THE SUPREME COURT DENIES REBUTTAL: *WESTERNGECO* AND SALVAGING EXTRATERRITORIAL BARS TO PATENT LIABILITY

Nicholas E. Calcaterra†

I. INTRODUCTION

Since the 17th century, Westphalian sovereignty and comity have been influential fixtures in international law.[1] These doctrines, by prescribing mutual respect of exclusive control over one's country and citizens, compel governments to prevent global conflicts.[2] Likewise, the United States has adopted comity concepts in different areas of law.[3]

In recent years, the Supreme Court and Federal Circuit have wrestled with questions of how to evaluate domestic patent laws in conflict with the presumption against extraterritoriality, a comity-related doctrine.[4] The presumption holds that courts should presume U.S. law is only valid within its territories.[5] Unless the presumption has been rebutted, courts should wait for instruction from Congress before applying laws extraterritorially.[6] Otherwise, the courts must ensure, or at least rationalize, that the law's extraterritorial effects come from a domestic application.[7]

The presumption against extraterritoriality has had a powerful role in limiting patent infringement liability. Along with causation and a patent's technical scope, the geographic scope of a patent defines the boundaries of

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† Nicholas E. Calcaterra, Ph.D., J.D. Candidate, 2020, University of California, Berkeley, School of Law.

1. Joel R. Paul, *The Transformation of International Comity*, 71 LAW & CONTEMP. PROBS. 19, 22 (2008).
2. *See id.*; *see also* STEPHEN D. KRASNER, SOVEREIGNTY, ORGANIZED HYPOCRISY 10 (1999).
3. *See* William S. Dodge, *International Comity in American Law*, 115 COLUM. L. REV. 2071, 2087 (2015).
4. *See* Am. Banana Co. v. United Fruit Co., 213 U.S. 347, 356 (1909).
5. *See* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2100 (2016) ("Absent clearly expressed congressional intent to the contrary, federal laws will be construed to have only domestic application.").
6. *See id.*
7. *See id.*

infringement inquiries.[8] In *Power Integrations v. Fairchild Semiconductor International*,[9] the Federal Circuit solidified a patent's geographic scope as an independent limitation, barring damages predicated on foreign events.[10] The Supreme Court in *WesternGeco LLC v. ION Geophysical Corp.*, however, has put this framework on precarious grounds.

In *WesternGeco*, ION was previously found liable for infringement under 35 U.S.C. § 271(f)(2).[11] In addition to a reasonable royalty, WesternGeco alleged they were entitled to lost profits due to lost contracts on the high seas.[12] The Federal Circuit denied the claim, arguing that a foreign lost profits award would create an extraterritorial application of U.S. patent laws.[13]

The Supreme Court reversed, utilizing the *RJR Nabisco* two-step inquiry for determining impermissible extraterritorial application of U.S. law.[14] This inquiry first asks whether "the presumption . . . has been rebutted" by Congress when constructing the statute.[15] If not, or if a court chooses to skip the first step, the court must then ask "whether the case involves a domestic application of the statute."[16] Skipping to the second step, the Court in *WesternGeco* found that the focus of § 284 was to regulate infringement.[17] Noting that § 271(f) requires a defendant to supply components from the United States, the Court found that awarding lost profit damages for the infringement was a permissible domestic application of § 284.[18] The Court reversed the Federal Circuit, awarding lost profit damages to WesternGeco.[19]

However, the majority's analysis under the *RJR Nabisco* framework seems arbitrary and counterintuitive. Construing the statutory focus of § 284 as only "infringement," as opposed to "adequate . . . compensate[ion] for the infringement" appears to contradict much of the Court's own language and argument.[20] Furthermore, relegating the focus of the statute to only the

8. *See* Stephan Yelderman, *Proximate vs. Geographic Limits on Patent Damages*, 7 IP THEORY 2, 2, 7–9 (2018) (discussing how patent jurisprudence holds parties liable only if they caused infringement of the legal invention (technical scope) within U.S. jurisdiction (geographic scope)).

9. Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1371 (Fed. Cir. 2013) ("It is axiomatic that U.S. patent law does not operate extraterritorially to prohibit infringement abroad.").

10. *See id.*

11. *See* WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129, 2135 (2018).

12. *Id.*

13. WesternGeco LLC. v. ION Geophysical Corp., 837 F.3d 1358, 1360 (Fed. Cir. 2016).

14. *See id.* at 2136; *see generally* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2101 (2016) (promulgating a two-step framework for deciding extraterritoriality questions).

15. *RJR Nabisco*, 136 S. Ct. at 2101.

16. *Id.*

17. *See WesternGeco*, 138 S. Ct. at 2137.

18. *Id.* at 2138.

19. *Id.* at 2139.

20. 35 U.S.C. § 284 (2012).

infringement at issue insulates the statute from its purpose and other important jurisprudence.

Similarly, the Court failed to consider other prevailing doctrines and important questions. The Court explicitly chose to ignore questions of proximate cause.[21] By skipping step one of the *RJR Nabisco* analysis of § 284, the Court also ignored WesternGeco's assertion that the presumption against extraterritoriality did not apply to *any* damages provisions.[22] But perhaps most perplexing is the Court's diminishment of damages statutes to "merely the means by which the statute achieves its end of remedying infringements," instead of considering how they affect parties in an extraterritorial patent enforcement context.[23] By neglecting these important aspects and questions, the Court sought to restrain their holding.[24]

Yet the Court inadvertently exposed all modes of infringement to the recovery of foreign lost profits. By disregarding the context of § 284 to "affor[d] patent owners complete compensation" for infringement, the Court's analysis allows for easy application to other infringement scenarios.[25] It is likely that the Court accidentally overturned *Power Integrations*, terminating the presumption against territoriality as applied to damages.

The loss of geographic limitations on patent damages, however, may be rectified. Practitioners and judges can resurrect the purpose of the presumption against extraterritoriality by importing comity concerns in defining proximate cause. By stressing the important policy of respecting foreign sovereignty, geographic scope may again play a role in limiting patent liability in a manner amenable to both *WesternGeco* and the previous Federal Circuit holdings.

Part II of this Note gives a brief history of the presumption against extraterritoriality as applied to patent law. Part II also outlines the role of proximate cause in limiting patent liability and how this role interacts with the presumption against extraterritoriality. Part III details the procedural history of *WesternGeco* and the Supreme Court's decision. Part IV analyzes how the Court used the *RJR Nabisco* framework, rejected ION's arguments, and the consequences of the decision. Part IV also argues that the Supreme Court's demotion of damages statues and use of the *RJR Nabisco* two-step inquiry were incorrect, leading to gaps in damages jurisprudence and recovery for infringement damages without territorial restraint. Part V argues that judges and practitioners may be able to limit a patent's geographical scope, in

21. *WesternGeco*, at 2139 n.3.
22. *Id.* at 2136.
23. *Id.* at 2138.
24. *Id.* at 2139 n.3 ("In reaching this holding, we do not address the extent to which other doctrines, such as proximate cause, could limit or preclude damages in particular cases.").
25. *Id.* at 2137 (quoting Gen. Motors Corp. v. Devex Corp., 461 U. S. 648, 655 (1983)).

harmony with *WesternGeco*, by imputing comity as a policy consideration for determining proximate cause.

II. THE PRESUMPTION AGAINST EXTRATERRITORIALITY, PROXIMATE CAUSE, AND THEIR INEVITABLE CLASH IN PATENT LAW

The presumption against extraterritorial application of U.S. patent rights has precedent dating back to 1857.[26] Since then, the courts and Congress have mostly upheld the tradition of confining patent rights "within the limits of the United States."[27] Even in instances of legislation by Congress to explicitly rebut that presumption, such as the creation of §§ 271(f) and (g), the courts have applied these statutes narrowly.[28] And although the scope of these exceptions continues to be adjusted, the presumption against extraterritoriality itself remains a stalwart of U.S. patent law.[29]

Similarly, the doctrine of proximate cause as a limiting factor to patent infringement damages has been nearly as longstanding.[30] Defining "proximate cause," however, has not been as simple and consistent as demarcating U.S. borders. Like its sister doctrine in torts, proximate causation of patent infringement has steadily evolved.[31] Originally proximate cause was nebulously characterized, though the general notion was that courts should only award damages that were the "direct and immediate" result of the infringement.[32] More recently, it has been defined to include damages that were "reasonably foreseeable" at the time of patent infringement.[33] Nevertheless, these

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26. *See* Brown v. Duchesne, 60 U.S. 183, 195 (1857).

27. *Id.*; *see* Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 NOTRE DAME L. REV. 1745, 1760–62 (2017).

28. *See* Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 442 (2007) ("Recognizing that § 271(f) is an exception to the general rule that our patent law does not apply extraterritorially, we resist giving the language in which Congress cast § 271(f) an expansive interpretation."); *see also* Bayer AG v. Housey Pharm., Inc., 340 F.3d 1367 (Fed. Cir. 2003) (holding that § 271(g) only applies to the importation of physical objects and not information); *see generally* Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734 (2017) (holding that § 271(f)(1) is limited quantitatively and not qualitatively thus the importation of a single component, of a necessary plurality, is not infringing).

29. *See* Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734 (2017); *see also* Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1371 (Fed. Cir. 2013) ("It is axiomatic that U.S. patent law does not operate extraterritorially to prohibit infringement abroad.").

30. See Carter v. Baker, 5 F. Cas. 195, 202 (C.C.D. Cal. 1871) (No. 2,472).

31. *See generally* Patrick J. Kelley, *Proximate Cause in Negligence Law: History, Theory, and the Present Darkness*, 69 WASH. U. L. Q. 49 (1991) (discussing developments in proximate cause doctrine as applied to negligence law); Yelderman, *supra* note 8, at 1–5, 8–10 (citing early and more recent uses of proximate cause doctrine in patent law).

