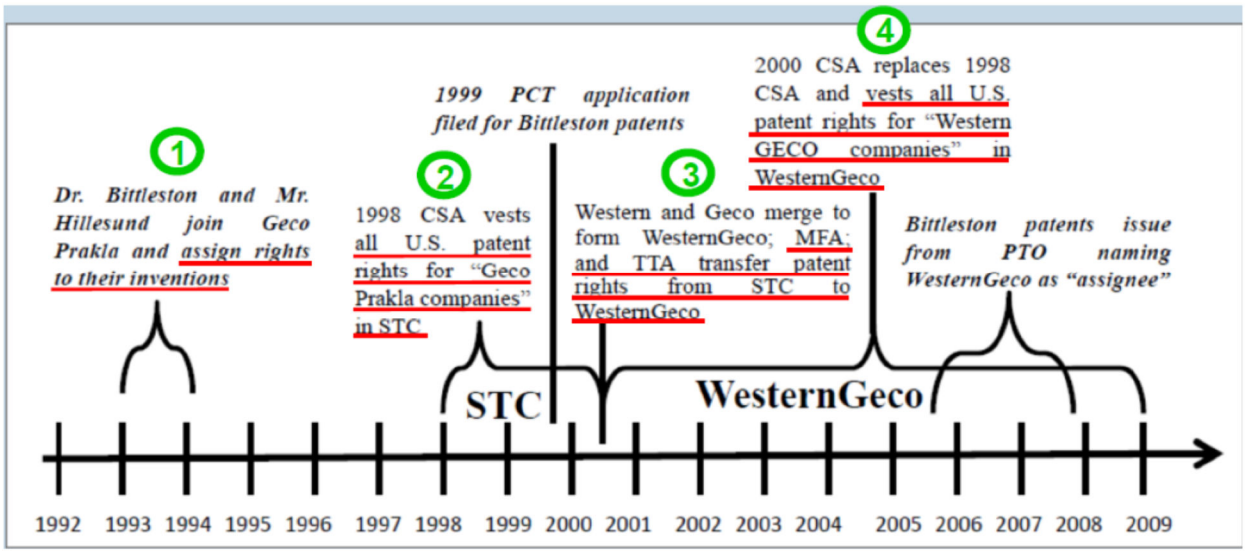
C. WG's chain of title argument fares no better than the presumption argument

WG's supposed chain of title has no beginning, no end, and (at best) a number of "what ifs" in between. This is contrasted with WG's standing for the

[9] The magistrate's recommendation was affirmed by the district court. A013825.
[10] Accordingly, WG's argument that the "Patent Office is presumed to comply with its own rules" (Opp. at 34-35) fails, since the PTO erred in listing WG as the assignee, looking only at the cover sheet and not the underlying assignment. Further, by regulation, the PTO does not pass on the validity of assignments, and its filings are ministerial acts. ION Br. at 25-26.

Zajac patent, which is simple and straightforward, with an explicit assignment from the inventor to WG (A012870-73).

WG devotes six pages explaining the supposed chain of title (depicted below) for the Bittleston Patents:



Opp. at 35-41; D047-1 at 13. Notably, none of the agreements or testimony relied upon by WG refers to the Bittleston Patents in suit by name or number, and many of the agreements do not even contain the words "transfer" or "assignment." There are no employment agreements in the record, let alone anything with required assignment language. The Court has no way of knowing whether those agreements, to the extent they exist, make a present assignment or alternatively establish an agreement to assign in the future, to some past employer, or something else. This is insufficient under §261 and this Court's precedent. *U.S. v. Dubilier Condenser Corp.*, 53 S.Ct. 554 (1933) ("A patent is property and title to it can pass

only by assignment"); *Speedplay, Inc. v. Bebop, Inc*., 211 F.3d 1245, 1250 (Fed. Cir. 2000) (to establish standing, a putative patentee "must produce a written instrument documenting the transfer of proprietary rights in the patents.").

1. Supposed assignment from inventors to the "company"

WG's alleged chain of title starts with conclusory inventor testimony. The testimony at A001504 and A004539 merely states the inventors' understanding that inventions would be owned "by the company." But it is not clear ***which*** company either inventor is referring to. The testimony references WG, but the alleged agreements could not have been with WG, since it was formed in late 2000 and both inventors refer to hiring dates in the 1990s. Further, the 1998 and 2000 cost sharing agreements show no less than [redacted] companies with the word "Geco" in the name, and [redacted] companies with the phrase "Geco Prakla" in the name, and the testimony makes no effort to distinguish among them. A012841.

Even assuming there were employment agreements, there is no documentation or testimony regarding their terms. WG argues that a document's ***existence*** may be proved by testimony, but existence does not prove ***terms***. *Railroad Management Co., L.L.C. v. CFS Louisiana Midstream Co*., 428 F.3d 214, 217-219 (5th Cir. 2005) (distinguishing between testimony as to an alleged assignment agreement's existence and its contents, holding it was not an abuse of

discretion to exclude the latter where "the fact of assignment and the relevant time periods are facts critical to this litigation."). In *Stanford*, the terms of an employee's agreement and of a subsequent Visitor's Confidentiality Agreement were dispositive. Here, the record is devoid of ***any*** evidence that the inventors made a specific present assignment to WG or any other entity – besides of course their February 2001 assignments to STC. This failure of proof, by itself, defeats standing, because any subsequent transfers in WG's "chain of title" would be invalid. *Abraxis Bioscience, Inc. v. Navinta LLC,* 625 F.3d 1359, 1366 (Fed. Cir. 2010) (where there was no written assignment of a patent from subsidiary to parent, subsequent assignment of the patent by the parent was void).

2. Supposed assignment from Geco-Prakla to STC

WG asserts that the 1998 cost sharing agreement (A012818, A012820, A012824, A012828-29) "transferred U.S. patent rights from Geco-Prakla to Schlumberger." Opp. at 37. WG does not define "Schlumberger," but from context it appears WG is referring to STC, not the parent entity Schlumberger Limited.[11] A012820. But no matter the alleged assignee, there is no "transfer" of rights to the Bittleston Patents on any of the cited pages. No patents are identified, and Sections 1.02, 1.10 and 3.01 say nothing about a transfer [redacted]

[11] That WG does not delineate the various Schlumberger entities in its Brief, even though distinguishing among the specific entities is critical, highlights the failure of proof.

[redacted] Further, none of the [redacted] Geco entities listed in Exhibit A signed the agreement. A012839-41. This non-specific arrangement among related corporate entities is insufficient to satisfy §261's written assignment requirement: "even between a parent and a subsidiary, an appropriate written assignment is necessary to transfer legal title from one to the other." *Abraxis*, 625 F.3d at 1366 (internal citations omitted).

By contrast, Section 3.02, which at least references [redacted] notes that [redacted] A012829 (emphasis added). There cannot have been an automatic transfer to STC, since [redacted].

Also, as of 1998, there were no "U.S. rights to the PCT application" (Opp. at 37) for any Geco-Prakla company to transfer to STC, as no U.S. applications had been filed, and the PCT application itself is not a U.S. application. *Voda v. Cordis Corp*., 476 F.3d 887, 890, 899 (Fed. Cir. 2007) ("The foreign patents issued from a common Patent Cooperation Treaty ('PCT') application.... [T]he text of the PCT maintains the independence of each country's patents."). Assuming for the sake of argument the 1998 cost sharing agreement operates as WG advocates, the PCT application would not belong to STC, but rather a different entity, SHL, which is

confirmed by the contemporaneous PCT records. A012820 at §1.02 (showing [redacted]); A013005 (showing SHL as the entity of record for the PCT application on February 21, 2001).

3. Supposed assignment(s) from STC to WG

WG supposedly received title from "Schlumberger" in the 2000 merger agreement. Opp. at 37-38. Cited section 9.1 states that STC assigns to "U.S. Venture Entity" (allegedly WG) rights to patents "***primarily related to the Seismic Business in the U.S***." A012780 (emphasis added).[12] The agreement does not, however, define what this means, and WG has not put forth any evidence indicating why the PCT application would qualify as IP "primarily related to the Seismic Business in the U.S.," where 1) neither inventor worked in the U.S., 2) the invention was developed in Norway, 3) the IP chart at A012850 does not list any of the patents as being U.S. patents, and 4) the PCT records show SHL, not STC, as the application's entity of record. A013005.

The 2000 technology transfer agreement (A012853-54) fails to provide chain of title for the same reason. While STC assigned WG [redacted] on that date the inventors had not assigned their rights to STC, the Bittleston Patents had not yet been filed in the

[12] Section (a) is specific to STC, so assuming SHL were the "owner" of the PCT application, SHL is not subject to §9.1.

U.S., and [redacted]. A012820. Further, WG's allegations as to what STC theoretically assigned in 2000 is directly contradicted by both SHL's and STC's courses of action just a few months later, when SHL became entity of record for the PCT application and STC received a direct assignment from the inventors and began prosecuting the U.S. national-stage application that issued as the '017 patent.

WG attempts to shore up title with the 2000 cost sharing agreement, which supposedly gave rights to WG going forward. Opp. at 38. But STC is not a party to this contract. A012865-67. Even if it were, as with the 1998 cost sharing agreement, there is no mention of a transfer or assignment of patent rights, and §3.02 [redacted]. A012860.

In view of the STC assignment, STC's filing and prosecution of the original U.S. application, and WG's own representations to the PTO, there is no need to delve into WG's new chain of title theory. Even so, it does not withstand scrutiny.

D. ION has not made any "admission" of facts that would confer standing

WG's last gasp argument is that ION somehow admitted "facts" pertinent to standing, a proxy for the district court's waiver argument that even WG knew to be incorrect. A011944-45. WG's citations show no such "facts," but instead alleged

admissions to the ultimate legal conclusion. ION's counterclaim stating that "on information and belief" WG was the title holder (A012912) is not an unequivocal admission, especially read in context. The same goes for the jury instruction entitled "summary of ***contentions***." A010839. But even were these admissions, legal title determinative of standing cannot be admitted to under the Constitution, particularly where no proper title exists.

WG's cited cases are inapposite. *Christian Legal Society* does not pertain to standing at all, but rather a joint stipulation on a different issue, corroborated by the record evidence no less. *Christian Legal Soc'y v. Martinez*, 561 U.S. 661, 676-77 (2010). In *Ramsey* – unlike here – there was no contrary evidence regarding (lack of) jurisdiction, and the underlying facts ***supported*** the parties' stipulation, which was merely to replace evidence that had been destroyed in a fire. *Railway Co. v. Ramsey*, 89 U.S. 322, 327-28 (1874).

The facts here are more analogous to *Spine Solutions Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1318 (Fed. Cir. 2010). Plaintiff SSI asserted that Medtronic waived the right to challenge standing to one of Synthes' subsidiaries because Medtronic allegedly treated the various Synthes entities as one throughout discovery. *Id.* at 1318-19. This Court disagreed, holding "[r]egardless of how SSI characterizes Medtronic's position, however, Medtronic is challenging the standing of Synthes, Inc. and Synthes Spine to bring suit on the

′071 patent. Under Article III of the Constitution, 'standing ... is jurisdictional and not subject to waiver.'" *Id.* at 1319; *see also Abraxis*, 625 F.3d at 1366 (common corporate structure cannot be used to overcome standing requirements).

On the record before this Court, the simple answer is proper legal title belongs to STC, not WG, pursuant to the inventors' direct assignments.

II. Congress intended to protect U.S. patentees from deliberate acts undermining their patent rights, not punish U.S. exporters where no such knowledge or intent is established

WG's flawed reading of §271(f) would result in finding liability for export activity where that same activity would not constitute §271(b) infringement if performed domestically. Such an uneven reading runs counter to both the purpose of §271(f)(1) and the extraterritorial limits of U.S. law. As with standing, WG's opposition brief either admits or leaves uncontroverted numerous legal points and procedural facts that support ION:

- §§271(b) and (c) are models for§§ 271(f)(1) and (f)(2), respectively (Opp. at 65-66);
- An accused infringer must have specific intent to infringe the patent to satisfy §271(b) (Opp. at 49-50);
- The district court held §271(f)(1) required only intent that components be combined overseas, and did not require that ION knew the combination would infringe or had intent to avoid the patent or otherwise detract from the patent owners' rights, and accordingly found for WG on summary judgment (Opp. at 18);
- In the same order, the district court denied summary judgment of infringement under §271(f)(2), finding a fact dispute regarding whether ION knew the combination of components infringed WG's patents (Opp. at 19);

- ION moved *in limine* to keep the §271(f)(1) infringement ruling out of trial (A010653, A010793);
- ION sought a jury instruction to prevent the §271(f)(1) ruling from being used to show §271(f)(2) infringement (A010913, A011042, A005404-08, A005411-12); and
- The Court and WG repeatedly informed the jury of the §271(f)(1) infringement ruling (ION Brief at 15-16).

The district court's summary judgment ruling was predicated on a flawed legal analysis, and WG used the ruling to conflate ION's liability for exporting the DigiFIN under §§271(f)(1) and (f)(2). WG claims otherwise, but the record is what it is. The jury never should have heard about the ruling, but moreover, the district court should not have permitted WG to leverage the ruling to argue liability under §271(f)(2). A new trial is warranted under both §§271(f)(1) and (f)(2).

A. ION lacked intent to infringe under §271(f)(1)

There is no debate that §271(b) requires proof of active inducement, and that *Global-Tech* re-affirmed that active inducement requires a specific intent to infringe (e.g., knowledge of infringement). Opp. at 49-50. There is also no debate that for exports, §271(f)(1) is the corollary to §271(b). Opp. at 65-66. Nevertheless, WG asserts that §271(f)(1) has a broader reach than §271(b). WG fails to provide, however, any rational explanation of how or why such a holding would be appropriate.

All WG can muster is a strained statutory interpretation and a cherry-picked legislative history argument. WG seeks to read "actively induce" on to an artificial

subset of the statutory language. WG cites *In re Sanders* for the notion that when a word points back to an antecedent, the true referent "should generally be the closest appropriate word." WG fails to acknowledge the very next sentence, however: "Consistent with this principle, the courts ordinarily assume that 'a limiting clause or phrase ... modif[ies] only the noun ***or phrase*** that it immediately follows.'" *In re Sanders*, 551 F.3d 397, 399 (6th Cir. 2008) (emphasis added). Here, "actively induce" applies to the next phrase "the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States." There is no basis to artificially carve out the referent to "actively induce."

WG next relies on incomplete, out of context, legislative history. WG does not dispute that §271(f) was enacted in response to *Deepsouth*, where there was intent to circumvent a U.S. patent by exporting parts the defendant knew to be an infringement if combined inside the U.S. Opp. at 51-52. ION and WG agree that Congress intended to patch the "hole" identified in *Deepsouth*. Yet WG would have §271(f)(1) do much more than patch a hole; WG would have it actually expand liability beyond what §271(b) prohibits for domestic activities – making a component seller liable for its customers' acts when it did not actively induce infringement. The full legislative history, however, supports interpreting §271(f)(1)'s intent requirement consistent with §271(b).

WG cites Mr. Mossinghoff's prepared remarks submitted to Congress, but he did not write the law and Congress did not adopt either of his principal proposed changes. As WG points out, Mr. Mossinghoff made his comments when the current draft of 271(f) was a single subsection, but WG focuses on only one of his proposals. Mr. Mossinghoff proposed (1) deleting the knowledge requirement entirely and (2) a carve out for staple articles. A013865-66. Congress later divided 271(f) into two subsections: (f)(1), which does not carve out staple articles, and (f)(2), which explicitly recites knowledge. Neither subsection thus reflects Mr. Mossinghoff's recommendations (as interpreted by WG).