32. Buerk v. Imhaeuser, 4 F. Cas. 594, 595 (C.C.S.D.N.Y. 1876).

33. *See* Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1546–47 (Fed. Cir. 1995).

standards do not address all considerations for proximate cause in patent law, especially policy-driven goals.[34]

Unsurprisingly, cases that feature the interaction of both doctrines are more convoluted. Early Supreme Court precedent allowed for compensation based on sales to foreign customers while simultaneously barring similar remedies for sales wholly occurring outside the United States.[35] More recently the Federal Circuit attempted to set a bright-line rule, "cut[ting] off the chain of causation" at extraterritorial acts, preventing the award of damages predicated on those acts.[36] Therefore, the presumption against extraterritoriality applied to both questions of infringement liability and damages.

Although the Federal Circuit followed this reasoning again in *WesternGeco*, the Supreme Court reversed, allowing recovery of lost profit damages predicated on non-infringing foreign use.[37] In doing so, the Court prioritized the policy of fully compensating patent owners over the longstanding presumption against extraterritoriality. And despite petitioners raising the possible use of proximate cause analysis to reach this conclusion at oral argument, the Court did not examine the issue in its holding for concerns of its wide-reaching implications.[38] Thus, for the time being, the Court has recognized proximate cause and the presumption against extraterritoriality as two distinct inquiries.

But in an ever-connected global society, these two doctrines are fated to a head-on collision. Notwithstanding the Supreme Court's decision to avoid the matter in *WesternGeco*, there may be room for the Federal Circuit to limit the lost profit damages by a novel proximate cause theory. But the individual jurisprudence of both doctrines, along with cues from cases involving their combination, may give hints at how courts will decide this inevitable conflict.

A. THE PRESUMPTION AGAINST EXTRATERRITORIALITY AND ENFORCING THE GEOGRAPHICAL SCOPE OF PATENT LAW

Justice Oliver Wendell Holmes, in his *American Banana Co. v. United Fruit Co.* opinion, accurately captured the philosophy of the presumption against

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34. *See id.* at 1546 ("The general principles expressed in the common law tell us that the question of legal compensability is one to be determined on the facts of each case upon mixed considerations of logic, common sense, justice, policy and precedent.") (quoting W. PAGE KEETON ET AL., PROSSER & KEETON ON THE LAW OF TORTS § 42, at 279 (5th ed. 1984)) (internal quotation marks omitted).

35. *See* Goulds' Mfg. Co. v. Cowing, 105 U.S. 253 (1882); Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641 (1915).

36. Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1172 (Fed. Cir. 2013).

37. *See* WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129, 2139 (2018).

38. *Id.* at 2135, 2139 n.3; *see* Transcript of Oral Argument at 14, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011).

extraterritoriality: "the general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done."[39] Justice Holmes also gave prudent advice for its application, noting a court must interpret, "in case of doubt, [the] construction of any statute as intended to be confined in its operation and effect to the territorial limits over which the lawmaker has general and legitimate power."[40] Although this sober approach has fallen out of favor over time in most areas of law, courts have long advocated for adhering to the presumption in patent law.[41]

1. Brown v. Duchesne *Drops the Presumption Anchor in Patent Law*

This regime in patent law marks its origin in 1856, with the Supreme Court's decision in *Brown v. Duchesne*.[42] Duchesne mastered a French ship that included a gaff-saddle, constructed using a method patented in the United States by Brown.[43]

Brown discovered that Duchesne's ship was used to conduct business in the port of Boston and subsequently sued for the use of the gaff-saddle without his consent.[44] Duchesne claimed, *inter alia*, that his use did not infringe because the saddle and its incorporation into the boat were constructed legally in France.[45] The Court construed the matter at hand to be whether a foreign ship could use a feature, constructed by a U.S.-patented method, while temporarily docked within U.S. jurisdiction, without the consent of the patentee.[46]

Writing for the Court, Chief Justice Taney examined the Patent and Copyright Clause of the Constitution, portraying the right it granted as "domestic in its character, and necessarily confined within the limits of the United States."[47] Concerning the immediate question, Taney elaborated that the clause "confers no power on Congress to regulate commerce, or the vehicles of commerce, which belong to a foreign nation, and occasionally visit

39. Am. Banana Co. v. United Fruit Co., 213 U.S. 347, 356 (1909).

40. *Id.* at 357.

41. *See* William S. Dodge, *Understanding the Presumption against Extraterritoriality*, 16 BERKELEY J. INT'L L. 85, 85–86 (1998); Subafilms, Ltd. v. Mgm-Pathe Commc'ns. Co., 24 F.3d 1088, 1097–98 (9th Cir. 1994). This adherence is, perhaps, due in part to the explicit language in the patent act, geographically limiting patent infringement. *See* 35 U.S.C. 271(a) (2012) ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.").

42. *See* Brown v. Duchesne, 60 U.S. 183, 195 (1857).

43. *Id.* at 193.

44. *Id.*

45. *See id.* at 193–94.

46. *Id.* at 194.

47. *Id.* at 195.

our ports in their commercial pursuits."[48] Those powers were relegated to treaty-making, a distinct authority from the Patent Clause with a different purpose.[49] Thus, when Congress is legislating "to protect authors and inventors, their attention is necessarily attracted to the authority under which they are acting, and it ought not lightly to be *presumed* that they intended to go beyond it."[50]

Chief Justice Taney summarized that patent laws "do not, and were not intended to, operate beyond the limits of the United States."[51] Therefore, Duchesne's use of the improved-method-derived gaff-saddle outside of the United States was not an infringement.[52]

Although Duchesne's ship traveled to U.S. ports, Chief Justice Taney noted that the advantage gained from the gaff-saddle was on the high seas outside of U.S. jurisdiction.[53] Still, bringing the ship to the United States created "technical damage, in the eye of the law."[54] The Court dismissed this argument, reasoning that punishing lawful foreign use of inventions patented in the United States was not the "contemplation of Congress in enacting the patent laws."[55] To believe otherwise, the opinion continued, would "exact damages where no real damage had been sustained, and would moreover seriously embarrass the commerce of the country with foreign nations."[56]

The Court further cautioned that grounding power over foreign entities in patent law would become a serious threat as "[r]ights of a party under a patent are his private property; and by the Constitution of the United States, private property cannot be taken for public use without just compensation."[57] This expansion of patent rights would "embarrass the treaty-making power" of the United States and interfere with Congress's ability to regulate commerce.[58] It was the duty of the legislature to regulate "commerce and intercourse with foreign nations," not the courts.[59] Therefore, the Court could not grant a patent owner such power.

48. *Id.*
49. *See id.*
50. *Id.* (emphasis added).
51. *Id.*
52. *Id.* at 195–96 ("[Duchesne's use] is not an infringement of [Brown's] rights, and [Brown] has no claim to any compensation for the *profit* or advantage the party may derive from it.") (emphasis added).
53. *See id.* at 196.
54. *Id.*
55. *See id.* at 196–97.
56. *Id.* at 197.
57. *Id.*
58. *See id.*
59. *See id.* at 198.

The Court concluded that it must base its interpretation of patent laws in the Constitution.[60] Accordingly, Brown's patent rights did "not extend to a foreign vessel lawfully entering [U.S.] ports."[61]

2. *The Supreme Court Guts Patent Enforcement in* Deepsouth

In confining the geographical boundaries of patent rights to less than the full territory of the United States, *Brown v. Duchesne* signaled a bright-line rule for adjudicating patent disputes involving foreign activities.[62] Yet the Court would later find rigid application of the presumption to permit manufacturing loopholes, compromising domestic innovation incentives and patent enforcement.

This was the case in *Deepsouth Packing Co. v. Laitram Corp.*, where Deepsouth avoided infringement under 35 U.S.C. § 271(a) by domestically manufacturing non-patented components, before shipping them overseas for assembly into the invention described in Laitram's combination patents.[63]

Deepsouth and Laitram had both patented shrimp deveining machines, capable of processing raw shrimp more efficiently than competing machinery.[64] These patents described the machines as novel combinations of otherwise rudimentary components.[65] Laitram sued Deepsouth for infringement, winning the better claim in district court.[66] The district court enjoined Deepsouth from further use and distribution of their deveining machines.[67] However, a portion of Deepsouth's business was manufacturing and shipping individual, non-infringing components overseas for later assembly and use.[68] As actual "making" and "using" of the patented invention would occur abroad, Deepsouth contended that domestic manufacturing of non-patented components did not impinge Laitram's rights.[69]

In considering Laitram's protests that this conclusion could only be produced by a "hypertechnical reading of the patent code," the Supreme Court agreed with Deepsouth on appeal.[70] Although recognizing the inconsistency to incentivizing investment in innovation and technology, the Court echoed *Duchesne*, appealing to the presumption against extraterritoriality and the role

60. *See id.*
61. *Id.*
62. *See id.* at 195 ("The power thus granted is domestic in its character, and necessarily confined within the limits of the United States.").
63. *See* Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 519–20, 531–32 (1972).
64. *Id.* at 519.
65. *See id.* at 520–21.
66. *See id.* at 519–21.
67. *Id.* at 523.
68. *See id.* at 524.
69. *Id.*
70. *Id.*

of Congress to define the scope of patent laws, rather than the courts.[71] Accordingly, they would "require a clear and certain signal from Congress" before judicially closing the foreign assembly loophole.[72]

3. *Closing the* Deepsouth *Loophole with 271(f)*

Such a signal came from Congress with the 1984 Patent Law Amendments Act.[73] On the heels of growing domestic concerns over slow innovation and competition with foreign manufacturers, Congress passed various patent-strengthening legislation in the early 1980s.[74] One statute in particular, 35 U.S.C. § 271(f), was a direct "response to the . . . D*eepsouth* decision . . . ."[75]

More precisely, § 271(f) created domestic infringement liability for exporting components of a U.S.-patented invention with the intent of their assembly abroad, in a way that the acts would infringe if they had occurred within the United States.[76] Similarly, the statute created liability for exporting components, specifically made for use in a patented invention, for later assembly that would constitute infringement if it had occurred domestically.[77]

Thus, there are two main elements to § 271(f) infringement: exporting components overseas and intent to commit actions that would otherwise be infringement in the United States.[78] Both of these represent an explicit rebuttal of the presumption against extraterritoriality and expansion of the geographic—and in some sense, also the technical—scope of patent rights by Congress.

But this expansion is not unlimited. Examining the overall statutory scheme, one may interpret the two elements of § 271(f) through the lens of §§ 271(b)–(c).[79]

While § 271(f) creates liability for actions taken abroad, in contrast to § 271(a), these actions must tie to components supplied "in or from the United

71. *See id.* at 529–31 ("[W]e note that what is at stake here is the right of American companies to compete with an American patent holder in foreign markets. Our patent system makes no claim to extraterritorial effect . . . .").

72. *See id.*

73. *See* Patent Law Amendments Act of 1984, Pub. L. No. 98-622, 98 Stat. 3383, 3383–93 (1984).

74. *See* Katharine H. Cummings, *Just out of Reach: Congress, Courts, and Industry Struggle to Define the Scope of U.S. Patent Law Overseas*, 33 BERKELEY TECH. L.J. 861, 867–68 (2018).

75. S. REP. NO. 98-663, at 2–3 (1984) ("Permitting the subterfuge which is allowed under the *Deepsouth* interpretation of the patent law weakens confidence in patents among businesses and inventors.").

76. 35 U.S.C. § 271(f)(1) (2012).

77. 35 U.S.C. § 271(f)(2) (2012).

78. *See* Cummings, *supra* note 74, at 868–70.

79. *Id.*

States."[80] Accordingly, the infringement is still rooted in the power of Congress over domestic affairs.

Similarly, the knowledge and intent requirements of § 271(f) borrow language from the inducement (§ 271(b)) and contributory infringement (§ 271(c)) statutes.[81] Section 271(f)(1) takes the term "active inducement" from § 271(b).[82] Section 271(f)(2) incorporates the knowledge element from the contributory infringement statute, § 271(c), requiring that the infringer know it supplied, *from the United States*, a component custom-made for a patented invention.[83] The analogous statutes also impute an intent requirement mirrored in § 271(f).[84]

Therefore, where the legislature failed to define the boundaries of § 271(f) precisely, courts may look to the other infringement statutes for guidance. In doing so, it is apparent that § 271(f)'s narrow exception only partially rebuts the presumption against extraterritoriality. Yet the Supreme Court and Federal Circuit continue to shape the application of the statute.[85]

4. *The Presumption Against Extraterritorial Damages*

While § 271(f) created an exception to the presumption against extraterritoriality, the doctrine has remained steadfast in defining the geographic boundaries of patent enforcement.[86] Although these boundaries were most often applied to questions of an injury-in-fact, the Federal Circuit more recently has explicitly applied the presumption to questions of resulting damages.

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80. 35 U.S.C. §§ 271(a), (f)(1)–(2) (2012).

81. *See* Cummings, *supra* note 74, at 869–70.

82. 35 U.S.C. § 271(b) (2012) ("Whoever actively induces infringement of a patent shall be liable as an infringer.").

83. 35 U.S.C. § 271(c) (2012) states:

> Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

84. *See* Cummings, *supra* note 74, at 869–70.

85. *See generally* Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007) (holding that software in abstract form cannot constitute a § 271(f)-eligible component and that congressional intent alone cannot justify an "expansive interpretation" of the statute); *see also* Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734 (2017) (holding that § 271(f)(1) is limited quantitatively and not qualitatively, thus the importation of a single component, of a necessary plurality, is not infringing).

86. *See* WesternGeco LLC. v. Ion Geophysical Corp., 791 F.3d 1340, 1349–50 (Fed. Cir. 2015) ("The presumption against extraterritoriality is well-established and undisputed.").

In *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, Fairchild had manufactured and sold power supplies which contained chips that reduced electromagnetic interference and battery-wearing in-rush current, via "frequency-jittering" and "soft start" functions.[87] Power Integrations, however, originally patented these technologies, later suing Fairchild for infringement.[88] The district court found that Fairchild infringed on Power Integrations' patent, and the jury awarded reasonable royalties and lost profit damages.[89]

Fairchild challenged the lost profits award, claiming that it was estimated using their worldwide sales and therefore incorrectly predicated on Fairchild's extraterritorial use and sale of the patented inventions.[90] The district court agreed with Fairchild, subsequently reducing the lost profits award by excluding the damages caused by the international activities.[91]

On appeal, Power Integrations argued that using foreign lost profits to determine the award amount was appropriate. They asserted that foreign lost profits were foreseeable consequences of the infringement and they were entitled to receive "full compensation for any damages suffered as a result."[92] Furthermore, their right to "full compensation" had no geographical limits per the Federal Circuit's proximate cause theory of damages heralded by *Rite-Hite Corp. v. Kelley Co.*[93]

The Federal Circuit disagreed. The court rooted its argument in the damages statute: "Our patent laws allow specifically damages adequate to compensate *for the infringement*."[94] Because the foreign lost profits stemmed from extraterritorial activity, the court reasoned this would give remedy where there was no infringement.[95] Noting that "[i]t is axiomatic that U.S. patent law does not operate extraterritorially to prohibit infringement abroad," the court emphasized that the presumption against extraterritoriality "cuts off the chain

87. *See* Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1357–58 (Fed. Cir. 2013).

88. *See id.* at 1354, 1357.

89. *Id.* at 1354–55.

90. *Id.* at 1369.

91. *Id.*

92. *Id.* at 1370 (quoting Gen. Motors Corp. v. Devex Corp., 461 U.S. 648, 654–55 (1983)) (internal quotation marks omitted).

93. *Id.* at 1371 (citing Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1546 (Fed. Cir. 1995) ("If a particular injury was or should have been reasonably foreseeable by an infringing competitor in the relevant market, broadly defined, that injury is generally compensable absent a persuasive reason to the contrary.") (internal quotation marks omitted).

94. *Id.* at 1371 (quoting 35 U.S.C. § 284) (internal quotation marks omitted).

95. *Id.*

of causation initiated by an act of domestic infringement."[96] Therefore, Power Integrations was not entitled to compensatory damages for acts that occurred outside the United States.[97]

B. THE PATENT DOCTRINE OF PROXIMATE CAUSE AS A LIMITATION TO LIABILITY

The court rejected a dominating proximate cause theory to foreign lost profits in *Power Integrations*. Their decision, however, foreshadowed the doctrine's recurrence in *WesternGeco*, noting that the petitioner's "foreseeability theory of world-wide damages sets the presumption against extraterritoriality in interesting juxtaposition with the principle of full compensation."[98]

When deciding matters of liability, courts typically require a showing of both actual cause, or "cause-in-fact," and proximate cause.[99] Imputing similar requirements for a showing of lost profits damages can be challenging for plaintiffs, resulting in less than "full compensation" for infringement.[100] Before reaching proximate cause inquiries, the existence of substitute goods or services, multiple competitors, and varying consumer preferences convolute counterfactual questions of cause-in-fact.[101] Applying these factors to foreign profits only exacerbates their confounding effects. Making a showing of causation more difficult, a plaintiff with the burden of proof must also explain why they did not patent, manufacture, and sell the invention overseas.[102]

If able to pass these hurdles, the plaintiff must still show that the infringement proximately caused the lost profits.[103] Proximate cause doctrine generally seeks to limit liability to those consequences which are not too remote from any cause.[104] As such, this is a tougher burden than a showing of actual cause and thus has often invited an even more difficult analysis.

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96. *See id.* at 1371–72 (citing Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247, 130 S. Ct. 2869, 2884 (2010) ("But the presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever *some* domestic activity is involved in the case.")).

97. *See id.*

98. *Id.* (internal quotation marks omitted).

99. *See Legal Theory Lexicon 020: Causation*, LEGAL THEORY LEXICON (Nov. 12, 2017), https://lsolum.typepad.com/legal_theory_lexicon/2004/01/legal_theory_le.html [https://perma.cc/U8LA-DGZX].

100. *See* Stephan Yelderman, *Proximate vs. Geographic Limits on Patent Damages*, 7 IP THEORY: VOL 7: 2, 7–8 (2018).

101. *See id.*

102. *See id.* at 8.

103. *See id.*

104. Lexmark Int'l, Inc. v. Static Control Components, Inc., 134 S. Ct. 1377, 1390 (2014) ("For centuries, it has been a well-established principle of the common law, that in all cases of loss, we are to attribute it to the proximate cause, and not to any remote cause.") (internal quotation marks omitted).