And reading beyond WG's soundbite, his full testimony supports ION. While WG cites his recitation of his understanding of "actively induce," WG ignores that his statement starts with the qualifier "the patent laws ***today***,"[13] i.e., he was trying to read §271(f) consistent with §271(b), and the statute should be read to keep the two consistent ***today*** as well. In his live Senate testimony, he reiterated the desire to have §271(b) and §271(f) interpreted consistently:

> It may be that that concept also might be woven in, where you actively induce infringement abroad. Perhaps you could take the wording of both 271(b) and 271(c) in

[13] At that time, there was difference of opinion on whether §271(b) required knowledge of infringement. This difference of opinion was resolved in *DSU Medical* and later clarified in *Global-Tech*. *DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006); *Global-Tech Appliances, Inc. v. SEB S.A.*, –– U.S. ——, 131 S.Ct. 2060, 2068 (2011).

> the new section. That might be a good idea. I really have not thought that through but it sounds like a good suggestion, using the present principles that are in section 271 and apply them abroad.

A013862; see also A012548 ("The bill simply amends the patent law so that when components are supplied for assembly abroad to circumvent a patent, ***the situation will be treated the same*** as when the invention is 'made' or 'sold' in the United States.") (emphasis added). And exactly because of this prudent rationale, §271(f)(1) must be interpreted consistently with this Court's interpretation of §271(b) in *DSU* and the Supreme Court's *Global-Tech* opinion.

The district court's summary judgment ruling was premised on an incorrect standard for active inducement, and must be reversed. Similarly, the jury verdict as to §271(f)(1) infringement, based on the same standard, must also be reversed.[14]

B. The district court's §271(f)(1) ruling unquestionably impacted the §271(f)(2) verdict

WG argues that ION has "no basis" for connecting 271(f)(1) with (f)(2). Opp. at 3. But in so doing, WG does not even cite or discuss the legal standard – that a partial retrial is only appropriate where issues are "so distinct and separable" that there will be no "injustice" to either party. *Vidrine v. Kan. City S. Ry. Co.*, 466 F.2d 1217 (5th Cir. 1972); *Gasoline Prods. Co. v. Champlin Refining Co.*, 283

[14] It is undisputed that the jury charge on intent (A006123-24) was consistent with the MSJ ruling, and ION objected to the charge (A005408).

U.S. 494 (1931). WG ignores the standard for good reason, as ***WG itself connected §271(f)(1) and (f)(2)***. The fact that the same product (the DigiFIN), sold in the same transactions, to the same customers, was at the heart of both the §§271(f)(1) and (f)(2) claims would naturally lead a jury to treat those issues as overlapping.[15] WG then exploited that confusion further – enabled by the district court's refusal to properly instruct the jury on the limited import of the §271(f)(1) summary judgment ruling – by referencing the ruling repeatedly, and indeed using it as direct evidence of intent under §271(f)(2) during closing:

> The last prong of (f)(2) is another difference. 271(f)(1) does not require you to intend to infringe. 271(f)(1), even if you accidentally -- and by no means did ION accidently do anything, they infringed and they knew they were doing it. But (f)(2)requires us to prove that. With (f)(1), you just have to send a substantial portion of the components and if they infringe, so be it. (f)(2) has intent. That intent under 271(f)(2) is a preponderance of the evidence. It is infringement, which means is it more than 50 percent that they do that?
>
> Willfulness is also an issue. ***And given both of these relate to intent, I'm going to walk through the evidence, which is pretty substantial -- I'll cut it down -- of the intent ION had.*** But I want to point out that the standard

[15] Indeed, WG even asked the Court for an instruction that the Court's finding on §271(f)(1) addressed all the elements of 271(f)(2) except intent to infringe. A005417 ("Otherwise, the rest of the limitations for (f)(2) have been found by Your Honor. There was U.S. Supply, there was an intent to combine, and that the DigiFINs and lateral controller were not staple articles of commerce with a substantial non-infringing use. Your Honor's summary judgment decision laid that out."); *see also* A005416-19.

> for willfulness is higher. The standard for intent under 271(f)(2) is just a preponderance.
> . . .
> Did ION have some reasonable basis -- this is another fact for willfulness you will see -- to believe it didn't infringe? ***No. The Court has already found before we even got here that they infringed one claim of the patent***.

A006196-97, A006201 (emphasis added).

WG claims that the above argument relates only to willfulness. But WG treated "the evidence" for both 271(f)(2) and willfulness together, noting "both of these relate to intent." A006196-97. WG then spent the next 8 pages of closing on intent for both willfulness and §271(f)(2), circling back at the end regarding the difference in the standard of proof. A006197-04 ("Did ION know they were infringing? Certainly by the preponderance for 271(f)(2), but on this record,. . . even under the clear and convincing standard.").

In going through the evidence, WG plainly encouraged the jury to use the §271(f)(1) ruling as a reason for finding §271(f)(2) infringement. If WG believed that §271(f)(1) and §271(f)(2) were so linked that it could use the court's §271(f)(1) finding to prove §271(f)(2), it cannot now reasonably claim that those two issues are so distinct and separate in this case that there will be no "injustice" to ION if liability under §271(f)(2) is not retried when §271(f)(1) is.

1. The jury instructions compounded the prejudice to ION

The court's instructions did not mitigate the MSJ ruling's prejudice. First, the court refused ION's offered mitigation instruction: "You should not consider this [summary judgment] finding in deciding the question of infringement as to any other claim or when deciding infringement under §271(f)(2)." ION Brief at 43. Notably, WG does not address ION's requested instruction (A010913, A011042, A005404-08, or A005411-12), and none of the citations from ION's brief on this requested instruction even appear in WG's brief. WG also ignores that it specifically objected to ION's instruction. A010915-16. The silence is telling.

Instead, WG claims that a ***separate*** "curative" instruction negates any possible prejudice. But the instruction WG cites (1) was requested by Fugro, (2) addresses the scope – as opposed to the irrelevance – of the prior infringement finding, and (3) was given earlier in the charge, not in the §271(f)(2) instruction. A003975, A003976, A003982. This instruction did nothing to negate the prejudice to ION. Indeed, had the court actually issued ***ION's*** requested curative instruction, WG could not have argued the court's §271(f)(1) finding was evidence that §271(f)(2) was satisfied. A006196-97, A006201.

2. The record establishes the court's §271(f)(1) finding was prejudicial

WG asserts any error under §271(f)(1) was harmless to the jury's §271(f)(2) finding because the jury found willfulness, yet WG fails to acknowledge or discuss that the court, in addressing willfulness, found ION's defenses to be reasonable. Ion Br. at 40. WG recounts select portions of the trial record to allege that ION's defenses were unreasonable, apparently now attempting to distance the 271(f)(2) finding from the erroneous 271(f)(1) finding. Opp. at 62-63. At trial, however, when arguing to the jury that ION's defenses were unreasonable, the ***very first*** argument WG relied upon was the court had already found infringement under §271(f)(1). A006201. After deliberately using the incorrect §271(f)(1) summary judgment ruling to argue willfulness to the jury, WG cannot turn around and use the jury's willfulness finding to support a "harmless error" argument.

3. No waiver where ION sought to exclude any reference to the §271(f)(1) liability finding

WG claims that ION waived this issue by failing to object. That is not only incorrect, but also fails to address the erroneous MSJ ruling itself, to which there is no debate ION objected. It is that §271(f)(1) finding that infected the entire trial.

After the court granted summary judgment, ION moved *in limine* to preclude mentioning the summary judgment finding at trial. The court denied the motion, indicating that the MSJ ruling was coming in. A010653, A010793. As

WG notes, ION offered a compromise at oral argument that would allow the court, but not WG, to address the summary judgment finding. A010791. The court explicitly stated no such instruction would be given. *Id*. Consistent with the motion *in limine*, ION later requested the court to specifically instruct the jury to not use the §271(f)(1) finding in any regard for §271(f)(2). A010913, A011042, A005404-08, A005411-12. Again, this request was denied. *Id*. Between the original MSJ motion, the *in limine* request, and the jury instructions, the record is clear that ION urged the district court not to permit WG to tell the jury that §271(f)(1) infringement was at all relevant to §271(f)(2). After ION's various requests were all denied, WG did exactly that. There has been no waiver.

WG argues that ION should have objected every time WG mentioned the court's §271(f)(1) finding. But having lost on summary judgment, motion *in limine*, and jury instructions, ION was not required to object once the evidence was let in. Fed. R. Evid. 103(a); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1319 (Fed. Cir. 2011) (finding no waiver where Microsoft had objected *in limine* to mention of $19 billion figure, but did not continue to object through trial); *Wilson v. Williams*, 182 F.3d 562, 566 (7th Cir. 1999). Rule 103(a) was amended in 2000 to make clear that once a trial judge makes a definitive ruling in response to a motion *in limine*, a party need not object at trial. Fed. R. Evid. 103(a).

Further, once the ruling came in, ION was permitted to elicit testimony in an attempt to mitigate the court's error without waiving its rights. *Uniloc*, 632 F.3d at 1319. *Johnson* is inapposite as in that case the party failed to object to the evidence in the first instance, unlike here where ION opposed the summary judgment finding and had its motion *in limine* and jury instructions rejected. *Johnson v. Michelin*, 812 F.2d 200, 210 fn. 8 (5th Cir. 1987). ION did not "change course" (Opp. at 56), but simply tried to reduce the damage already done.

C. The lack of a *Commil* instruction is plain error and warrants a new trial

The lack of a *Commil* instruction is plainly erroneous, and affected ION's substantial rights. The district court, after considering the trial record, found that ION's invalidity defenses were reasonable in refusing to apply willfulness. ION Br. at 46. A jury would have found so as well, negating intent for §271(f)(2).

Contrary to WG's assertion, *Commil* most certainly did change the law, and WG's argument that it did not (Opp. at 66) is belied by the dissent from the denial of the *en banc* petition. *See Commil USA, LLC v. Cisco Systems, Inc.*, 737 F.3d 699 (Fed. Cir. 2013) ("By holding that a good faith belief in the invalidity of a patent may negate the requisite intent for induced infringement, the two-judge *Commil* majority created a ***new noninfringement defense*** to induced infringement that is premised on the accused infringer's belief of invalidity.") (emphasis added).

The change in the law is also apparent from the brief filed by the Solicitor General in support of *Commil*'s petition for writ of certiorari. 2014 WL 5299431 (U.S.) at *14 (granted in part December 5, 2014, *see* footnote 2).

Moreover, WG is incorrect that *Commil* does not apply to §271(f). As discussed above, the mental state under §271(b) applies to §271(f)(1), so *Commil*'s holding regarding §271(b) therefore applies equally to §271(f)(1). Regarding §271(f)(2), *Commil* held that there is "no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent." *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013). Even WG does not dispute that §271(f)(2) requires a specific intent to induce infringement of a patent.

WG is further mistaken that the lack of a *Commil* instruction was harmless. As WG admits, two witnesses argued that they did not believe ION was infringing any valid claims. Opp. at 68. But because no *Commil* instruction was provided, the jury was precluded from weighing this evidence when determining intent for §271(f) infringement. That the jury did not ultimately agree on invalidity (on a clear and convincing standard) does not mean that ION lacked a good-faith belief – those are two different questions with two different standards. Similarly, that the jury found ION willful is also irrelevant, since (1) it was based on the improper

§271(f)(1) ruling, and (2) the court found that ION's defenses were reasonable. ION Br. at 40. A new trial on both §§271(f)(1) and (f)(2) is warranted.

III. Lost Profits cannot be awarded for others' overseas competition with WG

WG's argument that §271(f) provides for more expansive relief than §271(b) makes no more sense for damages than it does for liability. Damages should be the same irrespective of whether a sale is made domestically or via an export. WG's argument, and the district court's ruling, squarely violate *Power Integrations* and *Panduit.* Once more, numerous facts were either admitted or left uncontested by WG, proving why lost profits must be vacated:

- Lost profits here were calculated on competition overseas not by ION, but by ION's customers, and for loss of marine surveys outside the United States (Opp. at 70-71);
- WG sought, but did not receive, a *Panduit* instruction regarding the relevant market for competition, with the bolded language "same market with ***the surveys using*** ION's product" (ION Br. at 57; Opp. at 70);
- §271(f) damages are not available for overseas use of a method (as opposed to making or selling an apparatus) (ION Br. at n.17)
- WG made no claim of lost profits based on lost sales of competing components sold in or from the United States (Opp. at 75-76); and
- The district court never mentioned the *Power Integrations* case in its post-trial opinions.

As with standing, WG recites the wrong legal standard. WG ignores that under *Wechsler*, entitlement to lost profits is a question of law. WG's cite to *Monsanto* is inapposite because that cite refers to reasonable royalty damages, which – unlike lost profits – are mandated under §284; indeed, WG's cite is to a

section entitled "reasonable royalty damages." *Monsanto Co. v. Ralph*, 382 F.3d 1374, 1383 (Fed. Cir. 2004). Based on the district court's jury instruction and the *Power Integration* holding, WG is not entitled to lost profits as a matter of law.[16]

A. WG has no good reason for distinguishing *Power Integrations*

WG concedes that *Power Integrations* holds that for §§271(a) and (b) liability, lost profits cannot reach wholly foreign conduct, regardless of foreseeability; but then WG incredibly argues that holding would nevertheless permit damages for wholly foreign conduct under 271(f). The damages scope should be the same in either instance.[17]

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[16] It is worth noting that if the Court agrees that WG has no standing for the Bittleston Patents, lost profits is moot because WG did not pursue lost profits on the Zajac '038 patent, which related only to 4D surveys. Opp. at 10. Sims opined that Zajac made no contribution to lost profits. A003439-40; A013657 (showing, in his "Total Damages" summary chart, "N/A" for lost profits in all cases where only 4D surveys were at issue).

[17] Imagine the scenario where ION ships one order to Miami, and another order to The Bahamas, just 50 miles away. Also imagine that for each shipment, ION knows and intends that the components in each respective order will be combined and then used in marine surveys in the same international waters off the coast in the Atlantic Ocean. Under WG's interpretation of §271 and *Power Integrations*, ION would not be liable and would not owe damages for the order shipped to Miami, so long as ION did not specifically intend infringement; but meanwhile, for the order shipped to The Bahamas, under WG's theory ION would be liable for the export of the components themselves, regardless of intent, and would also be liable for any and all foreseeable damages resulting from the marine surveys. Opp. at 49-50, 76. And to tweak the example slightly, even assuming ION knew the combination was infringing, while there would be liability under §271(b) for the sale to Miami, WG agrees there still would be no damages available for the wholly

Contrary to WG's allegations at page 76, this case has the same "cut off" in the causal chain as in *Power Integrations*, namely when ION's customers perform extraterritorial surveys. WG refuses to acknowledge that these are separate acts by separate entities, outside the United States. Instead, WG treats these separate intervening acts as part of a single chain of activity that was the foreseeable result of ION's exports, and thus "tied directly" to ION's infringement. But this is the ***exact same*** argument Power Integrations made, as WG itself notes on page 75. WG is mistaken in arguing "*Power Integrations* did not and could not overrule the principle" of full compensation for any foreseeable damages – *Power Integrations* held that full compensation under U.S. Patent Law cannot be premised on wholly extraterritorial activities, even if the foreseeable result of U.S. infringement.

The key language in *Power Integrations*, which WG itself quotes, is "[t]he 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, Inc. v. Fairchild Semiconductors Int'l, Inc.*, 711 F.3d 1348, 1372 (Fed. Cir. 2013). Here, ION's component export is the "act of domestic infringement," and ION's customers' performance of marine surveys

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extraterritorial surveys; but yet argues there would be damages in the instance where the initial shipment was to The Bahamas under §271(f). Opp. at 75-76.

using a combination of the various components is an "entirely extraterritorial production, use, or sale of an invention patented in the United States." This cuts off the chain of causation, whether foreseeable or not. *Id*.

This is not to say that WG is without potential remedies. First, WG has already received a royalty for all accused products, and ION has been enjoined from exporting any additional accused products. Second, WG could have (in theory) sought lost profits for the component sales themselves, had WG in fact sold components. Third, WG has pursued foreign patents and can seek available relief for foreign activity by ION's customers in the appropriate jurisdiction. Instead, WG has attempted to manipulate the law such that WG's U.S. patents effectively become worldwide patents, capable of ensnaring each and every foreseeable overseas activity.[18] As this Court recently held in *Halo*, the Supreme Court and Federal Circuit precedent forbid this type of extraterritorial expansion. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371, 1380 (Fed. Cir. 2014).[19]

[18] Moreover, such a result would undermine precedent holding there can be no 271(f) liability for practicing a method. ION Br. at footnote 17. Here, while there are apparatus claims, those claims are subject to a terminal disclaimer over method claims – i.e., the PTO found no meaningful difference between them. A013312, A013340, A013485-86, A013500.

[19] In *Halo*, U.S. contracting and marketing activity that resulted in infringement overseas was held not to create liability for foreign acts. 769 F.3d at 1379-1380.

B. WG's strawman arguments are insufficient to create damages liability where none exists

WG's argument about a patentee never being able to recover lost profits under 271(f) (Opp. at 2) is a strawman. WG does not sell competing components within the US, but if it did, lost profits would potentially be recoverable. WG's excuse for not pursuing lost profits on components is that it is vertically integrated, with no ***desire*** to sell components (or complete apparatuses) in the U.S. Indeed, when arguing why it had no obligation to mark its products, WG was adamant about its lack of United States presence: "It is undisputed that WesternGeco sells only services using its patented technology, and does not sell or offer to sell its patented apparatus…Moreover, WesternGeco's Q-Fin system is manufactured abroad and not within the United States." A013695; *see also* A010703.

It was WG's choice to vertically integrate and not to make component sales in the U.S., but this has repercussions. WG benefited from not having to mark, but now WG wants to avoid the flip side of that coin as it relates to lost profits. WG admits it does not make or sell its competing components (or even its patented system) in the United States, so WG is not entitled to lost profits on ION's components manufactured in, and shipped from, the United States. From a policy standpoint, companies doing business only overseas should not be better positioned by virtue of being vertically integrated outside of, and not competing within, the

U.S. WG received its royalty. It also received an injunction. But under the law, it is not entitled to lost profits.

This leads to WG's other strawman argument – that it does not matter whether the parties compete, only that the products compete. That distinction, to the extent it even exists,[20] is irrelevant here, since WG did not seek lost profits for product sales. Instead it sought damages for extraterritorial marine surveys. Opp. at 13-14, 20 (describing competition and damages theory). WG's cited evidence shows that its competition was not from ION, but from others, including Fugro. A001314, A010703. To recover lost profits, a patentee must show it "would have made the infringer's sales." *Crystal Semi. v. TriTech Micro.*, 246 F.3d 1336, 1353 (Fed. Cir. 2001). But here, WG admits it never would have made ION's sales, and furthermore had zero interest in even ***trying*** to. A013695.

C. No lost profits are available under jury instructions to which WG did not object

Since it is undisputed that neither the parties nor their products compete in the United States (or anywhere else for that matter), lost profits are unavailable under the unchallenged jury instructions: "The burden is on WesternGeco to show that its product competed in the same market with ION's product and that it would

[20] Products cannot compete in a vacuum – they compete because their respective companies attempt to sell them in the same market. No case cited by WG suggests otherwise.

have made the alleged lost sales if the infringement had not occurred." A006139. At trial WG sought, but did not receive, an instruction adding the bold language "…competed in the same market with ***the surveys using*** ION's product." A011113. WG has not appealed the district court's decision rejecting the bolded language, nor did WG object to the charge given (A006024-27), but instead WG has interpreted the given instruction as if it contained the very language the court refused to include. The language "would have made the alleged lost sales if the infringement had not occurred" requires that the lost sales must have occurred in the market where the products competed.

Here, there is no competition between ION and WG, or their products, in any market. WG admits it does not compete in the United States. And WG and ION's products do not compete overseas either, as it is admittedly ION's ***customers***, and ION's customers' marine surveys using DigiFINs combined with other products into fully assembled streamer systems, that compete with WG.

WG's lost profits theory is impermissible under this Court's precedent and the district court's jury instruction. The district court's decision to allow, and refusal to overturn, lost profits must be reversed.

IV. The district court's *Daubert* decision regarding the reasonable royalty calculation was not an abuse of discretion

To the extent the Court holds for ION that lost profits are not available for fully extraterritorial uses, this issue falls as well, since WG admits that Sims's excluded "reasonable royalty" analysis was simply a backdoor attempt to recapture WG's alleged lost profits. Opp. at 81 ("For the right to practice its proprietary technology, WesternGeco would have to be compensated for the revenues it lost as a result of that license, which reflects the harm from ION's infringement.").[21]

Moreover, the district court's decision to exclude WG's theory is well-founded on other grounds. WG relies on the district court's "profit eliminating royalty" statement in its *Daubert* opinion to argue that the district court found as a matter of law only the 400% royalty had to be disallowed. But WG tries to create error where none exists since the district court struck Sims' opinion because of the lack of support for Sims' *ipse dixit* conclusion.

As ION raised in its *Daubert* motion and as the district court recognized in its opinion and during oral arguments, Sims's opinion was flawed for a number of reasons, including his theories that a reasonable litigant in ION's position would

[21] This variant of WG's theory is nearly identical to one currently before this Court in *Carnegie Mellon University v. Marvell Technology Group. Ltd. et al.*, 2014-1492, where the plaintiff-appellee's damages theory included in its royalty base chips both manufactured and sold outside the United States, on the theory that those sales had resulted from infringing activity in the United States.

have agreed to (1) pay any royalty at all based on its customers' extraterritorial, non-infringing conduct; or (2) pay a so-called "reasonable" royalty that was more than 400% of ION's ***gross revenue*** for every single DigiFIN ever sold. The district court did not abuse its discretion in excluding this unreliable opinion.

A. Multiple alternative bases exist for affirming the district court's decision

The district court made clear in its *Daubert* order that the overarching basis for rejecting Sims's "reasonable royalty" opinion was not that the royalty exceeded ION's profits (the amount of which was not even before the Court), but because the royalty was inherently unreasonable: "Even putting case law aside, any unreasonable negotiating approach must be rejected, since the ultimate goal is to arrive at what the statute terms a 'reasonable royalty.' ***Mr. Sims's methodology inherently arrives at an unreasonable result***, and one to which no reasonable negotiator for ION could possibly have agreed." A000063 (emphasis added). Sims's methodology is inherently unreasonable for a number of independent reasons, which the district court discussed during oral arguments and in its written opinion. Following are two of the more egregious reasons for unreliability.

B. No rational negotiator would agree to pay a royalty on its customers' revenue for non-infringing conduct

WG does not contest the fact that ION's customers' use of DigiFINs and Lateral Controller software to perform marine seismic surveys occurs outside the

territory of the United States. No recovery is available to WG for that use. *Power Integrations*, 711 F.3d at 1371 (citing *Brown v. Duchesne*, 60 U.S. 183, 195 (1856) ("And the use of it outside of the jurisdiction of the United States is not an infringement of his rights, and he has no claim to any compensation for the profit or advantage the party may derive from it.")).[22]

Because ION's customers are not liable for overseas activity, this cannot be viewed, as both Sims and WG have inferred, as an indemnification scenario where ION would agree in the hypothetical negotiation to pay royalties based on downstream use in order to shield its customers from those royalties. ***No such royalties would be due***. And even if ION's customers used its products within U.S. territorial waters and ION was negotiating a royalty for such use, Sims would have had to scale his reasonable royalty accordingly. He did not do so.

The district court discussed this exact point at oral argument, and was clear that Sims's reasonable royalty analysis was inadmissible because it did not take into account which (if any) uses by ION's customers were performed domestically versus extraterritorially. A010774-75 ("***I didn't think he made that analysis of what would be answerable in American courts*** as opposed to what would be

[22] WG spends a great deal of space discussing the law of joint tortfeasors, but glosses over the fact that in order for there to be joint ***tortfeasors***, there must be an underlying ***tort***.

answerable in some other courts, ***so I don't know that I can allow his report on a reasonable royalty***." (emphasis added); A010776 (agreeing that "[t]he question is the reasonable royalty for the acts that occured (sic) in the United States."); A010779 (agreeing that Sims's rate was not "calculated based on what was the action that was done inside the United States," and that "***I think if he had done that, it might be admissible, but I don't think he did that***." (emphasis added)). Sims admitted in his deposition that he indeed did not do that: A010396-97 (admitting that "a lot of the surveys are certainly outside" the 12-mile reach of U.S. territorial waters and that "I don't know whether there are any that are within the 12 miles or not."). Nor has WG suggested otherwise. The district court was within its discretion in excluding Sims's opinion on this ground.

C. No rational negotiator would agree to pay a "royalty" of more than $4 for every $1 of gross revenue

Sims's opinion infers, and WG's brief argues, that because WG did not want to license its patents, the hypothetical negotiation would result in ION agreeing to pay the rate WG demanded, regardless of how economically irrational it would have been for ION to do so, and notwithstanding the lack of any support for that position other than conclusory expert opinion.[23] This Court has never so held, and

[23] Attempting to support his ultimately excluded opinion in his deposition, Sims made the bare assertion that ION simply could have increased its selling price (by more than 4x) to absorb WG's "reasonable royalty." A010149-50 (citing

should not do so now, particularly given the extraterritorial nature of the "damages" at issue. WG cites several reasonable royalty cases[24] that allegedly support its proposition, but none of which remotely reflects the outrageous nature of Sims's proffered royalty.

In *Snellman v. Ricoh Co.*, 862 F.2d 283 (Fed. Cir. 1988), this Court upheld a jury verdict awarding a lump-sum reasonable royalty that apparently exceeded the amount of the defendant's ***actual*** sales, because "[t]he jury justifiably could have calculated a lump sum royalty based on Ricoh's ***expected*** sales." 862 F.2d at 289 (emphasis added). Here, the unrebutted evidence at trial was that every penny of revenue from ION's most optimistic sales projections, including convoyed sales, still would total only a fraction of the excluded royalty.[25]

A010407-08). Not only did Sims admit he had never seen such a royalty agreement in the real world (*id.* (citing A010414-15)), he admitted that he did not perform any price elasticity analysis for these services (*id.* (citing A010381-82)) to determine the extent to which demand would be impaired by such sticker shock. *Crystal*, 246 F.3d 1336, 1357 ((recognizing that "[a]ll markets must respect the law of demand" and that the sort of inelastic market required for Sims's theory to hold water is "very rare").

[24] WG also cites *Siemens Med. Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269 (Fed. Cir. 2011), but this was admittedly a lost profits case. Opp. at 83 ("award of $45 million in ***lost profits*** based on customer's sales against defendant component manufacturer who sold less than $10 million in components.") (emphasis added).

[25] One of the primary exhibits at trial was a 2006 ION business proposal for DigiFIN, acknowledged by WG to have been written "right about the time of the hypothetical negotiation." A005921, A005923-24. In it, ION projected the size of

In *State Indus., Inc. v. Mor–Flo Indus., Inc.*, 883 F.2d 1573 (Fed. Cir. 1989), the question was whether the 3% royalty rate could be higher than Mor-Flo's alleged 2.1% net profit. This Court simply held that (1) it was not inappropriate to consider gross profit as opposed to net profit, (2) there was evidence that Mor-Flo's net profits were above 3% during the time of infringement, and (3) collateral sales could be factored into the royalty rate. 883 F.2d at 1580-81. Here, Sims's effective royalty rate was ***over 400%***. In other words, the entire business segment would have operated at a catastrophic loss, and WG has presented no evidence why a rational actor in ION's position would agree to such terms.[26]

Monsanto is distinguishable as it has the opposite procedural posture, an appeal from a jury finding on damages rather than an appeal from a district court's *Daubert* ruling. This Court held the trial court did not abuse its discretion in denying JMOL that a royalty, should, as a matter of law, necessarily be less than

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the total market for DigiFIN at 12,981 units, including spares and replacements. A008084. ION believed it could capture roughly 70% of that market, that is, about 9,000 units, over a five-year period, 2007 through 2011. *Id*. ION projected revenues of $148MM for those 9,000 DigiFINs and $4MM of associated Lateral Controllers, along with $40MM of revenue from other related but unaccused products. Even treating all related sales as convoyed sales, this total anticipated ***revenue—not profit—***of $188MM is still less than 65% of Sims's $300MM "reasonable royalty."

[26] *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359 (Fed. Cir. 2008), like *Mor-Flo*, is about whether the reasonableness of a royalty should be evaluated in the context of an infringer's net profit as opposed to gross profit. 527 F.3d at 1374.

anticipated profits. *Id.* at 1384. But just because there is no bright line rule precluding royalties exceeding profits in ***every*** case, that does not mean that the district court abused its discretion in finding the royalty excessive in ***this*** case.

The district court had multiple, independent grounds[27] for excluding Sims's opinion (many of which not even addressed by WG in its brief), and the court did not abuse its discretion in doing so.

V. The district court's decision regarding non-willfulness was not an abuse of discretion

WG asked the district court three times to find ION a willful infringer, and three times the district court declined to do so, issuing extensive factual findings each time. WG now spends just over four pages asking this Court to reverse the district court's holding as an abuse of discretion, and find that ION's conduct satisfies the objective prong of willfulness. The procedural posture should seal the fate of WG's already-shaky argument: if this Court finds for ION so as to reach WG's conditional cross-appeal, it will have added yet another data point to the district court's repeated findings that ION's litigation positions were reasonable. This defeats the objective prong of willfulness even under the test WG urges the Court to adopt.

[27] An additional, independent ground is what occurred post-trial, as the cost to offshore ION's activities was a fraction of the royalties WG sought; these post-trial events would be another compelling fact to exclude the opinion.

In order to advance its argument even that far, although WG agrees willfulness requires an objective prong, WG's brief appeals to this Court to discard its precedential standard for the objective prong set forth in *Bard v. Gore*, replacing it with a standard analogous to that which the Supreme Court established for finding a case exceptional in *Octane Fitness*.

WG begins by overstating the Supreme Court's holding in *Octane Fitness*, claiming that the court distinguished §285 damages from its prior holding in *PRE* strictly on the basis of the antitrust liability at issue in *PRE*. In reality, *Octane Fitness* drew a distinction between simple fee shifting in §285 and the treble damages at stake in an antitrust case. This distinction applies equally to treble damages for willful infringement, leaving no basis to overrule *PRE* in this context.

WG then magnifies its error by, right after asking this Court to overrule *Bard*, citing it to attempt to justify a *de novo* review of the objective prong. This ignores *Highmark v. Allcare – Octane Fitness*'s sister decision – where the Supreme Court held that the standard of review for exceptional case findings is no longer *de novo*, but abuse of discretion. *Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S.Ct. 1744, 1748-49 (2014). Thus, even if this Court were to adopt for §284 willfulness the Supreme Court's recent holding rejecting the *PRE* test with respect to §285 exceptional case, it follows that it should likewise adopt for §284 the new abuse of discretion standard of review of

§285. *See, e.g., Halo*, 769 F.3d at 1384-86 (O'Malley, J., concurring) (advocating for *en banc* review of the standards in *Bard v. Gore* in light of both *Octane Fitness* and *Highmark*).