1. *A Brief History of Proximate Cause as a Limitation to Patent Liability Damages*

For almost 150 years, theories of proximate cause have been used to deny damages claims that were too remote from the act of infringement.[105] These theories include not only importations from general theories of damages,[106] but also patent-specific situations.[107] For example, courts have previously denied accounting profit damages based on increased sales prices of a non-infringing product that uses a common input material as the infringing product made with a patented invention.[108]

Conversely, the Federal Circuit in *Rite-Hite Corp. v. Kelley Co.* affirmed that a plaintiff could recover lost profits for sales affected by the infringement, although these sales were not of the patented invention themselves.[109] Appealing to a balance between "full compensation" and "reasonable limits of liability," the court held that a plaintiff could recover lost profits that were a "reasonable, objective foreseeability" of the infringement.[110]

The application of the proximate cause doctrine, however, has not been consistent when applied to foreign activities. An often-cited, early case dealing with extraterritorial profits, *Goulds' Mfg. Co. v. Cowing*, awarded lost profits to the patent owner, predicated on proximately-caused foreign sales.[111] The Supreme Court, noting that the lower court had already ruled for infringement, found that "[i]f the appellant kept the control of its monopoly under the patent" it would have dominated a geographically confined market.[112] As the infringement proximately caused the injury, the Court upheld the general lost profits damages theories advanced by the plaintiff.[113] And although the Court awarded foreign lost profits, it did not directly discuss their foreign nature.[114]

In a similar clash between proximate causation and the presumption against extraterritoriality, the Supreme Court denied foreign lost profit

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105. *See* Carter v. Baker, 5 F. Cas. 195, 202 (C.C.D. Cal. 1871) (No. 2,472); Buerk v. Imhaeuser, 4 F. Cas. 594, 595 (C.C.S.D.N.Y. 1876) (No. 2,107) ("The damages in such a case must be confined to the direct and immediate consequences of the infringement, and not embrace those which are both remote and conjectural.").

106. *See* Yelderman, *supra* note 8, at 9.

107. *See id.*

108. *See generally* Piper v. Brown, 19 F. Cas. 722 (C.C.D. Mass. 1873) (holding that the accounting profits made from an increased market price indirectly caused by infringement was not recoverable).

109. *See* Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1548–49 (Fed. Cir. 1995).

110. *Id.* at 1546.

111. *See* Goulds' Mfg. Co. v. Cowing, 105 U.S. 253, 254–56 (1882).

112. *Id.* at 256.

113. *See id.* at 256–57.

114. The award was the estimated difference between sales price and production cost for Cowing, not the monopoly profits by the patent owner. *See id.*; *see also* WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129, 2141 n.2 (2018) (Gorsuch, J., dissenting).

damages in *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*[115] The defendants argued that the Court should have reduced the lost profits award because, *inter alia*, the evidentiary record did not support a proximate cause finding.[116] The Supreme Court approved of only nominal damages, having identified that the defendant sold 261 of the infringing drills in Canada.[117] The Court reasoned because "no part of the transaction occur[ed] within the United States," there could be no "recovery of either profits or damages" for those sales.[118]

Yet on contrasting issues of proximate cause, the Court was silent.[119] The omission is puzzling, given the extensive discussion of confounding competitors and substitute products.[120] The Court, however, was explicit in its choice: "The place of sale is therefore of controlling importance here."[121]

This notion of the presumption against extraterritoriality's dominance over proximate cause was solidified in *Power Integrations* and continued in *Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*[122] While the Federal Circuit sought to continue this regime in *WesternGeco*, the Supreme Court's decision may have disrupted this hegemony.

III. *WESTERNGECO V. ION GEOPHYSICAL*

A. FACTUAL BACKGROUND

In June 2009, WesternGeco, a geophysical services company, filed suit for patent infringement against Ion Geophysical Corporation (ION). WesternGeco later claimed, *inter alia*, that ION had infringed upon five of its patents under 35 U.S.C. § 271(f).[123] These patents described towable marine seismic streamers that use acoustic signals to map ocean floors, facilitating exploration for oil.[124] WesternGeco's technology utilized a positioning system, or "bird," that allowed the streamer to adjust its location.[125] WesternGeco

115. *See* Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641 (1915).

116. *See id.* at 648–50 ("While the number of drills sold by the defendants was shown, there was no proof that the plaintiff thereby lost the sale of a like number of drills or of any definite or even approximate number.").

117. The Supreme Court reversed the lower courts, but only to seek evidence for reasonable royalty damages incurred via domestic infringement. *See id.* at 650–51.

118. *Id.* at 650.

119. *See id.*

120. *See id.* at 648–50.

121. *Id.*

122. *See generally* Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd., 807 F.3d 1283 (Fed. Cir. 2015) (affirming the presumption against extraterritorially precludes recovery of lost foreign microchip profits, but-for caused by domestic infringement); *see* Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1371–72 (Fed. Cir. 2013).

123. WesternGeco v. Ion Geophysical Corp., 2009 U.S. Dist. LEXIS 100277, at *1, *4 (S.D. Tex. Oct. 28, 2009).

124. *See id.* at *1–2.

125. *See id.* at *2.

manufactured the invention and used it to perform surveys for oil companies.[126]

ION manufactured components of an infringing product and shipped them overseas.[127] ION sold the components to companies that would assemble them and then use the resulting device to perform surveys on behalf of oil companies, in competition with WesternGeco.[128]

WesternGeco believed ION's activity was infringing and prevented them from winning ten survey contracts, a loss of roughly $90 million in profits.[129] They sued ION for reasonable royalties and lost profits damages under § 271(f) liability, incurred by supplying components of their invention overseas for assembly.[130]

B. PROCEDURAL HISTORY

The district court granted WesternGeco's motion for summary judgment of infringement under § 271(f)(1).[131] Likewise, the jury found infringement under §§ 271(f)(1) and (2), awarding $93.4 million in lost profits and a reasonable royalty of $12.5 million.[132]

During post-trial proceedings, ION moved for judgment as a matter of law and a new trial, or remittitur, on damages.[133] ION asserted that the model for lost profits and reasonable royalties awards were defective and overlapping.[134] ION argued the court should have vacated the lost profits award, as the jury calculated the award on the estimates of revenues earned by WesternGeco's competitors for foreign non-infringing use.[135] ION elaborated that awarding lost profits based on foreign non-infringing use, as opposed to domestic infringement, is not permitted by 271(f), which covers supplying components, not making or using the patented invention. Furthermore, the lost profits award would give an "improper extraterritorial effect to U.S. law."[136]

The district court denied the motion on the grounds that failure to award damages for lost foreign profits would re-open the loophole that § 271(f) was

126. *See* WesternGeco LLC. v. Ion Geophysical Corp., 791 F.3d 1340, 1343 (Fed. Cir. 2015).
127. *See id.* at 1349.
128. *See id.*
129. *See id.*
130. *See id.* at 1343.
131. WesternGeco LLC. v. ION Geophysical Corp., 2012 U.S. Dist. LEXIS 90755, at *17–18 (S.D. Tex. June 29, 2012).
132. *WesternGeco*, 791 F.3d at 1341–42.
133. *See* WesternGeco LLC. v. ION Geophysical Corp., 953 F. Supp. 2d 731, 755 (S.D. Tex. 2013)
134. *Id.*
135. *Id.*
136. *See id.* at 755–56.

meant to close.[137] The court further explained that foreign sales could be the basis for a lost profits award if the patentee can show "a reasonable probability that but-for the infringement," it would have made the foreign sales that were made by the accused infringer.[138]

On appeal, the Federal Circuit reversed the lost profits award.[139] In its decision, the court maintained the presumption against extraterritoriality as precluding foreign lost profits awards.[140] The court reasoned that Congress created § 271(f) with the purpose of holding manufacturers liable for the exporting of invention components, not their use.[141] Citing *Power Integrations*, the court upheld its previous decision regarding lost profits from foreign use, holding that U.S. patent laws "do not thereby provide compensation for a defendant's foreign exploitation of a patented invention, which is not infringement at all."[142]

Judge Wallach dissented from this holding, generally arguing that precedent requires the consideration of foreign sales in damages calculations.[143] While recognizing the presumption, Judge Wallach rejected the idea that foreign actions were "categorically disregarded" when determining issues of infringement.[144]

Judge Wallach's driving theory was that foreign actions are not only relevant for determination of infringement but also for damages to make the patent owner whole.[145] That is, we should not view WesternGeco's lost profits as resulting from extraterritorial non-infringing use, but rather as being proximately caused by domestic infringement under § 271(f).[146]

The Supreme Court granted certiorari, immediately vacating the Federal Circuit's decision.[147] The Court remanded the case back to the Federal Circuit

137. *See* Deepsouth Packing Co. v. Laitram Corp., 406 U. S. 518 (1972); *id.* at 755.

138. *WesternGeco*, 953 F. Supp. 2d at 756.

139. *See* WesternGeco LLC. v. Ion Geophysical Corp., 791 F.3d 1340, 1343 (Fed. Cir. 2015).

140. *Id.* at 1350 ("There is no indication that in doing so, Congress intended to extend the United States patent law to cover uses abroad of the articles created from the exported components.").

141. *See id.* at 1351–52.

142. *Id.* ("[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.") (quoting Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1371–72 (Fed. Cir. 2013)).

143. *See id.* at 1354–64.

144. *Id.* at 1355.

145. *See id.* at 1361.