Under *de novo* review, WG's own cited authority states that factual findings (here, the district court's factual findings of reasonableness) should be reviewed only for clear error. Opp. at 30. But even were this Court to review the district court's factual findings *de novo*, WG has not met its clear and convincing burden to show that ION's litigation positions were unreasonable – whether reasonableness is evaluated under *Bard* or *Octane Fitness*. *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*). WG appears to recognize this, largely constraining itself to conclusory statements that ION's positions were not reasonable, then spending the rest of its time replaying facts that it presented to the jury in support of the ***subjective*** prong of willfulness. None of those issues has any bearing on ***objective*** willfulness. Setting aside WG's distraction, the facts are clear: the district court repeatedly and properly found ION's defenses reasonable, and held that ION was not objectively willful. WG has not identified any abuse of discretion, it has merely rehashed the same arguments that have failed thrice before.

A. WG conflates the subjective and objective prongs

The objective prong must be evaluated and found to be satisfied before even reaching the subjective prong; and the objective prong is evaluated based on ION's defenses. *Bard Peripheral Vascular v. W.L. Gore*, 682 F.3d 1003, 1008 (Fed. Cir. 2012 ("If, in view of the facts, the asserted defenses were not reasonable, only then can the jury's subjective willfulness finding be reviewed for substantial evidence."). WG implies that the district court should have considered the jury's finding of subjective willfulness in determining objective willfulness. Opp. at 26 ("The court did not address the jury's finding of subjective willfulness . . ."). WG cites no authority for such a procedure, and it would directly contradict this Court's well-established precedent that the objective prong be established ***before*** addressing the subjective prong. *See, e.g., Powell v. Home Depot USA, Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011) (citing prior cases).

The issues WG raises, such as what third parties allegedly thought about WG's patents and negotiations ION and its customers allegedly engaged in regarding indemnification, to the extent they are relevant at all, are irrelevant to objective willfulness. *Seagate*, 497 F.3d at 1371 ("The state of mind of the accused infringer is not relevant to this objective inquiry.").

B. ION's defenses were, and continue to be, objectively reasonable

In any event, under any standard, ION's defenses were reasonable. WG did not move for summary judgment on many of the defenses that it now claims are unreasonable as a matter of law, and the "unreasonable" defenses upon which WG ***did*** move – including anticipation, obviousness, and enablement of claim 18 of the '520 patent, were denied.[28] A000317-18 (denying MSJ of §112 validity, including enablement); A000320-21 (denying MSJ of no anticipation by Workman, the reference ION raised at trial, finding that "the Court does read the quoted language as potentially anticipating the streamer separation mode of the '520 patent."); A000322 (denying MSJ of obviousness).

This was the backdrop against which WG later sought a willfulness finding – returning to the well, hoping for a different answer. The district court indulged WG by reanalyzing each of ION's defenses, unsurprisingly again finding them reasonable. *See, e.g.,* A000026-28. WG's brief ignores all of this, instead fixating on the district court's use of this Court's "no reasonable litigant" standard. But the district court only explicitly relied on this standard for a single one of ION's many defenses. A000025 ("The Court finds that [the defense at issue] is not objectively

[28] WG relegates these defenses to secondary status, labeling the issues for which it was granted summary judgment as "ION's principal defenses." This self-serving ranking of ION's defenses is exactly that.

baseless in that no reasonable litigant could realistically expect to succeed."). The district court found the rest of ION's defenses to be "reasonable," "not unreasonable," and "not objectively baseless." A000026-28. This is not enough to overturn the repeated findings of the district court that ION's defenses as a whole were reasonable.

While WG appeals the application of the *Seagate* willfulness prong, it does not appeal the *Seagate* willfulness prong itself, which requires "to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." 497 F.3d at 1371. Here, the District Court found that ION's defenses were reasonable, and thus, WG cannot show and has not shown by clear and convincing evidence that ION's positions were unreasonable.[29]

[29] WG criticizes the "no reasonable litigant" standard, but suggests no alternative test for determining whether a party's defenses are reasonable. That WG did not agree with ION's positions, and that ION did not ultimately prevail in those positions, cannot be a measure of their reasonableness. Willfulness is only relevant once liability is established, which by definition means all of a party's defenses have failed. WG's position would render the objective prong of willfulness a dead letter.

CONCLUSION

WG lacks standing to the Bittleston Patents. ION is entitled to a new trial on liability. The lost profits award, to the extent it is not mooted by this Court's ruling on standing, should be vacated. The district court decisions subject to WG's conditional cross-appeal should be affirmed.

December 9, 2014

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) because it contains 13,048 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Office 2013 in Times New Roman 14pt.

Dated: December 9, 2014

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CERTIFICATE OF SERVICE

I hereby certify on this 9th day of December, 2014, I electronically filed the foregoing with the Clerk of the Court of the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

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CERTIFICATE OF INTEREST

Counsel for the Defendant-Appellant certifies the following:

1. The full name of every party represented by counsel is:

ION Geophysical Corporation

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

N/A

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

N/A

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 are:

Fish & Richardson P.C.: David J. Healey, Justin M. Barnes, Frank Porcelli, Brian G. Strand, Francis J. Albert, Olga May, Kevin Su, Robert Courtney, Bailey Harris, Jackob Ben-Ezra;

Porter Hedges L.L.P.: Ray Torgerson, Jonathan Pierce, Jonna Summers, Eric Wade, Susan Hellinger

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INTRODUCTION

WG's Response Brief seeks to misdirect the Court from the straightforward law and evidence that decide ION's three appellate issues: standing, liability, and lost profits. Underneath the façade, however, WG's brief admits or leaves uncontested the vast majority of facts and law necessary for ION to win. On the remaining points where true disagreement exists, WG's arguments are unsupported by the record and/or incongruous with this Court's precedent. WG's cross-appeal issues are self-defeating, and unsupported in any event. WG's numerous tangents bear no relation to the issues on appeal, and this Court should not follow WG down these rabbit holes.

Standing

The only written assignments from the inventors are to STC in 2001. WG's opposition admits, or leaves uncontested, key facts regarding the assignments:

- They are the only documents produced in this case signed by the inventors regarding their property rights. Opp. at 40.
- They are to ***STC***, the power of attorney was to ***STC's attorneys***, and the parent patent to the Bittleston Patents, the '017, still shows ***STC*** as the recorded assignee in the PTO records. A012199-210.
- Dr. Bittleston's assignment is the only recorded assignment, and WG's attorneys directed the PTO to that assignment as the basis for authority to prosecute the Bittleston Patents. Opp. at 40-41.

Try as it might, WG cannot overcome this compelling evidence.

WG offers three alternative arguments for showing standing, but they are contradictory to one another, and each contains fatal flaws. WG's first argument is

that because it is the listed assignee on the Bittleston Patents, it is the "patentee" as well, and therefore presumed to be the proper owner pursuant to §100(d). But this tautological argument would effectively preclude ever "looking behind the curtain" for lack of standing, and conflates "assignee" and "patentee." This same argument was raised in *Stanford*, and this Court rejected it.

WG's second argument involves a convoluted and largely unexplained chain of title. As an initial matter, even though WG asserts that the PTO determined ownership, WG never asserted chain of title and never referenced or provided the "supporting" documents to the PTO. Upon scrutiny, there is good reason these documents were never provided, as they do not show what WG purports. The first link is entirely reliant on conclusory inventor testimony, with no details whatsoever regarding the supposed assignment's terms. The other links in the chain also fail to transfer title, as they do not contain language sufficient to satisfy §261's requirements for legally transferring title; quite the opposite, they explicitly state that [redacted]. A012829, A012860.

WG's first and second arguments are in fact contradictory. WG's "presumption" argument is predicated on WG being the listed assignee by virtue of the PTO 3.73(b) forms, which indicated WG had a direct assignment from the

inventors.[1] But WG's chain of title argument is predicated on the exact opposite position, that there was no direct assignment. In reality, WG has neither a direct assignment from either inventor nor a chain of title.

Finally, WG's third argument tries to skirt review by arguing deference to the district court's findings, but those are based on contracts, and so like standing itself, they are reviewed *de novo*. The Constitution does not permit parties to create jurisdiction where none exists, and WG's cases are inapposite. Unlike those cases, where predicate facts were admitted, and unrefuted by the record, here the "fact" supposedly admitted is the ultimate conclusion of legal title, and that "fact" is directly refuted by the inventors' assignment of their rights to STC.

Liability

The district court's §271(f)(1) summary judgment ruling was based on an improper legal standard, as the intent required to "actively induce" should have tracked what *Global-Tech* requires for the nearly identical §271(b). ION moved *in limine*, and then in jury instructions, for rulings that would prevent WG from using the summary judgment finding as evidence of infringement for other claims and

[1] WG's claim that ION's reference to this "misinformation" is "merely purported" (Opp. at 46) is wrong. The 3.73(b) forms unequivocally claim a direct assignment to WG where none exists, and the accompanying cover pages name WG – not STC – as the identified assignee. A013277, A013393, A013479. Those mistaken forms directly led to the PTO issuing the patent to the wrong party. WG's own actions badly obscured title, and appeared to show standing where none existed.

infringement theories, but the court rejected these requests. Unsurprisingly, WG then deliberately leveraged the MSJ ruling in argument and evidence to undermine ION's §271(f)(2) defense. A006196-97, A006201. As with standing, WG's brief admits, or leaves uncontested, many of these key facts:

- §271(b) requires an accused infringer to have specific intent to induce infringement, but here under §271(f)(1) the district court required only intent to induce the combination of components. Opp. at 18, 49-50.
- ION moved *in limine* and for specific jury instructions to keep the summary judgment ruling on §271(f)(1) from being considered for §271(f)(2), but the court refused these requests, and thereafter WG and the court repeatedly informed the jury of the summary judgment ruling. A010653, A010793, ION Brief at 15-16, Opp. at 55-56.

WG's opposition relies on three main arguments. First, WG argues that the summary judgment ruling was correct because §271(f)(1) should have a lesser intent standard than §271(b). This argument is nonsensical and ignores the legislative history as a whole. Liability should be commensurate for domestic activities under §271(b) and exports under §271(f)(1).

WG's second argument – that even if the §271(f)(1) MSJ ruling was incorrect, it did not infect the §271(f)(2) verdict – is explicitly belied by the record. WG told the jury it could, and should, use the summary judgment ruling as evidence that WG did not have a good faith defense for §271(f)(2). A006196-97, A006201. WG opposed ION's requested instructions that would have prevented such an argument. A010915-16. A new trial is required where the issues cannot

be fairly said to have been considered distinctly and separately; here WG made the strategic choice to tie the district court's §271(f)(1) ruling to §271(f)(2), and WG now has to live with that choice's consequences. Reversal of summary judgment is necessary, and a new trial on §§271(f)(1) and (f)(2) liability is also required.

WG's third argument is that *Commil*[2] was not a change in the law. But this Court, and the Solicitor General, have explicitly stated otherwise. The jury was not instructed on that changed law, nor could it be, so this plain error requires a new trial under both §§271(f)(1) and (f)(2).

Lost Profits

Power Integrations holds that damages for wholly extraterritorial activities, even if the foreseeable result of domestic activity, are not recoverable. Here, ***the entirety*** of lost profits were calculated on wholly extraterritorial activity.

Separately, the jury instructions required competition in the relevant market, but it is undisputed that ION and WG do not compete in the same market. No reasonable jury could have awarded lost profits here, and failure to grant JMOL was error. As with standing and liability, WG's brief either admits or leaves uncontested critical facts on these points:

[2] On December 5, 2014, the Supreme Court granted certiorari on the first (of two) questions in Commil's petition, which is directly relevant here: "Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b)."

- Lost profits were calculated on competition with ION's customers, not ION, and for use of the claimed inventions in marine surveys conducted wholly outside the United States. Opp. at 70-71.
- WG sought a jury instruction that would have permitted lost profits in the market for performing marine seismic surveys (as opposed to the market where ION sold its components), but the court refused, and WG had no evidence nor even argument to show lost profits based on sales of competing components. ION Brief at 57; Opp. at 70, 75-76.

This leaves WG with the fallacious argument that while *Power Integrations* precludes damages for foreseeable wholly extraterritorial activities under §271(b) infringement, it does ***not*** preclude damages for foreseeable wholly extraterritorial activities under §271(f). This makes no more sense for damages than for liability.

WG's argument on the jury instruction also fails, because it corresponds to the proposed instruction WG ***failed to get***, not the instruction as given. WG sought, but lost, an instruction that would have allowed lost profits for competition in the market served by ION's ***customers***, as opposed to ION's market. Thus, to collect lost profits, WG needed to address equipment sales (e.g., component exports), but WG admittedly does not compete in this market. Lost profits here were both wholly extraterritorial and contrary to the explicit jury charge, and on either ground must be reversed.

Cross-Appeal

WG's cross-appeal issues fare no better, and in fact are self-defeating. WG's royalty argument is just an attempt to backdoor its lost profits theory

through a royalty, based on nothing but unfounded speculation. WG never adequately explained how or why ION would agree to pay a royalty not on ION's revenue from its device sales, but on ION's ***customers'*** revenue from conducting marine seismic surveys, particularly where such an open-ended royalty was, at the time of trial, already equivalent to a 400% royalty on ION's sales. Further, royalty opinions based on revenue earned from extraterritorial use by others would have been inadmissible in any event under *Power Integrations*. The district court did not abuse its discretion in excluding WG's unreasonable theory.

WG's conditional appeal on willfulness is also self-defeating. Since the conditional appeal will not be reached unless ION prevails on its appellate points, ION's claim cannot be objectively baseless. WG relies on a turn of phrase by the district court to attempt to draw a distinction between this Court's standard and that applied by the district court. This distinction is one without a difference – and in any event, it does not undermine the principle that the Court reviews judgments and not opinions. If ION prevails here, there cannot be objective willfulness.

Irrelevant Tangents

WG focuses an inordinate amount of its brief on tangents that bear no relation to this appeal. WG opens its brief with a jab at ION's former chairman, which it never ties to any later argument. This shows what WG believes is its "best" defense to ION's appellate arguments. Casting aspersions on ION, such as

supposed "walking back" on indemnity to Fugro, or alleged lying under oath, is a transparent smear campaign calculated to distract from ION's persuasive issues.[3, 4]

Re-focusing on what matters, the judgment below must be reversed.

ARGUMENT

I. WG lacks title to the Bittleston Patents, as the inventors assigned their rights to STC

The burden of proof rests with WG to establish standing via competent evidence. *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005) ("The party bringing the action bears the burden of establishing that it has standing."). WG has failed to meet its burden. Indeed, WG either expressly admits, or leaves uncontested, numerous facts proving there is no standing:

- The only produced documents showing written assignments from each inventor, Mr. Hillesund and Dr. Bittleston, are to STC (Opp. at 40);
- The original U.S. application filed in 2001 was filed on behalf of STC, and originally prosecuted under STC's name;
- The STC assignment from Dr. Bittleston is the only assignment recorded at the PTO, and WG's attorneys referred to and/or filed it when submitting PTO 3.73(b) forms (Opp. at 40-41); and
- On the 3.73(b) forms, WG never argued it had chain of title; instead WG referred only to a direct assignment – the one from Dr. Bittleston to STC (Opp. at 35, A013277, A013393, A013479, A012204-06, A012208-10).