146. *See id.*

147. WesternGeco LLC v. ION Geophysical Corp., 136 S. Ct. 2486 (2016).

for reconsideration in light of the recent *Halo Electronics* decision concerning enhanced damages.[148]

Upon remand, the Federal Circuit noted that "[t]he Supreme Court's *Halo* decision was solely concerned with the question of enhanced damages" and did not affect other aspects of *WesternGeco*'s ruling.[149] Therefore, the court chose to reinstate its other findings, including the rejection of lost profits damages.[150]

Judge Wallach again dissented. This time he articulated the heart of the issue: "When a patent holder successfully demonstrates both patent infringement under United States law and foreign lost profits, what degree of connection must exist between the two before the foreign activity may be used to measure the plaintiff's damages?"[151] Likening the problem to one of determining proximate cause, Judge Wallach elaborated that the facts in *WesternGeco* were in between the extremes of sales independent of infringement, and a one-to-one correlation of infringing acts and sales.[152] Nevertheless, the issue of deriving damages from this relationship is one for district court discretion. As the district court came to a decision, Judge Wallach believed WesternGeco was entitled to lost profits.[153]

C. THE SUPREME COURT'S *WESTERNGECO* DECISION

WesternGeco appealed, and the Supreme Court again granted certiorari. In a 7–2 decision, the Court reversed the Federal Circuit concerning the lost profits award.[154] Generally, the Court took Judge Wallach's view that any concerns about the lost profits being foreign were simply incidental to the actual infringement.[155]

Delivering the opinion of the majority, Justice Thomas began by explaining the recently decided extraterritoriality inquiry framework announced in *RJR Nabisco*.[156] When deciding whether a statute applies to extraterritorial actions, a court must first ask whether "the presumption . . . has been rebutted."[157] If not, the court must ask "whether the case involves a domestic application of

148. *See id.*; *see generally* Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016) (holding that the test for enhanced damages, as promulgated in *Seagate*, was not consistent with 35 U.S.C. § 284).

149. WesternGeco LLC. v. ION Geophysical Corp., 837 F.3d 1358, 1361 (Fed. Cir. 2016).

150. *Id.* at 1364.

151. *Id.* at 1365 (Wallach, J., dissenting).

152. *See id.* at 1368.

153. *See id.* at 1369.

154. *See* WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129, 2135–39 (2018) (Thomas, J., Roberts, C.J., Sotomayor, J., Alito, J., Kennedy, J., Ginsberg, J., & Kagan, J. Gorsuch, J. & Breyer, J., dissenting).

155. *See id.*

156. *Id.* at 2134, 2137; *see* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090 (2016).

157. *RJR Nabisco*, 136 S. Ct. at 2101.

the statute."[158] Although not preferable, courts have the discretion to skip the first step and only focus on the second inquiry.[159] The Court exercised its discretion to begin with step two.[160] In doing so, the Court declined to address WesternGeco's argument that the presumption against extraterritoriality should never apply to any damages provision.

When searching for a "domestic application" of the statute, a court must identify "the statute's focus," and then ask whether "the conduct relevant to that focus occurred in [the] United States."[161] Justice Thomas clarified further, explaining that the statute's focus is the "object of its solicitude" in context with any cooperating provisions working in tandem.[162] This includes "the conduct it seeks to regulate," in addition to "the parties and interests it seeks to protec[t] or vindicate."[163] If the identified conduct and purpose occurred in the United States, then the case involves a "permissible domestic application" of the statute.[164]

Justice Thomas then recognized 35 U.S.C. § 284 as the relevant statute under the inquiry, identifying the act of "infringement" as the "statute's focus."[165] He further reasoned ION's infringement, exporting components from the United States under 35 U.S.C. § 271(f)(2), was a domestic act and that the statute "vindicates domestic interests."[166] Therefore, ION's conduct under these two provisions, working in tandem, constituted a permissible application of the statute.[167] These conclusions, combined with echoing Judge Wallach's appeal to complete compensation, per *General Motors*, permitted the lost profits award.[168]

Likewise, the majority disagreed with ION's argument that the award of damages was the focus of § 284. The Court reasoned that damages are "merely the means" by which the statute remedies infringement.[169] Additionally, the foreign activities by ION's customers were "merely incidental to the infringement," lacking the necessary "primacy" for a court to consider in a

158. *Id.*

159. *Id.* at 2101 n.5.

160. *WesternGeco*, 138 S. Ct. at 2136–37.

161. *Id.* at 2136.

162. *See id.* at 2137.

163. *Id.* (quoting Superintendent of Ins. of N. Y. v. Bankers Life & Casualty Co., 404 U.S. 6, 10, 12 (1971)) (internal quotation marks omitted).

164. *WesternGeco*, 138 S. Ct. at 2137 (quoting RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2101 (2016)).

165. *Id.* at 2137; *see* 35 U.S.C. § 284 (2012) ("[T]he court shall award the claimant damages adequate to compensate for the infringement.").

166. *WesternGeco*, 138 S. Ct. at 2138 (citing Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 457 (2007); Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734, 743 (2017)).

167. *See id.* at 2138.

168. *See id.* at 2137–38.

169. *Id.*

extraterritorial analysis.[170] In doing so, Justice Thomas asserted that ION misread *RJR Nabisco* by conflating an extraterritorial cause of action with a remedial damages provision for domestic infringement.[171]

Justice Gorsuch, followed by Justice Breyer, dissented.[172] While agreeing with the majority on the question of extraterritoriality, Justice Gorsuch took exception to the Court awarding lost profits predicated on non-infringing foreign use. He believed the Patent Act prohibited the award of foreign lost profits, regardless of extraterritoriality inquiry.

Reiterating the statutory language of 35 U.S.C. § 154, Justice Gorsuch emphasized that the Patent Act grants a patent owner special monopoly privileges "throughout the United States."[173] Actions taken outside the United States, therefore, do not infringe domestic patent rights. Furthermore, § 284 orders damages to compensate for the "infringement."[174] Thus, a plaintiff may not recover for actions outside the United States as they do not constitute infringement.[175]

Through this reasoning, Justice Gorsuch sought to divorce the exporting actions from their but-for causation of foreign sales.[176] Like the majority, he characterized infringement under § 271(f) as a domestically-incurred action, justifying the reasonable royalty award.[177] U.S. law, however, does not protect patent owners from competition outside of the U.S. borders. Therefore, foreign sales and uses were not acts of infringement. Likewise, the resulting profits were not a proper basis for awarding damages under § 284.

Justice Gorsuch argued the Court's jurisprudence supported his analysis of the statutory text and conclusions. The Court had previously ruled in *Brown v. Duchesne* that use of an American invention on the high seas could not support awarding patent-infringement damages.[178] Justice Gorsuch asserted that the *Duchesne* Court held that a patent owner should only be compensated to the extent that it has "com[e] in competition with the [patent owner] where the [patent owner] was entitled to the exclusive use," i.e., the United States.[179] Citing that WesternGeco's only injury-in-fact was under § 271(f), Justice Gorsuch recalled *Birdsall v. Coolidge* where the Court similarly held that damages "shall be precisely commensurate with the injury suffered, neither more nor

170. *Id.* at 2138.
171. *See id.*
172. *Id.* at 2139.
173. *Id.*; *see* 35 U.S.C. § 154 (2012).
174. 35 U.S.C. § 284 (2012).
175. *See WesternGeco*, 138 S. Ct. at 2139–40.
176. *See id.*
177. *See id.*
178. *Id.* at 2140; *see* Brown v. Duchesne, 60 U.S. 183 (1857).
179. *WesternGeco*, 138 S. Ct. at 2140.

less."[180] Justice Gorsuch also argued that the leading case on lost profits, *Yale Lock Mfg. Co. v. Sargent*, explicitly tied these types of damage awards to the extent a defendant interfered with a patent owner's monopoly.[181] Finally, he asserted that the history of § 271(f), as illustrated by *Deepsouth Packing*, reinforces that the focus of the statute is making and supplying the invention, not use.[182] Therefore, ION's sales, and its customers' subsequent use, were not infringements upon WesternGeco's monopoly rights.

If § 271(f) did preclude foreign use, Justice Gorsuch believed the majority's logic would lead to unjust awards, de facto geographic expansion of all monopoly rights, and conflicts with other nations.[183] For example, he illustrated how the majority's decision would create a "springboard for liability" based off of a single act of supply.[184] Typically damages should be tied to the instance of infringement, but now the liability would be seemingly uncapped by allowing compensation for any "foreseeable harm."[185] Similarly, a plaintiff could argue that other acts of domestic infringement resulted in lost foreign profits.[186] Additionally, Justice Gorsuch stated that this decision constitutes an overreach into other sovereign nations' control of their commerce.[187] A Supreme Court-mandated overreach would signal to other nations that they could similarly regulate U.S. commerce. Therefore, other nations could hold that their own patent rights should be able to command monopoly rents in the United States without the need for U.S. patent protection.

Justice Gorsuch concludes with a final attack on the majority's but-for causation assumption for compensating the plaintiff to make them whole:

> Allowing recovery for foreign uses, however, puts the patent owner in a *better* position than it was before by allowing it to demand monopoly rents outside the United States as well as within. . . . By failing to heed the plain text of the Patent Act and the lessons of our precedents, the Court ends up assuming that patent damages run (literally) to the ends of the earth. It allows U.S. patent owners to

180. *See id.* at 2140–41 (quoting Birdsall v. Coolidge, 93 U.S. 64 (1876)) (emphasis omitted).

181. *Western Geco*, 138 S. Ct. at 2131; *see* Yale Lock Mfg. Co. v. Sargent, 117 U. S. 536, 6 S. Ct. 934, 29 L. Ed. 954, 1886 Dec. Comm'r Pat. 172 (1886).

182. *Western Geco*, 138 S. Ct. at 2142; *see* Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972).

183. *See WesternGeco*, 138 S. Ct. at 2142–43.

184. *Id.* at 2142 (Gorsuch, J., dissenting) (quoting Microsoft Corp. v. AT&T Corp., 550 U. S. 437, 456 (2007)).