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[3] Indeed, the alleged "lying under oath" was disputed by ION but not appealed since it related only to the injunction, which WG admits ION has complied with.

[4] Similarly, WG's statements that ION "admits" that the patents are valid and that DigiFIN practices the inventions (Opp. at 7, 13, 23) are not only irrelevant, but wrong. Just because something is no longer being pursued with limited briefing space does not mean it is "admitted." ION Brief at fn. 5, 6.

In an attempt to overcome these facts, WG attempts to lower its burden by alleging that legal title is a question of fact (Opp. at 30), but standing is a legal question reviewed *de novo*. *Abbot Point of Care Inc. v. Epocal, Inc.*, 666 F.3d 1299, 1302 (Fed. Cir. 2012). Similarly, WG argues that the district court's ruling was not "clearly erroneous" (Opp. at 41), but the district court's June 19, 2013 Order was based on contract interpretation, also reviewed *de novo*.[5] *Lucent Techs. v. Gateway, Inc.*, 543 F.3d 710, 717 (Fed. Cir. 2008).

But frankly, standing cannot be affirmed under any review standard. There are clear assignments from each inventor to STC, one of which was recorded at the PTO, and these are the only assignments from the inventors in evidence. A012195-98. WG attempts to usurp this with an eleventh hour chain of title theory never disclosed to the PTO, and a flawed presumption argument that this Court rejected in *Stanford*. WG also attempts to forego its obligation altogether via an "admission" argument unsupported by the facts and forbidden by the Constitution.

[5] Indeed, there are no "findings of fact" in the district court's opinion, just legal conclusions. A000005-6. Even for testimony about contracts, the standard for review of the terms and impact on standing is *de novo*. *Tyco Healthcare Grp. LP v. Ethicon Endo-Surgery, Inc.*, 587 F.3d 1375, 1378-79 (Fed. Cir. 2009).

A. WG largely ignores the unambiguous assignment to STC and STC's prosecution of the Bittleston Patents

WG hides from the STC assignments until the very end of its argument, labeling them "an apparent belt-and-suspenders" approach that merely "identifies an ambiguity." Opp. at 40, 41 n.4. WG's conclusory assertion – that these documents, written by STC's attorneys, signed by each inventor, attested to by witnesses, and which expressly transfer their rights to STC, are somehow superfluous – is outlandish. The inventors assigned their invention to STC on February 26, 2001. A012195-98. That same day, the inventors signed Power of Attorneys to STC's attorneys. A012665-66, A012673-74, A012678-79.[6,7] STC's attorneys filed the parent application to the Bittleston Patents (which issued as the '017 patent) on March 21, 2001, and signed other filings in June, 2001. A013145-49, A013158. Even today, PTO records show STC as the '017 patent's legal title holder. A012199-202. All of these actions occurred ***after*** the convoluted set of agreements WG now cites, and demonstrate that STC's actions were not "belt and suspenders," but rather multiple deliberate actions by a party having proper legal title.

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[6] Contrary to WG's assertion, the inventors did not sign powers of attorney to WG's attorneys. Opp. at 35.

[7] The company listed on the power of attorney is GeoQuest, which is an entity that merged with STC many years earlier, and even on the original power of attorney is listed as a division of STC. A013830-35; *see also* A013149 (noting that GeoQuest is a division of STC).

Only in December 2002 did WG or WG attorneys appear at the PTO, in an "Appointment of Associate Attorneys and Change of Correspondence Address." A013160. At no time, however, in prosecuting the '017 patent or any of its continuations, is any mention made of an assignment from STC to WG, and the 3.73(b) forms reference only the assignment to ***STC***. A013277, A013393, A013479.

If not for WG's attorneys claiming WG (rather than STC) as the assignee on the 3.73(b) forms, there would be no debate regarding standing. But merely because WG created apparent confusion by listing the wrong entity as assignee, and then sought to capitalize on that confusion by now alleging that WG in fact had title all along via chain of title (never disclosed to the PTO), does not mean there is any actual confusion – there is not. This Court need not analyze any facts beyond those in the paragraphs above; everything else is merely WG distraction. Nonetheless, WG's various, sundry arguments are addressed below.

B. WG's main arguments conflict with one another, and undermine any "presumption" in WG's favor

WG argues that, under §100(d), as the "patentee" WG is presumed to have title. Alternatively, WG alleges chain of title. But these contradict one another. WG is listed as assignee because WG's attorneys asserted a direct assignment (the STC assignment) on the 3.73(b) form, marking box "A":

STATEMENT UNDER 37 CFR 3.73(b)

Applicant/Patent Owner: WesternGeco, L.L.C.

Application No./Patent No.: _____ Filed/Issue Date: _____

Entitled: CONTROL SYSTEM FOR POSITIONING MARINE SEISMIC STREAMERS

WesternGeco, L.L.C., a corporation
(Name of Assignee) (Type of Assignee, e.g., corporation, partnership, university, government agency, etc.)

states that it is:
1. ☑ the assignee of the entire right, title, and interest; or

2. ☐ an assignee of less than the entire right, title and interest.
The extent (by percentage) of its ownership interest is _____ %
in the patent application/patent identified above by virtue of either:

A. [✓] An assignment from the inventor(s) of the patent application/patent identified above. The assignment was recorded in the United States Patent and Trademark Office at Reel 011969, Frame 0794, or for which a copy thereof is attached.

OR

B. [ ] A chain of title from the inventor(s), of the patent application/patent identified above, to the current assignee as shown below:

1. From: _____ To: _____
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

2. From: _____ To: _____
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

3. From: _____ To: _____
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

[ ] Additional documents in the chain of title are listed on a supplemental sheet.

[ ] Copies of assignments or other documents in the chain of title are attached.
[NOTE: A separate copy (*i.e.*, a true copy of the original assignment document(s)) must be submitted to Assignment Division in accordance with 37 CFR Part 3, if the assignment is to be recorded in the records of the USPTO. See MPEP 302.08]

The undersigned (whose title is supplied below) is authorized to act on behalf of the assignee.

6/16/2006
Date

713-689-5799
Telephone number

Liangang (Mark) Ye
Typed or printed name

Signature

Attorney-in-Fact

A013277, A013393, A013479. But now, WG asserts that there is a chain of title, ***not*** a direct assignment, based on a theory never made and documents never disclosed to the PTO; indeed, the 3.73(b) form neither marks check box "B" nor describes the alleged chain of title. Any "presumption" resulting from WG's

"assignee" designation is therefore rebutted by ***WG's own argument*** as to how/why title allegedly lies with WG.

WG's ensuing argument that because of the supposed presumption, "that alone is enough to reject ION's standing argument" (Opp. at 32) is belied by cases where the named assignee was found to lack standing. *See, e.g., Lucent*, 543 F.3d at 717; A013826 (face page listing only Lucent as assignee); *Board of Trustees of Leland Stanford Jr. University v. Roche Molecular Systems, Inc.*, 583 F.3d 832, 838, 847-49 (Fed. Cir. 2009) ("*Stanford*"), *aff'd on other grounds*, 131 S. Ct. 2188 (2011); A013827-29 (face pages listing Stanford as assignee). A party's status as "assignee" or "patentee" depends on a lawful assignment from the inventor and honest representation to the PTO as to how that status arises – here, neither exists.

Further, if WG's "presumption" argument were correct, §261 and §100(d) would conflict. WG alleges §100(d) provides presumption of title to the named assignee, ignoring that §261(d) presumes title belongs to the recorded entity, which is often different. *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1327–28 (Fed. Cir. 2010). The foundational flaw in WG's argument is that it incorrectly assumes "patentee" and "assignee" are synonyms. But "patentee" refers to inventors and any ***actual successors in legal title***. *Prima Tek II, L.L.C. v. A–Roo Co*., 222 F.3d 1372, 1377 (Fed. Cir. 2000); *Arachnid, Inc. v. Merit Indus., Inc.,* 939 F.2d 1574, 1578 n.2 (Fed. Cir. 1991); *Ortho Pharmaceutical Corp. v. Genetics*

Institute, Inc., 52 F.3d 1026, 1030. *Pandrol* does not help WG, because – like the above cases – it refers to ***lawful*** successors in interest being a patentee. *Pandrol v. Airboss Ry. Prods.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003) ("The word 'patentee' includes 'successors in title to the patentee,' . . . and exclusive licensees holding all substantial rights to the patent."). Here, the whole point is that WG is ***not*** a lawful successor in interest, as the record is bereft of any assignment from the inventors to WG or a proper chain of title. That WG unilaterally listed itself on the 3.73(b) forms and on the assignment cover sheets is probative of nothing.

Stanford makes this exact point. Although Stanford was the asserted patents' sole listed assignee, this Court gave no presumption of standing and examined the purported chain of title, finding that the inventors – prior to any assignment to Stanford taking effect – had assigned the patents to a third party (Cetus), rendering the assignment to Stanford null and void. *Stanford*, 583 F.3d at 837-38, 842.[8] *Mayfair Wireless LLC v. Cellco Partnership*, 2013 WL 4657507 (D. Del. August 30, 2013), currently before this Court as Case No. 2014-1587, appears

[8] WG's citation to the *Stanford* district court opinion on §100(d) as being ***affirmed*** (Opp. at 33) is wrong, since this Court applied no such presumption, and remanded the case with instructions to dismiss due to lack of standing. *Board of Tr. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 848-49 (Fed. Cir. 2009). This Court's opinion was affirmed by the Supreme Court, which likewise did not apply a presumption to the listed assignee. *Board of Tr. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 131 S. Ct. 2188, 2199 (2011).

to be the only case to have explicitly discussed the relationship between §100(d) and §261.[9] Like *Stanford*, the *Mayfair* court rejected the plaintiff's argument that, by virtue of being listed as the assignee, it had legal title; instead the court looked to the underlying evidence and held there was no standing. *Id.* at *4, *11.[10]

WG's argument also fails on a policy level. If there is a presumption that the listed assignee has title, and is "alone…sufficient to reject [defendant's] standing argument" (Opp. at 32), a party that incorrectly represented title in prosecution (deliberately or otherwise), would, by its own wrongful or mistaken acts, trump the true owner. Instead, *Stanford* holds that a court has not only the authority – but indeed the duty – to determine standing in every case, no matter the listed assignee. *Stanford*, 583 F.3d at 841; *see also* Fed. R. 12(h)(3) ("If the court determines at any time that it lacks subject matter jurisdiction, the court must dismiss the action.").

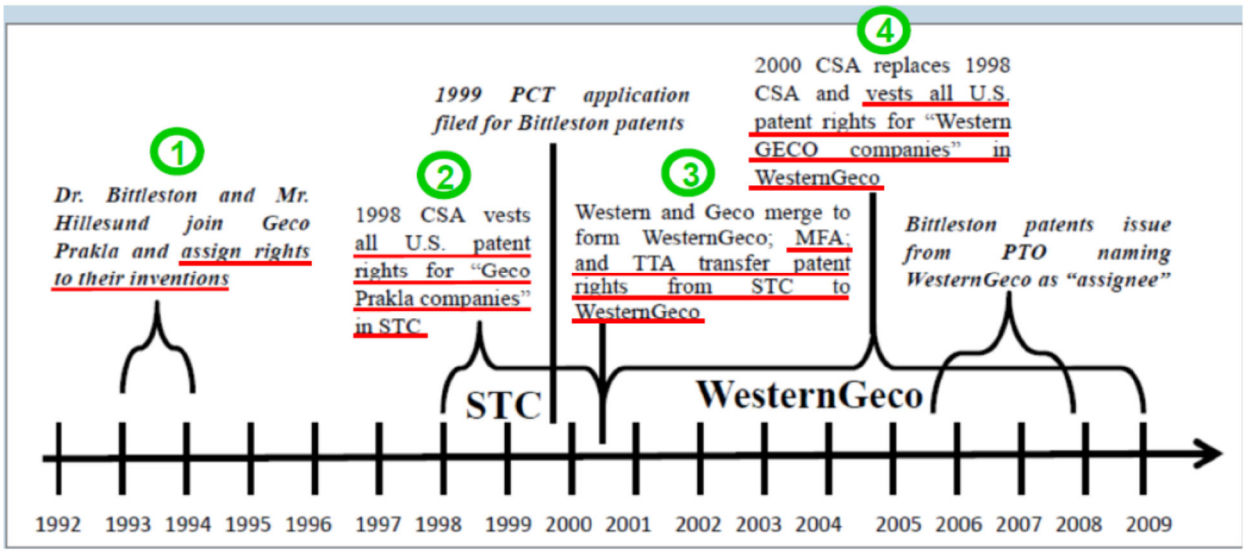
C. WG's chain of title argument fares no better than the presumption argument

WG's supposed chain of title has no beginning, no end, and (at best) a number of "what ifs" in between. This is contrasted with WG's standing for the

[9] The magistrate's recommendation was affirmed by the district court. A013825.
[10] Accordingly, WG's argument that the "Patent Office is presumed to comply with its own rules" (Opp. at 34-35) fails, since the PTO erred in listing WG as the assignee, looking only at the cover sheet and not the underlying assignment. Further, by regulation, the PTO does not pass on the validity of assignments, and its filings are ministerial acts. ION Br. at 25-26.

Zajac patent, which is simple and straightforward, with an explicit assignment from the inventor to WG (A012870-73).

WG devotes six pages explaining the supposed chain of title (depicted below) for the Bittleston Patents:



Opp. at 35-41; D047-1 at 13. Notably, none of the agreements or testimony relied upon by WG refers to the Bittleston Patents in suit by name or number, and many of the agreements do not even contain the words "transfer" or "assignment." There are no employment agreements in the record, let alone anything with required assignment language. The Court has no way of knowing whether those agreements, to the extent they exist, make a present assignment or alternatively establish an agreement to assign in the future, to some past employer, or something else. This is insufficient under §261 and this Court's precedent. *U.S. v. Dubilier Condenser Corp.*, 53 S.Ct. 554 (1933) ("A patent is property and title to it can pass

only by assignment"); *Speedplay, Inc. v. Bebop, Inc*., 211 F.3d 1245, 1250 (Fed. Cir. 2000) (to establish standing, a putative patentee "must produce a written instrument documenting the transfer of proprietary rights in the patents.").

1. Supposed assignment from inventors to the "company"

WG's alleged chain of title starts with conclusory inventor testimony. The testimony at A001504 and A004539 merely states the inventors' understanding that inventions would be owned "by the company." But it is not clear ***which*** company either inventor is referring to. The testimony references WG, but the alleged agreements could not have been with WG, since it was formed in late 2000 and both inventors refer to hiring dates in the 1990s. Further, the 1998 and 2000 cost sharing agreements show no less than [redacted] companies with the word "Geco" in the name, and [redacted] companies with the phrase "Geco Prakla" in the name, and the testimony makes no effort to distinguish among them. A012841.

Even assuming there were employment agreements, there is no documentation or testimony regarding their terms. WG argues that a document's ***existence*** may be proved by testimony, but existence does not prove ***terms***. *Railroad Management Co., L.L.C. v. CFS Louisiana Midstream Co*., 428 F.3d 214, 217-219 (5th Cir. 2005) (distinguishing between testimony as to an alleged assignment agreement's existence and its contents, holding it was not an abuse of

discretion to exclude the latter where "the fact of assignment and the relevant time periods are facts critical to this litigation."). In *Stanford*, the terms of an employee's agreement and of a subsequent Visitor's Confidentiality Agreement were dispositive. Here, the record is devoid of ***any*** evidence that the inventors made a specific present assignment to WG or any other entity – besides of course their February 2001 assignments to STC. This failure of proof, by itself, defeats standing, because any subsequent transfers in WG's "chain of title" would be invalid. *Abraxis Bioscience, Inc. v. Navinta LLC,* 625 F.3d 1359, 1366 (Fed. Cir. 2010) (where there was no written assignment of a patent from subsidiary to parent, subsequent assignment of the patent by the parent was void).