185. *Id.*

186. *Id.* (Gorsuch, J., dissenting) (suggesting that making a prototype chip to guide overseas manufacture of patent-owner-competing products would now trigger liability for lost profits from any amount of sales, under the majority's decision).

187. *See id.* at 2143.

> extend their patent monopolies far beyond anything Congress has authorized and shields them from foreign competition U.S. patents were never meant to reach.[188]

Despite these protests, the Supreme Court made a clear decision in favor of patent rights expansion. For the first time since the passage of §§ 271(f) and (g), the Court had ruled in opposition to the presumption against extraterritoriality as applied to patent law.

IV. ANALYSIS

The Supreme Court held WesternGeco's lost profits award was a permissible domestic application of § 284. On its face, the scope of the holding and its subsequent effect on other worldwide damages theories is limited by the Court's reading of § 284 in context of § 271(f) and the specific facts of the case. A closer look at the reasoning behind Justice Thomas's opinion, however, reveals a less innocuous precedent.

By shaping the question of foreign lost profits into an extraterritorial liability analysis, the Supreme Court has drastically expanded the scope of acts eligible for damages, and thus patent rights.[189] The reasoning of this decision, however, is rooted in a rather arbitrary interpretation of § 284 and a deemphasized role of damages provisions at large. This Part argues that these two premises are flawed.

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188. *Id.* at 2143–44.

189. Although the Court guised lost profits as a tack-on to domestic infringement, their decision effectively creates liability for extraterritorial use. The Patent Act, however, is clear in its explanation of the geographical scope of patent protection. Section 154 outlines the monopoly grant to the patentee: "The right to exclude others from making, using, offering for sale, or selling the invention throughout the United States." 35 U.S.C. § 154(a)(1) (2012). U.S. territorial restrictions similarly qualify each caveat involving importation or process patents. *See* 35 U.S.C. § 271 (2012). Therefore, acts *outside* the United States do not create liability. As Justice Gorsuch notes in his dissent, nothing in the Act gives rights to foreign exclusion or liability, nor should the Court attempt to read in extraterritorial liability. *See WesternGeco*, 138 S. Ct. at 2139–42. But this is exactly what the Court has done.

That's not to say their overall policy decision is not rational. The Court wants to create a reliable connection between infringement and just compensation. This ensures trust in the monopoly-incentive system in place for patent owners. Certainly, strict adherence to the Act's language may result in loopholes, like in *Deepsouth* and *Bayer*. These loopholes can create additional risk for investment opportunities, weakening the trust in the patent system.
Nevertheless, it is not the role of the courts to close these loopholes. Only Congress has that authority. The Court in *Deepsouth* recognized this, stating that courts "require a clear and certain signal from Congress" before extending patent privileges. Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531 (1972).

Still, the majority dismissed the Act's preclusion of recovery of lost profits because to do so would conflate legal injury and damages arising from the injury. But this conclusion seems myopic. To disregard the pragmatic outcomes of the decision, by divorcing § 284 from statutory injuries, looks to be an appeal to formalism without merit.

A. THE ARBITRARY APPLICATION OF THE PRESUMPTION IGNORED STATUTORY CONTEXT AND OPENED FOREIGN LIABILITY ACROSS ALL MODES OF INFRINGEMENT

Replete in the majority's opinion was the broader policy notion favoring a patent holder's right for full compensation: here, at the expense of geographic constraint outlined in the Patent Act.[190] Yet the Court limited its holding to damages occurring as a result of § 271(f) infringement.[191] Likewise, the holdings in *Power Integrations* and *Carnegie Mellon* should be good law, preventing the recovery of foreign lost profits under § 271(a). But the Supreme Court may have created a hook for future cases, allowing judges to pull down the presumption for all infringement scenarios.

1. *Setting up the Hook: The Supreme Court's* RJR Nabisco *Step Two Analysis Ignores the Direct Cause of the Lost Profits*

The question for the Court was whether § 284 allowed for the recovery of foreign lost profits that ostensibly resulted from § 271(f) infringement.[192] The Court could have applied the *RJR Nabisco* inquiry at the same point where the Federal Circuit had rested its decision: the geographic limit of lost profit damages. Instead, in the *RJR Nabisco* step two inquiry, the Court found the focus of § 284 to be solely "the infringement."[193] In doing so, the Court shifted the question away from actions that incurred the foreign lost profit damages and back to the technical scope of the patent in an infringement analysis. Here, the technical scope under question was § 271(f) infringement: supplying the invention's components from the United States. In an incredible leap of logic, the Court then reasoned that because ION's actions were of domestic origin, foreign lost profits were recoverable.[194]

The singular focus of "infringement" offers insight into the Court's use of *RJR Nabisco* step two. First, the Court finds a statute's focus to be what it regulates, rather than a broader notion of *what and how* it regulates.[195] Second, by only focusing on "the infringement," inquiries into the appropriateness of foreign-occurring events cited in damages calculations are apparently not a

190. *See WesternGeco*, 138 S. Ct. at 2137–38; *see also* WesternGeco LLC v. ION Geophysical Corp., 791 F.3d 1340, 1355–56 (Fed. Cir. 2015).

191. *See generally WesternGeco*, 138 S. Ct. at 2137–39, 2139 n.3 (choosing to limit the holding to the facts of the case without speaking on the pertinence of other doctrines).

192. *See WesternGeco*, 138 S. Ct. at 2135–39.

193. *See id.* at 2137.

194. *See id.* at 2138 ("In other words, the domestic infringement is the objec[t] of the statute's solicitude in this context. The conduct in this case that is relevant to that focus clearly occurred in the United States, as it was ION's domestic act of supplying the components that infringed WesternGeco's patents. Thus, the lost profits damages that were awarded to WesternGeco were a domestic application of §284.") (internal quotation marks omitted).

195. *See id.*

factor. That is, the Court's analysis would have been no different if foreign profits were not involved at all. Thus, it seems the Court was able to avoid the broader constitutional, economic, and foreign policy issues raised by the parties.[196] Instead, the Court attacked a strawman of whether any damages were appropriate for § 271(f) infringement at all.

2. *The Court Misidentified the Focus of § 284 During the* RJR Nabisco *Analysis*

The Court's "guidance" may be frustrating for practitioners and judges, but it is especially so for scholars who anticipated different approaches to the new *RJR Nabisco* framework.[197]

The "statute's focus" determination seems counterintuitive given the interpretive instructions outlined in *Morrison v. National Australia Bank*, the statute's language, and the Court's application of the statute later in the opinion. The instruction from *Morrison*, in identifying a statute's "object of [its] solicitude," notes that the focus of the statute may include interests "the statute seeks to protect," in addition to conduct.[198] Yet § 284 not only regulates infringement, but also protects the interest in "adequately" compensating the infringement by offering numerous remedy modalities.[199] Thus, the plain text of § 284 offers much more than focusing on the infringement alone. Rather, it regulates *how* a court compensates that infringement.[200]

Although choosing not to use this interpretation, the majority inadvertently echoed this sentiment throughout the opinion. Continuing the *RJR Nabisco* step two inquiry, the majority identifies the § 271(f)-specific focus of § 284 to be "the act of exporting components from the United States."[201] Nevertheless, the Court also recognized the overriding purpose of § 284 "is to afford patent owners complete compensation for infringements," tying the scope of a § 271(f) infringement to damages.[202] In its response to the dissent, the Court stated that § 284's use of the term "adequate" signals a connection between the type and amount of damages to the infringement.[203]

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196. *See, e.g.*, *id.* at 2136–37 (refusing to rule on the whether the presumption should apply at all to damages statutes); Brief for Petitioner at 23–24, 25–26, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), 2018 LEXIS 788 at *74–78, *83–87 (arguing that comity concerns were not present in the case and that damages should be awarded to protect economic interests from unfair competition).

197. *See* Holbrook, *supra* note 27, at 177–85; Holbrook, *supra* note 243.

198. *See* Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247, 267 (2010).

199. *See* 35 U.S.C. § 284 (2012).

200. *See id.*

201. *WesternGeco*, 138 S. Ct. at 2138.

202. *Id.* at 2137 (internal quotation marks omitted).

203. *Id.* at 2139 ("Taken together, §271(f)(2) and §284 allow the patent owner to recover for lost foreign profits. Under §284, damages are adequate to compensate for infringement

Accordingly, § 284 is arguably focused on connecting an appropriate amount of damages to the infringement. The first line qualifies the award of damages as "adequate to compensate" for the infringement.[204] The statute further envisions concepts of a reasonable royalty, interest, and even treble damages as to fit the award to the infringement.[205] Therefore, the focus of the statute should be "award[ing] the claimant damages adequate to compensate for the infringement."[206]

Given this focus, the Court would have needed to analyze each damages award within the step two inquiry. The reasonable royalty award would still find a domestic application, pointing to the infringement via domestic supplying under § 271(f).[207] However, the Court could have analyzed the lost profits damages through two different lenses.

The first possible analytical framework argues foreign sales as a standalone injury necessitating recovery. This approach should be a straightforward application of the presumption, rejecting the award based on completely foreign events. This is similar to the reasoning in *Power Integrations*, finding the secondary effects to have occurred abroad and thus cutting off the proximate causation analysis chain. The second argues that the § 271(f) infringement proximately caused foreign profits, and thus the damages are connected to a domestic application of the statute. Under this approach, the Court would need to analyze the interaction of the presumption and proximate cause, settling the conflict between the two doctrines.