2. Supposed assignment from Geco-Prakla to STC

WG asserts that the 1998 cost sharing agreement (A012818, A012820, A012824, A012828-29) "transferred U.S. patent rights from Geco-Prakla to Schlumberger." Opp. at 37. WG does not define "Schlumberger," but from context it appears WG is referring to STC, not the parent entity Schlumberger Limited.[11] A012820. But no matter the alleged assignee, there is no "transfer" of rights to the Bittleston Patents on any of the cited pages. No patents are identified, and Sections 1.02, 1.10 and 3.01 say nothing about a transfer [redacted]

[11] That WG does not delineate the various Schlumberger entities in its Brief, even though distinguishing among the specific entities is critical, highlights the failure of proof.

[redacted]. Further, none of the [redacted] Geco entities listed in Exhibit A signed the agreement. A012839-41. This non-specific arrangement among related corporate entities is insufficient to satisfy §261's written assignment requirement: "even between a parent and a subsidiary, an appropriate written assignment is necessary to transfer legal title from one to the other." *Abraxis*, 625 F.3d at 1366 (internal citations omitted).

By contrast, Section 3.02, which at least references [redacted] notes that [redacted] A012829 (emphasis added). There cannot have been an automatic transfer to STC, since [redacted].

Also, as of 1998, there were no "U.S. rights to the PCT application" (Opp. at 37) for any Geco-Prakla company to transfer to STC, as no U.S. applications had been filed, and the PCT application itself is not a U.S. application. *Voda v. Cordis Corp*., 476 F.3d 887, 890, 899 (Fed. Cir. 2007) ("The foreign patents issued from a common Patent Cooperation Treaty ('PCT') application.... [T]he text of the PCT maintains the independence of each country's patents."). Assuming for the sake of argument the 1998 cost sharing agreement operates as WG advocates, the PCT application would not belong to STC, but rather a different entity, SHL, which is

confirmed by the contemporaneous PCT records. A012820 at §1.02 (showing [redacted]); A013005 (showing SHL as the entity of record for the PCT application on February 21, 2001).

3. Supposed assignment(s) from STC to WG

WG supposedly received title from "Schlumberger" in the 2000 merger agreement. Opp. at 37-38. Cited section 9.1 states that STC assigns to "U.S. Venture Entity" (allegedly WG) rights to patents "***primarily related to the Seismic Business in the U.S***." A012780 (emphasis added).[12] The agreement does not, however, define what this means, and WG has not put forth any evidence indicating why the PCT application would qualify as IP "primarily related to the Seismic Business in the U.S.," where 1) neither inventor worked in the U.S., 2) the invention was developed in Norway, 3) the IP chart at A012850 does not list any of the patents as being U.S. patents, and 4) the PCT records show SHL, not STC, as the application's entity of record. A013005.

The 2000 technology transfer agreement (A012853-54) fails to provide chain of title for the same reason. While STC assigned WG [redacted] on that date the inventors had not assigned their rights to STC, the Bittleston Patents had not yet been filed in the

[12] Section (a) is specific to STC, so assuming SHL were the "owner" of the PCT application, SHL is not subject to §9.1.

U.S., and [redacted]. A012820. Further, WG's allegations as to what STC theoretically assigned in 2000 is directly contradicted by both SHL's and STC's courses of action just a few months later, when SHL became entity of record for the PCT application and STC received a direct assignment from the inventors and began prosecuting the U.S. national-stage application that issued as the '017 patent.

WG attempts to shore up title with the 2000 cost sharing agreement, which supposedly gave rights to WG going forward. Opp. at 38. But STC is not a party to this contract. A012865-67. Even if it were, as with the 1998 cost sharing agreement, there is no mention of a transfer or assignment of patent rights, and §3.02 [redacted]. A012860.

In view of the STC assignment, STC's filing and prosecution of the original U.S. application, and WG's own representations to the PTO, there is no need to delve into WG's new chain of title theory. Even so, it does not withstand scrutiny.

D. ION has not made any "admission" of facts that would confer standing

WG's last gasp argument is that ION somehow admitted "facts" pertinent to standing, a proxy for the district court's waiver argument that even WG knew to be incorrect. A011944-45. WG's citations show no such "facts," but instead alleged

admissions to the ultimate legal conclusion. ION's counterclaim stating that "on information and belief" WG was the title holder (A012912) is not an unequivocal admission, especially read in context. The same goes for the jury instruction entitled "summary of ***contentions***." A010839. But even were these admissions, legal title determinative of standing cannot be admitted to under the Constitution, particularly where no proper title exists.

WG's cited cases are inapposite. *Christian Legal Society* does not pertain to standing at all, but rather a joint stipulation on a different issue, corroborated by the record evidence no less. *Christian Legal Soc'y v. Martinez*, 561 U.S. 661, 676-77 (2010). In *Ramsey* – unlike here – there was no contrary evidence regarding (lack of) jurisdiction, and the underlying facts ***supported*** the parties' stipulation, which was merely to replace evidence that had been destroyed in a fire. *Railway Co. v. Ramsey*, 89 U.S. 322, 327-28 (1874).

The facts here are more analogous to *Spine Solutions Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1318 (Fed. Cir. 2010). Plaintiff SSI asserted that Medtronic waived the right to challenge standing to one of Synthes' subsidiaries because Medtronic allegedly treated the various Synthes entities as one throughout discovery. *Id.* at 1318-19. This Court disagreed, holding "[r]egardless of how SSI characterizes Medtronic's position, however, Medtronic is challenging the standing of Synthes, Inc. and Synthes Spine to bring suit on the

′071 patent. Under Article III of the Constitution, 'standing ... is jurisdictional and not subject to waiver.'" *Id.* at 1319; *see also Abraxis*, 625 F.3d at 1366 (common corporate structure cannot be used to overcome standing requirements).

On the record before this Court, the simple answer is proper legal title belongs to STC, not WG, pursuant to the inventors' direct assignments.

II. Congress intended to protect U.S. patentees from deliberate acts undermining their patent rights, not punish U.S. exporters where no such knowledge or intent is established

WG's flawed reading of §271(f) would result in finding liability for export activity where that same activity would not constitute §271(b) infringement if performed domestically. Such an uneven reading runs counter to both the purpose of §271(f)(1) and the extraterritorial limits of U.S. law. As with standing, WG's opposition brief either admits or leaves uncontroverted numerous legal points and procedural facts that support ION:

- §§271(b) and (c) are models for§§ 271(f)(1) and (f)(2), respectively (Opp. at 65-66);
- An accused infringer must have specific intent to infringe the patent to satisfy §271(b) (Opp. at 49-50);
- The district court held §271(f)(1) required only intent that components be combined overseas, and did not require that ION knew the combination would infringe or had intent to avoid the patent or otherwise detract from the patent owners' rights, and accordingly found for WG on summary judgment (Opp. at 18);
- In the same order, the district court denied summary judgment of infringement under §271(f)(2), finding a fact dispute regarding whether ION knew the combination of components infringed WG's patents (Opp. at 19);

- ION moved *in limine* to keep the §271(f)(1) infringement ruling out of trial (A010653, A010793);
- ION sought a jury instruction to prevent the §271(f)(1) ruling from being used to show §271(f)(2) infringement (A010913, A011042, A005404-08, A005411-12); and
- The Court and WG repeatedly informed the jury of the §271(f)(1) infringement ruling (ION Brief at 15-16).

The district court's summary judgment ruling was predicated on a flawed legal analysis, and WG used the ruling to conflate ION's liability for exporting the DigiFIN under §§271(f)(1) and (f)(2). WG claims otherwise, but the record is what it is. The jury never should have heard about the ruling, but moreover, the district court should not have permitted WG to leverage the ruling to argue liability under §271(f)(2). A new trial is warranted under both §§271(f)(1) and (f)(2).

A. ION lacked intent to infringe under §271(f)(1)

There is no debate that §271(b) requires proof of active inducement, and that *Global-Tech* re-affirmed that active inducement requires a specific intent to infringe (e.g., knowledge of infringement). Opp. at 49-50. There is also no debate that for exports, §271(f)(1) is the corollary to §271(b). Opp. at 65-66. Nevertheless, WG asserts that §271(f)(1) has a broader reach than §271(b). WG fails to provide, however, any rational explanation of how or why such a holding would be appropriate.

All WG can muster is a strained statutory interpretation and a cherry-picked legislative history argument. WG seeks to read "actively induce" on to an artificial

subset of the statutory language. WG cites *In re Sanders* for the notion that when a word points back to an antecedent, the true referent "should generally be the closest appropriate word." WG fails to acknowledge the very next sentence, however: "Consistent with this principle, the courts ordinarily assume that 'a limiting clause or phrase ... modif[ies] only the noun ***or phrase*** that it immediately follows.'" *In re Sanders*, 551 F.3d 397, 399 (6th Cir. 2008) (emphasis added). Here, "actively induce" applies to the next phrase "the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States." There is no basis to artificially carve out the referent to "actively induce."

WG next relies on incomplete, out of context, legislative history. WG does not dispute that §271(f) was enacted in response to *Deepsouth*, where there was intent to circumvent a U.S. patent by exporting parts the defendant knew to be an infringement if combined inside the U.S. Opp. at 51-52. ION and WG agree that Congress intended to patch the "hole" identified in *Deepsouth*. Yet WG would have §271(f)(1) do much more than patch a hole; WG would have it actually expand liability beyond what §271(b) prohibits for domestic activities – making a component seller liable for its customers' acts when it did not actively induce infringement. The full legislative history, however, supports interpreting §271(f)(1)'s intent requirement consistent with §271(b).

WG cites Mr. Mossinghoff's prepared remarks submitted to Congress, but he did not write the law and Congress did not adopt either of his principal proposed changes. As WG points out, Mr. Mossinghoff made his comments when the current draft of 271(f) was a single subsection, but WG focuses on only one of his proposals. Mr. Mossinghoff proposed (1) deleting the knowledge requirement entirely and (2) a carve out for staple articles. A013865-66. Congress later divided 271(f) into two subsections: (f)(1), which does not carve out staple articles, and (f)(2), which explicitly recites knowledge. Neither subsection thus reflects Mr. Mossinghoff's recommendations (as interpreted by WG).

And reading beyond WG's soundbite, his full testimony supports ION. While WG cites his recitation of his understanding of "actively induce," WG ignores that his statement starts with the qualifier "the patent laws ***today***,"[13] i.e., he was trying to read §271(f) consistent with §271(b), and the statute should be read to keep the two consistent ***today*** as well. In his live Senate testimony, he reiterated the desire to have §271(b) and §271(f) interpreted consistently:

> It may be that that concept also might be woven in, where you actively induce infringement abroad. Perhaps you could take the wording of both 271(b) and 271(c) in

[13] At that time, there was difference of opinion on whether §271(b) required knowledge of infringement. This difference of opinion was resolved in *DSU Medical* and later clarified in *Global-Tech*. *DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006); *Global-Tech Appliances, Inc. v. SEB S.A.*, –– U.S. ——, 131 S.Ct. 2060, 2068 (2011).

> the new section. That might be a good idea. I really have not thought that through but it sounds like a good suggestion, using the present principles that are in section 271 and apply them abroad.

A013862; see also A012548 ("The bill simply amends the patent law so that when components are supplied for assembly abroad to circumvent a patent, ***the situation will be treated the same*** as when the invention is 'made' or 'sold' in the United States.") (emphasis added). And exactly because of this prudent rationale, §271(f)(1) must be interpreted consistently with this Court's interpretation of §271(b) in *DSU* and the Supreme Court's *Global-Tech* opinion.

The district court's summary judgment ruling was premised on an incorrect standard for active inducement, and must be reversed. Similarly, the jury verdict as to §271(f)(1) infringement, based on the same standard, must also be reversed.[14]

B. The district court's §271(f)(1) ruling unquestionably impacted the §271(f)(2) verdict

WG argues that ION has "no basis" for connecting 271(f)(1) with (f)(2). Opp. at 3. But in so doing, WG does not even cite or discuss the legal standard – that a partial retrial is only appropriate where issues are "so distinct and separable" that there will be no "injustice" to either party. *Vidrine v. Kan. City S. Ry. Co.*, 466 F.2d 1217 (5th Cir. 1972); *Gasoline Prods. Co. v. Champlin Refining Co.*, 283

[14] It is undisputed that the jury charge on intent (A006123-24) was consistent with the MSJ ruling, and ION objected to the charge (A005408).

U.S. 494 (1931). WG ignores the standard for good reason, as ***WG itself connected §271(f)(1) and (f)(2)***. The fact that the same product (the DigiFIN), sold in the same transactions, to the same customers, was at the heart of both the §§271(f)(1) and (f)(2) claims would naturally lead a jury to treat those issues as overlapping.[15] WG then exploited that confusion further – enabled by the district court's refusal to properly instruct the jury on the limited import of the §271(f)(1) summary judgment ruling – by referencing the ruling repeatedly, and indeed using it as direct evidence of intent under §271(f)(2) during closing:

> The last prong of (f)(2) is another difference. 271(f)(1) does not require you to intend to infringe. 271(f)(1), even if you accidentally -- and by no means did ION accidently do anything, they infringed and they knew they were doing it. But (f)(2)requires us to prove that. With (f)(1), you just have to send a substantial portion of the components and if they infringe, so be it. (f)(2) has intent. That intent under 271(f)(2) is a preponderance of the evidence. It is infringement, which means is it more than 50 percent that they do that?
>
> Willfulness is also an issue. ***And given both of these relate to intent, I'm going to walk through the evidence, which is pretty substantial -- I'll cut it down -- of the intent ION had.*** But I want to point out that the standard

[15] Indeed, WG even asked the Court for an instruction that the Court's finding on §271(f)(1) addressed all the elements of 271(f)(2) except intent to infringe. A005417 ("Otherwise, the rest of the limitations for (f)(2) have been found by Your Honor. There was U.S. Supply, there was an intent to combine, and that the DigiFINs and lateral controller were not staple articles of commerce with a substantial non-infringing use. Your Honor's summary judgment decision laid that out."); *see also* A005416-19.

> for willfulness is higher. The standard for intent under 271(f)(2) is just a preponderance.
> . . .
> Did ION have some reasonable basis -- this is another fact for willfulness you will see -- to believe it didn't infringe? ***No. The Court has already found before we even got here that they infringed one claim of the patent***.

A006196-97, A006201 (emphasis added).

WG claims that the above argument relates only to willfulness. But WG treated "the evidence" for both 271(f)(2) and willfulness together, noting "both of these relate to intent." A006196-97. WG then spent the next 8 pages of closing on intent for both willfulness and §271(f)(2), circling back at the end regarding the difference in the standard of proof. A006197-04 ("Did ION know they were infringing? Certainly by the preponderance for 271(f)(2), but on this record,. . . even under the clear and convincing standard.").

In going through the evidence, WG plainly encouraged the jury to use the §271(f)(1) ruling as a reason for finding §271(f)(2) infringement. If WG believed that §271(f)(1) and §271(f)(2) were so linked that it could use the court's §271(f)(1) finding to prove §271(f)(2), it cannot now reasonably claim that those two issues are so distinct and separate in this case that there will be no "injustice" to ION if liability under §271(f)(2) is not retried when §271(f)(1) is.