Either of these approaches would have appropriately considered the context of § 284. Likewise, they would sustain the holdings in *Power Integrations* and *Carnegie Mellon*, or at least leave room to distinguish. Yet the Court's method, identifying "infringement" as the focus of § 284, appears to have done the opposite.[208]

3. *The Court Opened Foreign Lost Profit Damages to All Mechanisms of Infringement*

The Court attempted to limit its finding of domestic application to the focus of § 284, read in tandem with § 271(f).[209] But the general method of excluding the means and adequacy qualifiers of § 284 leave few obstacles to expand the Court's holding to all types of patent infringement.[210]

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when they plac[e] [the patent owner] in as good a position as he would have been in if the patent had not been infringed.") (internal quotation marks omitted).

204. 35 U.S.C. § 284 (2012).

205. *Id.*

206. *Id.*

207. 35 U.S.C. § 271(f) (2012).

208. *WesternGeco*, 138 S. Ct. at 2137.

209. *See id.* at 2137–38.

210. *See id.*

An intuitive comparison suggests that § 271(f) should be the most difficult statute to derive foreign lost profits from, by finding a "domestic application." After all, § 271(f) is a rare exception to the technical and geographic scope of patent rights. It would make sense that most other infringement provisions would point to a domestic application. And, as mentioned above, the Supreme Court's analysis was agnostic to the specific facts and contentions concerning the lost profits.[211] But there is no need to depend on intuitive reasoning from the Court's methods, as they promulgated a concrete example of their approach to the *RJR Nabisco* inquiry.[212]

Take § 271(a) as an example for the *RJR Nabisco* framework. A court need not use step one to see if the presumption has been rebutted. In step two, a court would find, again, the focus of § 284 to be "the infringement." Now reading § 271(a) into the focus, a court would find the focus of § 284 to be the act of making, using, selling, or importing "any patented invention, within the United States."[213] This focus clearly concerns a domestic application of the statute. So by the Supreme Court's logic, this justifies awarding damages for any but-for caused foreign lost profits.

This framework would reach similar results for §§ 271(b), (c), and (g). While § 271(b) does not explicitly mention a domestic focus in its text, its ties to a finding of infringement by another party would likely cause the Court to read a domestic application into their inquiry for an inducer.[214] Similarly, the scienter requirements from §§ 271(f)(1) and (2) are taken from §§ 271(b) and (c), suggesting the willingness of the Court to interpret a parallel domestic application.[215] Section 271(g) explicitly requires domestic activity.[216]

Despite the Supreme Court's choice not to overturn *Power Integrations* and *Carnegie Mellon*, it is unlikely these cases are still good law. It remains to be seen whether the Court's logic is used to unlock foreign profits under different infringement types, but it will not take long. The district court for the remanded damages trial in *Power Integrations* recently granted Power Integrations' Rule 60(b)(6) motion for relief, along with certifying the case for interlocutory appeal back to the Federal Circuit.[217] In the order, the district court believed *WesternGeco* had overruled *Power Integrations*, finding the Court's reasoning to have "equal applicability to the direct infringement allegations"

211. *See id.*; *see supra* Section IV.A.1.
212. *See id.*
213. 35 U.S.C. 271(a) (2012).
214. 35 U.S.C. 271(b) (2012).
215. *See* Cummings, *supra* note 74, at 868.
216. 35 U.S.C. 271(g) (2012) ("[I]mports into the United States . . . .").
217. *See* Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 2018 U.S. Dist. LEXIS 171699 (D. Del. Oct. 4, 2018).

under § 271(a).[218] Thus it is likely that the Federal Circuit will follow the Supreme Court and reverse its prior holding in the *Power Integrations* appeal.

B. *WESTERNGECO'S* DIMINISHMENT OF DAMAGES STATUTES ELIMINATES GEOGRAPHIC LIMITATIONS ON DAMAGES WHILE LEAVING A ROLE FOR PROXIMATE CAUSE

Beyond the immediate influence on lost profit claims, *WesternGeco* has created new areas of legal tension. The Court's reasoning cut into the scope of the presumption against extraterritoriality, likely diminished the influence of remedial statutes, and opened a new role for proximate cause doctrine. In doing so, the Court has left much uncertainty in its wake. The Court's analysis, however, may offer clues on how courts will resolve these problems.

1. *Diminishing the Role of Damages Statutes Took the Wind out of ION's Sails*

The Court's *RJR Nabisco* conclusion stands in contrast to ION's assertion that the focus of § 284 was "self-evidently on the award of damages."[219] In its response to ION's brief, the Court further expanded on its rationale in awarding foreign lost profits.

The Court first dismissed ION's argument, saying "what a statute authorizes is not necessarily its focus," and that it may instead be the conduct, parties, or interests it is meant to protect.[220] And interestingly, the Court diminished the importance of damages provisions, arguing they have no statutory focus in themselves.[221]

Although again inadvertently admitting that the "ends" of the statute are "remedying infringement," the Court sought to justify its *RJR Nabisco* step two conclusion by devaluing the role of damages provisions.[222] The Court accomplished this by describing its view of remedial provisions as nothing more than tack-ons to findings of infringement: "Damages themselves are merely the means by which the statute achieves its end of remedying infringements."[223] Consistent with the Court's agnosticism toward the foreign activity leading to lost profits, the Court tied the award's authorization to being determined only by the infringement inquiry.[224] Labeling the foreign acts as "merely incidental" to the infringement, the Court found that they lacked the "primacy" to qualify for extraterritorial analysis.[225] Therefore, the Supreme

218. *See id.* at *4.
219. WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129, 2138 (2018).
220. *Id.*
221. *See id.*
222. *See id.*
223. *See id.*
224. *See id.*
225. *See id.*

Court restricted the presumption against extraterritoriality and the geographic scope of a patent to only questions of infringement.

This diminishment of damages statutes, and the presumption's role, obviated ION's arguments for upholding the Federal Circuit's decision. But at what cost? The Court may have opened the door for worldwide theories of damages under *any* infringement modality. Without an explicit appeal to proximate cause, with or without the geographic limitations in *Power Integrations*, any but-for caused effect could be identified as a reason to increase damages awards, necessary to "complete[ly] compensate" for the infringement.[226] If there was an opportunity to cure the Court's devastating blow to the presumption and damages provisions, it would have been with a proximate cause ruling.

Instead, the Court continued to suggest that but-for caused injuries were enough to justify foreign-based damages, while dismissing ION's argument based on its holding in *RJR Nabisco*.[227] ION argued that since the Court found against RICO damages claims based entirely on an injury caused abroad, the instant application of § 284 would require an extraterritorial use of the statute.[228] The Court, however, implicitly distinguished the immediate situation as rooted in domestic activity.[229] And still, the Court did not clarify what the scope of that domestic injury may be, begging for a proximate cause inquiry.[230] But by choosing to limit the focus of § 284 to only infringement, the Court was able to ignore the proximate cause question, and eliminate the double duty of a patent's geographic scope.[231]

2. *No More Double-Dipping for Territorial Limitations, and Losing Focus on Damages*

The Federal Circuit's ruling in *Power Integrations* briefly ushered in a powerful bright-line rule against recovery of extraterritorial lost profit damages.[232] While the technical scope of a patent and any but-for cause or proximate cause inquiries would only apply to questions of infringement liability, courts would enforce the geographic scope of a patent for both infringement and damages.[233] With its decision in *WesternGeco*, the Supreme Court has, at the very least, relegated the geographic scope solely to questions of liability. But, its methods of doing so may have been heavy-handed, resulting

226. *Id.* at 2137.
227. *See id.* at 2138–39.
228. *Id.* at 2138.
229. *See id.* at 2138–39.
230. *See id.*
231. *See id.* at 2139 n.3.
232. *See generally* Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348 (Fed. Cir. 2013) (preventing the award of damages predicated on extraterritorial acts).
233. *See* Yelderman, *supra* note 8, at 2.

in the presumption being unable to apply to *any* damages provisions whatsoever.

WesternGeco argued in its brief that damages provisions should be universally free from the presumption against extraterritoriality.[234] Still, the Court made a point to refrain judgment on this matter.[235] This was the impetus for skipping *RJR Nabisco* step one.[236] Knowing that this exercise could "implicate many other statutes besides the Patent Act," the Court instead opted for dealing with § 284 in step two.[237]

Nevertheless, the Court's characterization of damages as "merely the means by which the statute achieves its end," encourages other courts to ignore the connection between damages and liability for *RJR Nabisco* step two.[238] If damages are categorically ineligible as the "object of the statute's solicitude," then there is little stopping a case-by-case immunity from the presumption for *all* damages provisions: patents, torts, or otherwise.

This Note does not seek to examine every damages statute outlined in U.S. law, but one may imagine some exceptions. For example, a statute could have various remedial modifiers to "the infringement" equivalent, dragging those qualifiers into the focus of the statute. But it is uncertain what the aggregate effect of other interpreted statutes would have on these arguments.

3. The Court Should Not Ignore the Weight of Damages Provisions

Regardless of the Court's analysis, awarding foreign lost profits signals liability for non-infringing actions. The profits, operations, and life of a company are affected by damages statutes. Therefore, these statutes play a bigger role in laws than being "merely the means by which the statute achieves its end[s]."[239]

Accordingly, courts should not separate cause of liability and the source of the corresponding damages for the purpose of extraterritoriality. They must work together to deliver justice, and they do. A liability provision without recourse is meaningless. An accurate determination of damages must look to the scope of liability. The Court acts as if there is a formalist basis for ignoring their combined effect in law, but there is none.

WesternGeco and scholars assured the Court that other doctrines, like proximate cause and reasonable certainty, would functionally take the place of

234. *See* Brief for Petitioner at 20–25, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), 2018 LEXIS 788, at *64–83.

235. *See WesternGeco*, 136 S. Ct. at 2136.