1. The jury instructions compounded the prejudice to ION

The court's instructions did not mitigate the MSJ ruling's prejudice. First, the court refused ION's offered mitigation instruction: "You should not consider this [summary judgment] finding in deciding the question of infringement as to any other claim or when deciding infringement under §271(f)(2)." ION Brief at 43. Notably, WG does not address ION's requested instruction (A010913, A011042, A005404-08, or A005411-12), and none of the citations from ION's brief on this requested instruction even appear in WG's brief. WG also ignores that it specifically objected to ION's instruction. A010915-16. The silence is telling.

Instead, WG claims that a ***separate*** "curative" instruction negates any possible prejudice. But the instruction WG cites (1) was requested by Fugro, (2) addresses the scope – as opposed to the irrelevance – of the prior infringement finding, and (3) was given earlier in the charge, not in the §271(f)(2) instruction. A003975, A003976, A003982. This instruction did nothing to negate the prejudice to ION. Indeed, had the court actually issued ***ION's*** requested curative instruction, WG could not have argued the court's §271(f)(1) finding was evidence that §271(f)(2) was satisfied. A006196-97, A006201.

2. The record establishes the court's §271(f)(1) finding was prejudicial

WG asserts any error under §271(f)(1) was harmless to the jury's §271(f)(2) finding because the jury found willfulness, yet WG fails to acknowledge or discuss that the court, in addressing willfulness, found ION's defenses to be reasonable. Ion Br. at 40. WG recounts select portions of the trial record to allege that ION's defenses were unreasonable, apparently now attempting to distance the 271(f)(2) finding from the erroneous 271(f)(1) finding. Opp. at 62-63. At trial, however, when arguing to the jury that ION's defenses were unreasonable, the ***very first*** argument WG relied upon was the court had already found infringement under §271(f)(1). A006201. After deliberately using the incorrect §271(f)(1) summary judgment ruling to argue willfulness to the jury, WG cannot turn around and use the jury's willfulness finding to support a "harmless error" argument.

3. No waiver where ION sought to exclude any reference to the §271(f)(1) liability finding

WG claims that ION waived this issue by failing to object. That is not only incorrect, but also fails to address the erroneous MSJ ruling itself, to which there is no debate ION objected. It is that §271(f)(1) finding that infected the entire trial.

After the court granted summary judgment, ION moved *in limine* to preclude mentioning the summary judgment finding at trial. The court denied the motion, indicating that the MSJ ruling was coming in. A010653, A010793. As

WG notes, ION offered a compromise at oral argument that would allow the court, but not WG, to address the summary judgment finding. A010791. The court explicitly stated no such instruction would be given. *Id*. Consistent with the motion *in limine*, ION later requested the court to specifically instruct the jury to not use the §271(f)(1) finding in any regard for §271(f)(2). A010913, A011042, A005404-08, A005411-12. Again, this request was denied. *Id*. Between the original MSJ motion, the *in limine* request, and the jury instructions, the record is clear that ION urged the district court not to permit WG to tell the jury that §271(f)(1) infringement was at all relevant to §271(f)(2). After ION's various requests were all denied, WG did exactly that. There has been no waiver.

WG argues that ION should have objected every time WG mentioned the court's §271(f)(1) finding. But having lost on summary judgment, motion *in limine*, and jury instructions, ION was not required to object once the evidence was let in. Fed. R. Evid. 103(a); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1319 (Fed. Cir. 2011) (finding no waiver where Microsoft had objected *in limine* to mention of $19 billion figure, but did not continue to object through trial); *Wilson v. Williams*, 182 F.3d 562, 566 (7th Cir. 1999). Rule 103(a) was amended in 2000 to make clear that once a trial judge makes a definitive ruling in response to a motion *in limine*, a party need not object at trial. Fed. R. Evid. 103(a).

Further, once the ruling came in, ION was permitted to elicit testimony in an attempt to mitigate the court's error without waiving its rights. *Uniloc*, 632 F.3d at 1319. *Johnson* is inapposite as in that case the party failed to object to the evidence in the first instance, unlike here where ION opposed the summary judgment finding and had its motion *in limine* and jury instructions rejected. *Johnson v. Michelin*, 812 F.2d 200, 210 fn. 8 (5th Cir. 1987). ION did not "change course" (Opp. at 56), but simply tried to reduce the damage already done.

C. The lack of a *Commil* instruction is plain error and warrants a new trial

The lack of a *Commil* instruction is plainly erroneous, and affected ION's substantial rights. The district court, after considering the trial record, found that ION's invalidity defenses were reasonable in refusing to apply willfulness. ION Br. at 46. A jury would have found so as well, negating intent for §271(f)(2).

Contrary to WG's assertion, *Commil* most certainly did change the law, and WG's argument that it did not (Opp. at 66) is belied by the dissent from the denial of the *en banc* petition. *See Commil USA, LLC v. Cisco Systems, Inc.*, 737 F.3d 699 (Fed. Cir. 2013) ("By holding that a good faith belief in the invalidity of a patent may negate the requisite intent for induced infringement, the two-judge *Commil* majority created a ***new noninfringement defense*** to induced infringement that is premised on the accused infringer's belief of invalidity.") (emphasis added).

The change in the law is also apparent from the brief filed by the Solicitor General in support of *Commil*'s petition for writ of certiorari. 2014 WL 5299431 (U.S.) at *14 (granted in part December 5, 2014, *see* footnote 2).

Moreover, WG is incorrect that *Commil* does not apply to §271(f). As discussed above, the mental state under §271(b) applies to §271(f)(1), so *Commil*'s holding regarding §271(b) therefore applies equally to §271(f)(1). Regarding §271(f)(2), *Commil* held that there is "no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent." *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1368 (Fed. Cir. 2013). Even WG does not dispute that §271(f)(2) requires a specific intent to induce infringement of a patent.

WG is further mistaken that the lack of a *Commil* instruction was harmless. As WG admits, two witnesses argued that they did not believe ION was infringing any valid claims. Opp. at 68. But because no *Commil* instruction was provided, the jury was precluded from weighing this evidence when determining intent for §271(f) infringement. That the jury did not ultimately agree on invalidity (on a clear and convincing standard) does not mean that ION lacked a good-faith belief – those are two different questions with two different standards. Similarly, that the jury found ION willful is also irrelevant, since (1) it was based on the improper

§271(f)(1) ruling, and (2) the court found that ION's defenses were reasonable. ION Br. at 40. A new trial on both §§271(f)(1) and (f)(2) is warranted.

III. Lost Profits cannot be awarded for others' overseas competition with WG

WG's argument that §271(f) provides for more expansive relief than §271(b) makes no more sense for damages than it does for liability. Damages should be the same irrespective of whether a sale is made domestically or via an export. WG's argument, and the district court's ruling, squarely violate *Power Integrations* and *Panduit*. Once more, numerous facts were either admitted or left uncontested by WG, proving why lost profits must be vacated:

- Lost profits here were calculated on competition overseas not by ION, but by ION's customers, and for loss of marine surveys outside the United States (Opp. at 70-71);
- WG sought, but did not receive, a *Panduit* instruction regarding the relevant market for competition, with the bolded language "same market with ***the surveys using*** ION's product" (ION Br. at 57; Opp. at 70);
- §271(f) damages are not available for overseas use of a method (as opposed to making or selling an apparatus) (ION Br. at n.17)
- WG made no claim of lost profits based on lost sales of competing components sold in or from the United States (Opp. at 75-76); and
- The district court never mentioned the *Power Integrations* case in its post-trial opinions.

As with standing, WG recites the wrong legal standard. WG ignores that under *Wechsler*, entitlement to lost profits is a question of law. WG's cite to *Monsanto* is inapposite because that cite refers to reasonable royalty damages, which – unlike lost profits – are mandated under §284; indeed, WG's cite is to a

section entitled "reasonable royalty damages." *Monsanto Co. v. Ralph*, 382 F.3d 1374, 1383 (Fed. Cir. 2004). Based on the district court's jury instruction and the *Power Integration* holding, WG is not entitled to lost profits as a matter of law.[16]

A. WG has no good reason for distinguishing *Power Integrations*

WG concedes that *Power Integrations* holds that for §§271(a) and (b) liability, lost profits cannot reach wholly foreign conduct, regardless of foreseeability; but then WG incredibly argues that holding would nevertheless permit damages for wholly foreign conduct under 271(f). The damages scope should be the same in either instance.[17]

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[16] It is worth noting that if the Court agrees that WG has no standing for the Bittleston Patents, lost profits is moot because WG did not pursue lost profits on the Zajac '038 patent, which related only to 4D surveys. Opp. at 10. Sims opined that Zajac made no contribution to lost profits. A003439-40; A013657 (showing, in his "Total Damages" summary chart, "N/A" for lost profits in all cases where only 4D surveys were at issue).

[17] Imagine the scenario where ION ships one order to Miami, and another order to The Bahamas, just 50 miles away. Also imagine that for each shipment, ION knows and intends that the components in each respective order will be combined and then used in marine surveys in the same international waters off the coast in the Atlantic Ocean. Under WG's interpretation of §271 and *Power Integrations*, ION would not be liable and would not owe damages for the order shipped to Miami, so long as ION did not specifically intend infringement; but meanwhile, for the order shipped to The Bahamas, under WG's theory ION would be liable for the export of the components themselves, regardless of intent, and would also be liable for any and all foreseeable damages resulting from the marine surveys. Opp. at 49-50, 76. And to tweak the example slightly, even assuming ION knew the combination was infringing, while there would be liability under §271(b) for the sale to Miami, WG agrees there still would be no damages available for the wholly

Contrary to WG's allegations at page 76, this case has the same "cut off" in the causal chain as in *Power Integrations*, namely when ION's customers perform extraterritorial surveys. WG refuses to acknowledge that these are separate acts by separate entities, outside the United States. Instead, WG treats these separate intervening acts as part of a single chain of activity that was the foreseeable result of ION's exports, and thus "tied directly" to ION's infringement. But this is the ***exact same*** argument Power Integrations made, as WG itself notes on page 75. WG is mistaken in arguing "*Power Integrations* did not and could not overrule the principle" of full compensation for any foreseeable damages – *Power Integrations* held that full compensation under U.S. Patent Law cannot be premised on wholly extraterritorial activities, even if the foreseeable result of U.S. infringement.

The key language in *Power Integrations*, which WG itself quotes, is "[t]he 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, Inc. v. Fairchild Semiconductors Int'l, Inc.*, 711 F.3d 1348, 1372 (Fed. Cir. 2013). Here, ION's component export is the "act of domestic infringement," and ION's customers' performance of marine surveys

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extraterritorial surveys; but yet argues there would be damages in the instance where the initial shipment was to The Bahamas under §271(f). Opp. at 75-76.

using a combination of the various components is an "entirely extraterritorial production, use, or sale of an invention patented in the United States." This cuts off the chain of causation, whether foreseeable or not. *Id*.

This is not to say that WG is without potential remedies. First, WG has already received a royalty for all accused products, and ION has been enjoined from exporting any additional accused products. Second, WG could have (in theory) sought lost profits for the component sales themselves, had WG in fact sold components. Third, WG has pursued foreign patents and can seek available relief for foreign activity by ION's customers in the appropriate jurisdiction. Instead, WG has attempted to manipulate the law such that WG's U.S. patents effectively become worldwide patents, capable of ensnaring each and every foreseeable overseas activity.[18] As this Court recently held in *Halo*, the Supreme Court and Federal Circuit precedent forbid this type of extraterritorial expansion. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371, 1380 (Fed. Cir. 2014).[19]

[18] Moreover, such a result would undermine precedent holding there can be no 271(f) liability for practicing a method. ION Br. at footnote 17. Here, while there are apparatus claims, those claims are subject to a terminal disclaimer over method claims – i.e., the PTO found no meaningful difference between them. A013312, A013340, A013485-86, A013500.

[19] In *Halo*, U.S. contracting and marketing activity that resulted in infringement overseas was held not to create liability for foreign acts. 769 F.3d at 1379-1380.

B. WG's strawman arguments are insufficient to create damages liability where none exists

WG's argument about a patentee never being able to recover lost profits under 271(f) (Opp. at 2) is a strawman. WG does not sell competing components within the US, but if it did, lost profits would potentially be recoverable. WG's excuse for not pursuing lost profits on components is that it is vertically integrated, with no ***desire*** to sell components (or complete apparatuses) in the U.S. Indeed, when arguing why it had no obligation to mark its products, WG was adamant about its lack of United States presence: "It is undisputed that WesternGeco sells only services using its patented technology, and does not sell or offer to sell its patented apparatus…Moreover, WesternGeco's Q-Fin system is manufactured abroad and not within the United States." A013695; *see also* A010703.

It was WG's choice to vertically integrate and not to make component sales in the U.S., but this has repercussions. WG benefited from not having to mark, but now WG wants to avoid the flip side of that coin as it relates to lost profits. WG admits it does not make or sell its competing components (or even its patented system) in the United States, so WG is not entitled to lost profits on ION's components manufactured in, and shipped from, the United States. From a policy standpoint, companies doing business only overseas should not be better positioned by virtue of being vertically integrated outside of, and not competing within, the

U.S. WG received its royalty. It also received an injunction. But under the law, it is not entitled to lost profits.

This leads to WG's other strawman argument – that it does not matter whether the parties compete, only that the products compete. That distinction, to the extent it even exists,[20] is irrelevant here, since WG did not seek lost profits for product sales. Instead it sought damages for extraterritorial marine surveys. Opp. at 13-14, 20 (describing competition and damages theory). WG's cited evidence shows that its competition was not from ION, but from others, including Fugro. A001314, A010703. To recover lost profits, a patentee must show it "would have made the infringer's sales." *Crystal Semi. v. TriTech Micro.*, 246 F.3d 1336, 1353 (Fed. Cir. 2001). But here, WG admits it never would have made ION's sales, and furthermore had zero interest in even ***trying*** to. A013695.

C. No lost profits are available under jury instructions to which WG did not object

Since it is undisputed that neither the parties nor their products compete in the United States (or anywhere else for that matter), lost profits are unavailable under the unchallenged jury instructions: "The burden is on WesternGeco to show that its product competed in the same market with ION's product and that it would

[20] Products cannot compete in a vacuum – they compete because their respective companies attempt to sell them in the same market. No case cited by WG suggests otherwise.

have made the alleged lost sales if the infringement had not occurred." A006139. At trial WG sought, but did not receive, an instruction adding the bold language "…competed in the same market with ***the surveys using*** ION's product." A011113. WG has not appealed the district court's decision rejecting the bolded language, nor did WG object to the charge given (A006024-27), but instead WG has interpreted the given instruction as if it contained the very language the court refused to include. The language "would have made the alleged lost sales if the infringement had not occurred" requires that the lost sales must have occurred in the market where the products competed.

Here, there is no competition between ION and WG, or their products, in any market. WG admits it does not compete in the United States. And WG and ION's products do not compete overseas either, as it is admittedly ION's ***customers***, and ION's customers' marine surveys using DigiFINs combined with other products into fully assembled streamer systems, that compete with WG.

WG's lost profits theory is impermissible under this Court's precedent and the district court's jury instruction. The district court's decision to allow, and refusal to overturn, lost profits must be reversed.

IV. The district court's *Daubert* decision regarding the reasonable royalty calculation was not an abuse of discretion

To the extent the Court holds for ION that lost profits are not available for fully extraterritorial uses, this issue falls as well, since WG admits that Sims's excluded "reasonable royalty" analysis was simply a backdoor attempt to recapture WG's alleged lost profits. Opp. at 81 ("For the right to practice its proprietary technology, WesternGeco would have to be compensated for the revenues it lost as a result of that license, which reflects the harm from ION's infringement.").[21]

Moreover, the district court's decision to exclude WG's theory is well-founded on other grounds. WG relies on the district court's "profit eliminating royalty" statement in its *Daubert* opinion to argue that the district court found as a matter of law only the 400% royalty had to be disallowed. But WG tries to create error where none exists since the district court struck Sims' opinion because of the lack of support for Sims' *ipse dixit* conclusion.

As ION raised in its *Daubert* motion and as the district court recognized in its opinion and during oral arguments, Sims's opinion was flawed for a number of reasons, including his theories that a reasonable litigant in ION's position would

[21] This variant of WG's theory is nearly identical to one currently before this Court in *Carnegie Mellon University v. Marvell Technology Group. Ltd. et al.*, 2014-1492, where the plaintiff-appellee's damages theory included in its royalty base chips both manufactured and sold outside the United States, on the theory that those sales had resulted from infringing activity in the United States.

have agreed to (1) pay any royalty at all based on its customers' extraterritorial, non-infringing conduct; or (2) pay a so-called "reasonable" royalty that was more than 400% of ION's ***gross revenue*** for every single DigiFIN ever sold. The district court did not abuse its discretion in excluding this unreliable opinion.

A. Multiple alternative bases exist for affirming the district court's decision

The district court made clear in its *Daubert* order that the overarching basis for rejecting Sims's "reasonable royalty" opinion was not that the royalty exceeded ION's profits (the amount of which was not even before the Court), but because the royalty was inherently unreasonable: "Even putting case law aside, any unreasonable negotiating approach must be rejected, since the ultimate goal is to arrive at what the statute terms a 'reasonable royalty.' ***Mr. Sims's methodology inherently arrives at an unreasonable result***, and one to which no reasonable negotiator for ION could possibly have agreed." A000063 (emphasis added). Sims's methodology is inherently unreasonable for a number of independent reasons, which the district court discussed during oral arguments and in its written opinion. Following are two of the more egregious reasons for unreliability.

B. No rational negotiator would agree to pay a royalty on its customers' revenue for non-infringing conduct

WG does not contest the fact that ION's customers' use of DigiFINs and Lateral Controller software to perform marine seismic surveys occurs outside the

territory of the United States. No recovery is available to WG for that use. *Power Integrations*, 711 F.3d at 1371 (citing *Brown v. Duchesne*, 60 U.S. 183, 195 (1856) ("And the use of it outside of the jurisdiction of the United States is not an infringement of his rights, and he has no claim to any compensation for the profit or advantage the party may derive from it.")).[22]

Because ION's customers are not liable for overseas activity, this cannot be viewed, as both Sims and WG have inferred, as an indemnification scenario where ION would agree in the hypothetical negotiation to pay royalties based on downstream use in order to shield its customers from those royalties. ***No such royalties would be due***. And even if ION's customers used its products within U.S. territorial waters and ION was negotiating a royalty for such use, Sims would have had to scale his reasonable royalty accordingly. He did not do so.

The district court discussed this exact point at oral argument, and was clear that Sims's reasonable royalty analysis was inadmissible because it did not take into account which (if any) uses by ION's customers were performed domestically versus extraterritorially. A010774-75 ("***I didn't think he made that analysis of what would be answerable in American courts*** as opposed to what would be

[22] WG spends a great deal of space discussing the law of joint tortfeasors, but glosses over the fact that in order for there to be joint ***tortfeasors***, there must be an underlying ***tort***.

answerable in some other courts, ***so I don't know that I can allow his report on a reasonable royalty***." (emphasis added); A010776 (agreeing that "[t]he question is the reasonable royalty for the acts that occured (sic) in the United States."); A010779 (agreeing that Sims's rate was not "calculated based on what was the action that was done inside the United States," and that "***I think if he had done that, it might be admissible, but I don't think he did that***." (emphasis added)). Sims admitted in his deposition that he indeed did not do that: A010396-97 (admitting that "a lot of the surveys are certainly outside" the 12-mile reach of U.S. territorial waters and that "I don't know whether there are any that are within the 12 miles or not."). Nor has WG suggested otherwise. The district court was within its discretion in excluding Sims's opinion on this ground.

C. No rational negotiator would agree to pay a "royalty" of more than $4 for every $1 of gross revenue

Sims's opinion infers, and WG's brief argues, that because WG did not want to license its patents, the hypothetical negotiation would result in ION agreeing to pay the rate WG demanded, regardless of how economically irrational it would have been for ION to do so, and notwithstanding the lack of any support for that position other than conclusory expert opinion.[23] This Court has never so held, and

[23] Attempting to support his ultimately excluded opinion in his deposition, Sims made the bare assertion that ION simply could have increased its selling price (by more than 4x) to absorb WG's "reasonable royalty." A010149-50 (citing

should not do so now, particularly given the extraterritorial nature of the "damages" at issue. WG cites several reasonable royalty cases[24] that allegedly support its proposition, but none of which remotely reflects the outrageous nature of Sims's proffered royalty.

In *Snellman v. Ricoh Co.*, 862 F.2d 283 (Fed. Cir. 1988), this Court upheld a jury verdict awarding a lump-sum reasonable royalty that apparently exceeded the amount of the defendant's ***actual*** sales, because "[t]he jury justifiably could have calculated a lump sum royalty based on Ricoh's ***expected*** sales." 862 F.2d at 289 (emphasis added). Here, the unrebutted evidence at trial was that every penny of revenue from ION's most optimistic sales projections, including convoyed sales, still would total only a fraction of the excluded royalty.[25]

A010407-08). Not only did Sims admit he had never seen such a royalty agreement in the real world (*id.* (citing A010414-15)), he admitted that he did not perform any price elasticity analysis for these services (*id.* (citing A010381-82)) to determine the extent to which demand would be impaired by such sticker shock. *Crystal*, 246 F.3d 1336, 1357 ((recognizing that "[a]ll markets must respect the law of demand" and that the sort of inelastic market required for Sims's theory to hold water is "very rare").

[24] WG also cites *Siemens Med. Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269 (Fed. Cir. 2011), but this was admittedly a lost profits case. Opp. at 83 ("award of $45 million in ***lost profits*** based on customer's sales against defendant component manufacturer who sold less than $10 million in components.") (emphasis added).

[25] One of the primary exhibits at trial was a 2006 ION business proposal for DigiFIN, acknowledged by WG to have been written "right about the time of the hypothetical negotiation." A005921, A005923-24. In it, ION projected the size of

In *State Indus., Inc. v. Mor–Flo Indus., Inc.*, 883 F.2d 1573 (Fed. Cir. 1989), the question was whether the 3% royalty rate could be higher than Mor-Flo's alleged 2.1% net profit. This Court simply held that (1) it was not inappropriate to consider gross profit as opposed to net profit, (2) there was evidence that Mor-Flo's net profits were above 3% during the time of infringement, and (3) collateral sales could be factored into the royalty rate. 883 F.2d at 1580-81. Here, Sims's effective royalty rate was ***over 400%***. In other words, the entire business segment would have operated at a catastrophic loss, and WG has presented no evidence why a rational actor in ION's position would agree to such terms.[26]

Monsanto is distinguishable as it has the opposite procedural posture, an appeal from a jury finding on damages rather than an appeal from a district court's *Daubert* ruling. This Court held the trial court did not abuse its discretion in denying JMOL that a royalty, should, as a matter of law, necessarily be less than

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the total market for DigiFIN at 12,981 units, including spares and replacements. A008084. ION believed it could capture roughly 70% of that market, that is, about 9,000 units, over a five-year period, 2007 through 2011. *Id*. ION projected revenues of $148MM for those 9,000 DigiFINs and $4MM of associated Lateral Controllers, along with $40MM of revenue from other related but unaccused products. Even treating all related sales as convoyed sales, this total anticipated ***revenue—not profit—***of $188MM is still less than 65% of Sims's $300MM "reasonable royalty."

[26] *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359 (Fed. Cir. 2008), like *Mor-Flo*, is about whether the reasonableness of a royalty should be evaluated in the context of an infringer's net profit as opposed to gross profit. 527 F.3d at 1374.

anticipated profits. *Id.* at 1384. But just because there is no bright line rule precluding royalties exceeding profits in ***every*** case, that does not mean that the district court abused its discretion in finding the royalty excessive in ***this*** case.

The district court had multiple, independent grounds[27] for excluding Sims's opinion (many of which not even addressed by WG in its brief), and the court did not abuse its discretion in doing so.

V. The district court's decision regarding non-willfulness was not an abuse of discretion

WG asked the district court three times to find ION a willful infringer, and three times the district court declined to do so, issuing extensive factual findings each time. WG now spends just over four pages asking this Court to reverse the district court's holding as an abuse of discretion, and find that ION's conduct satisfies the objective prong of willfulness. The procedural posture should seal the fate of WG's already-shaky argument: if this Court finds for ION so as to reach WG's conditional cross-appeal, it will have added yet another data point to the district court's repeated findings that ION's litigation positions were reasonable. This defeats the objective prong of willfulness even under the test WG urges the Court to adopt.

[27] An additional, independent ground is what occurred post-trial, as the cost to offshore ION's activities was a fraction of the royalties WG sought; these post-trial events would be another compelling fact to exclude the opinion.

In order to advance its argument even that far, although WG agrees willfulness requires an objective prong, WG's brief appeals to this Court to discard its precedential standard for the objective prong set forth in *Bard v. Gore*, replacing it with a standard analogous to that which the Supreme Court established for finding a case exceptional in *Octane Fitness*.

WG begins by overstating the Supreme Court's holding in *Octane Fitness*, claiming that the court distinguished §285 damages from its prior holding in *PRE* strictly on the basis of the antitrust liability at issue in *PRE*. In reality, *Octane Fitness* drew a distinction between simple fee shifting in §285 and the treble damages at stake in an antitrust case. This distinction applies equally to treble damages for willful infringement, leaving no basis to overrule *PRE* in this context.

WG then magnifies its error by, right after asking this Court to overrule *Bard*, citing it to attempt to justify a *de novo* review of the objective prong. This ignores *Highmark v. Allcare – Octane Fitness*'s sister decision – where the Supreme Court held that the standard of review for exceptional case findings is no longer *de novo*, but abuse of discretion. *Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S.Ct. 1744, 1748-49 (2014). Thus, even if this Court were to adopt for §284 willfulness the Supreme Court's recent holding rejecting the *PRE* test with respect to §285 exceptional case, it follows that it should likewise adopt for §284 the new abuse of discretion standard of review of

§285. *See, e.g., Halo*, 769 F.3d at 1384-86 (O'Malley, J., concurring) (advocating for *en banc* review of the standards in *Bard v. Gore* in light of both *Octane Fitness* and *Highmark*).

Under *de novo* review, WG's own cited authority states that factual findings (here, the district court's factual findings of reasonableness) should be reviewed only for clear error. Opp. at 30. But even were this Court to review the district court's factual findings *de novo*, WG has not met its clear and convincing burden to show that ION's litigation positions were unreasonable – whether reasonableness is evaluated under *Bard* or *Octane Fitness*. *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*). WG appears to recognize this, largely constraining itself to conclusory statements that ION's positions were not reasonable, then spending the rest of its time replaying facts that it presented to the jury in support of the ***subjective*** prong of willfulness. None of those issues has any bearing on ***objective*** willfulness. Setting aside WG's distraction, the facts are clear: the district court repeatedly and properly found ION's defenses reasonable, and held that ION was not objectively willful. WG has not identified any abuse of discretion, it has merely rehashed the same arguments that have failed thrice before.

A. WG conflates the subjective and objective prongs

The objective prong must be evaluated and found to be satisfied before even reaching the subjective prong; and the objective prong is evaluated based on ION's defenses. *Bard Peripheral Vascular v. W.L. Gore*, 682 F.3d 1003, 1008 (Fed. Cir. 2012 ("If, in view of the facts, the asserted defenses were not reasonable, only then can the jury's subjective willfulness finding be reviewed for substantial evidence."). WG implies that the district court should have considered the jury's finding of subjective willfulness in determining objective willfulness. Opp. at 26 ("The court did not address the jury's finding of subjective willfulness . . ."). WG cites no authority for such a procedure, and it would directly contradict this Court's well-established precedent that the objective prong be established ***before*** addressing the subjective prong. *See, e.g., Powell v. Home Depot USA, Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011) (citing prior cases).

The issues WG raises, such as what third parties allegedly thought about WG's patents and negotiations ION and its customers allegedly engaged in regarding indemnification, to the extent they are relevant at all, are irrelevant to objective willfulness. *Seagate*, 497 F.3d at 1371 ("The state of mind of the accused infringer is not relevant to this objective inquiry.").

B. ION's defenses were, and continue to be, objectively reasonable

In any event, under any standard, ION's defenses were reasonable. WG did not move for summary judgment on many of the defenses that it now claims are unreasonable as a matter of law, and the "unreasonable" defenses upon which WG ***did*** move – including anticipation, obviousness, and enablement of claim 18 of the '520 patent, were denied.[28] A000317-18 (denying MSJ of §112 validity, including enablement); A000320-21 (denying MSJ of no anticipation by Workman, the reference ION raised at trial, finding that "the Court does read the quoted language as potentially anticipating the streamer separation mode of the '520 patent."); A000322 (denying MSJ of obviousness).

This was the backdrop against which WG later sought a willfulness finding – returning to the well, hoping for a different answer. The district court indulged WG by reanalyzing each of ION's defenses, unsurprisingly again finding them reasonable. *See, e.g.,* A000026-28. WG's brief ignores all of this, instead fixating on the district court's use of this Court's "no reasonable litigant" standard. But the district court only explicitly relied on this standard for a single one of ION's many defenses. A000025 ("The Court finds that [the defense at issue] is not objectively

[28] WG relegates these defenses to secondary status, labeling the issues for which it was granted summary judgment as "ION's principal defenses." This self-serving ranking of ION's defenses is exactly that.

baseless in that no reasonable litigant could realistically expect to succeed."). The district court found the rest of ION's defenses to be "reasonable," "not unreasonable," and "not objectively baseless." A000026-28. This is not enough to overturn the repeated findings of the district court that ION's defenses as a whole were reasonable.

While WG appeals the application of the *Seagate* willfulness prong, it does not appeal the *Seagate* willfulness prong itself, which requires "to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." 497 F.3d at 1371. Here, the District Court found that ION's defenses were reasonable, and thus, WG cannot show and has not shown by clear and convincing evidence that ION's positions were unreasonable.[29]

[29] WG criticizes the "no reasonable litigant" standard, but suggests no alternative test for determining whether a party's defenses are reasonable. That WG did not agree with ION's positions, and that ION did not ultimately prevail in those positions, cannot be a measure of their reasonableness. Willfulness is only relevant once liability is established, which by definition means all of a party's defenses have failed. WG's position would render the objective prong of willfulness a dead letter.

CONCLUSION

WG lacks standing to the Bittleston Patents. ION is entitled to a new trial on liability. The lost profits award, to the extent it is not mooted by this Court's ruling on standing, should be vacated. The district court decisions subject to WG's conditional cross-appeal should be affirmed.

December 9, 2014

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1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) because it contains 13,048 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

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Dated: December 9, 2014

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CERTIFICATE OF SERVICE

I hereby certify on this 9th day of December, 2014, I electronically filed the foregoing with the Clerk of the Court of the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

/s/ David J. Healey
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