236. *See id.*

237. *Id.*

238. *Id.* at 2138.

239. *Id.* at 2134.

the presumption in properly awarding foreign-based damages.[240] In fact, some have argued that the pre-*Power Integrations* regime under-compensated patent owners due to the difficulty of showing causation.[241] The Supreme Court's decision, therefore, may correct an injustice in not having owners "fully compensated." These points are reasonable, but Court failed to execute a replacement regime on their own. Indeed, the Court's refusal to settle the clash between proximate cause and the presumption of extraterritoriality is a glaring omission. Perhaps the Court is looking to lower courts for a solution.

4. *Lower Courts Will Likely Establish an Update to* Rite-Hite *in a Newer Proximate Cause Framework*

In *WesternGeco*, the Supreme Court expressly avoided ruling on the proximate cause doctrine as a means to limit patent damages.[242] In fact, Justice Thomas's opinion did not mention the connection of the survey contracts to ION's infringement at all. While it is unlikely that the Court was promoting an abandonment of proximate cause as a necessary hurdle to collect any asserted lost profits, they were careful not to opine on the matter. The Supreme Court may have omitted attention to proximate cause in hopes that lower courts would revisit the matter on remand.

At least some legal scholars have suggested the Federal Circuit may consider the issue in *WesternGeco* on remand.[243] In the instant case, proximate cause was a major topic in both the petitioner's and respondent's Supreme Court briefs, in addition to various *amici curiae*.[244] Notwithstanding the demotion of the issue to a footnote in the majority's opinion, the parties and the Court heavily discussed proximate cause during oral argument.[245]

WesternGeco's general appeal to proximate cause was that, beyond their lost profits being reasonably foreseeable, it should replace the application of the presumption against extraterritoriality in all remedial provisions for domestic infringement. Proximate cause, along with concepts of reasonable certainty and foreseeability, they argue, is sufficient to "keep damages awards within their proper scope."[246] ION had asserted that the presumption applied

240. *See* Brief for Petitioner at 25, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), 2018 LEXIS 788, at *83.

241. *See* Yelderman, *supra* note 8, at 3–4 ("Taken to its logical conclusion, damages subjected to a geographic screen will fail to restore the patentee to her rightful position in all cases in which some portion of her lost profits would have come from overseas.").

242. *WesternGeco*, 138 S. Ct. at 2139 n.3.

243. Tim Holbrook, *Guest Post by Prof. Tim Holbrook: WesternGeco's Implications for Patent Law and Beyond*, PATENTLY O (2018), https://patentlyo.com/patent/2018/06/holbrook-westerngecos-implications.html [https://perma.cc/DE8Q-BZ69].

244. *See id.*

245. *See id.*

246. *See* Brief for Petitioner at 25, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), LEXIS 788, at *83.

even where plaintiffs proved proximate cause.[247] Yet ION may rely on theories advanced in *amicus curiae* briefs, arguing that proximate cause analysis renders use of the patented technology as too remote to justify lost profits.[248] Additionally, while the presumption will no longer apply to damages, the extraterritorial nature of the infringement may be considered in determining whether the lost profits were too remote.[249] Upon remand, the Federal Circuit will have the opportunity to engage these arguments.

V. REBRANDING EXTRATERRITORIALITY AS COMITY CONSIDERATIONS FOR PROXIMATE CAUSE

WesternGeco has seemingly erased the presumption against extraterritoriality when awarding foreign lost profits. The Supreme Court, however, may have left an opportunity for courts to geographically limit a plaintiff's reach for damages. By refraining from ruling on the matter of proximate cause, practitioners are free to pursue an expanded policy-driven doctrine that includes values and concepts borrowed from the presumption against extraterritoriality. By importing geography, sovereignty, and comity into considerations of "remoteness," a refined proximate cause doctrine may salvage some familiar restrictions to worldwide damages recovery.

A. PROXIMATE CAUSE AS A POLICY-DRIVEN DOCTRINE

The doctrine of proximate cause, at its most elementary manifestation, seeks to answer the philosophical question of what is a liability-worthy causation.[250] That is, what or who was *legally* responsible for an injury.[251] Yet relegating the connection between actions and liability to this philosophical inquiry has largely resulted in an unsatisfying discovery: causation cannot be reduced to a single concept.[252]

Although reasonable foreseeability via proximate cause is a commonly used approach in torts, some have argued that an economic efficiency torts regime is better served when liability is assigned to the party best able to internalize it.[253] The latter approach largely does away with the notion of

247. Brief for Respondent at 26, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), LEXIS 1206, at *89.

248. Brief of Intellectual Property Law Scholars as Amicus Curiae in Support of Neither Party at 10, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), LEXIS 860, at *31.

249. *See id.* at *28–29.

250. *See* William M. Landes & Richard A. Posner, *Causation in Tort Law: An Economic Approach*, 12 J. LEGAL STUD. 109, 109 (1983); *see also* LEGAL THEORY LEXICON, *supra* note 99.

251. *See* LEGAL THEORY LEXICON, *supra* note 99.

252. *See* Landes & Posner, *supra* note 250, at 109.

253. *See id.* at 110.

causation altogether or at least excises it of normative notions.[254] Scholars have criticized this utilitarian divorce of causation from ethics as leading to amoral assignment of liability.[255] But even this appeal to righteous judgment fails to bring causation back to the realm of philosophy and first principles.

Rather, much of the conventional debate and causation jurisprudence, including proximate causation, interprets the doctrine as driven by policy goals.[256] The Prosser and Keaton torts treatise notably expressed this view of proximate cause.[257] In addition to characterizing proximate cause as a positivist tool, Prosser and Keaton take aim at foreseeability and directness as flexible concepts.[258] Not only do these concepts poorly predict case results, they offer great leeway to judges and juries. This leeway leaves judges and juries as the ultimate gatekeepers for deciding liability, allowing them to freely rationalize even the most exceptional decisions.[259] Others describe proximate cause more simply as a normative policy of line-drawing.[260]

Yet the prevailing view of proximate cause in patent infringement cases, as promulgated in *Rite-Hite*, is one solely characterized by "reasonable, objective foreseeability."[261] In fact, the court in *Rite-Hite* denied the defendant's policybased arguments for limiting their infringement liability.[262] And although that court seemed open to policy considerations, subsequent cases have only utilized the foreseeability inquiry.[263]

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254. *See id.* at 134; Jules L. Coleman, *Doing away with Tort Law*, 41 LOY. L. REV. 1149, 1163–64 (2008).

255. *See id.*

256. CSX Transp., Inc. v. McBride, 564 U.S. 685, 701 (2011) ("[T]he phrase proximate cause is shorthand for the policy-based judgment that not all factual causes contributing to an injury should be legally cognizable causes.") (internal quotation marks omitted).

257. *See* W. KEETON, PROSSER AND KEETON ON THE LAW OF TORTS, 273 (5th ed. 1984) (describing proximate cause as "whether the policy of the law will extend the responsibility for the conduct to the consequences which have in fact occurred").

258. *See* Kelley, *supra* note 31, at 52.

259. *See id.*

260. *See* Sandra F. Sperino, *Statutory Proximate Cause*, UNIVERSITY OF CINCINNATI COLLEGE OF LAW: FACULTY ARTICLES AND OTHER PUBLICATIONS, Paper 226, 1199, 1202 (2013).

261. *See* Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1546 (1995).

262. *See id.* at 1547.

263. *See id.* at 1548–49 ("Kelley has thus not provided, nor do we find, any justification in the statute, precedent, policy, or logic to limit the compensability of lost sales of a patentee's device that directly competes with the infringing device if it is proven that those lost sales were caused in fact by the infringement. Such lost sales are reasonably foreseeable and the award of damages is necessary to provide adequate compensation for infringement under 35 U.S.C. § 284."); *see, e.g.*, Micro Chem., Inc. v. Lextron, Inc., 318 F.3d 1119, 1125–26 (Fed. Cir. 2003) (holding that lost sales that were reasonably foreseeable were appropriate for damages calculations); Stryker Corp. v. Intermedics Orthopedics, Inc., 96 F.3d 1409, 1417 (Fed. Cir. 1996) (upholding the district court's use of reasonably foreseeable lost sales to calculate

Nevertheless, recent Federal Circuit causation jurisprudence does not preclude the court from revisiting the doctrine, nor is it binding upon the Supreme Court. The Federal Circuit has the opportunity on remand to reconsider the role of policy in proximate cause, following their initial recognition of Prosser and Keaton's view of the doctrine in *Rite-Hite*.[264] Furthermore, there has been a recent trend within the Supreme Court to rein in the Federal Circuit's patent jurisprudence to more closely align with common law principles.[265] Therefore, the time is ripe to proffer appropriate policy-based limitations to patent liability.

B. COMITY AS A POLICY LIMITATION ON PROXIMATE CAUSE OF PATENT INFRINGEMENT DAMAGES

Courts may salvage multiple policies from the presumption against extraterritoriality.[266] One example is comity, as to facilitate predictable and amicable international relations and trade.

The doctrine of comity stems from the idea of Westphalian sovereignty, that nation-states have exclusive control over their territories and that foreign actors respect their hierarchal authority.[267] Comity contends that laws of one

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damages); Minco, Inc. v. Combustion Eng'g, Inc., 95 F.3d 1109, 1118 (Fed. Cir. 1996) ("[T]he patent holder may recover for an injury caused by the infringement if it was or should have been reasonably foreseeable . . . .") (internal quotation marks omitted).

264. *See Rite-Hite*, 56 F.3d at 1546 (quoting W. PAGE KEETON ET AL., PROSSER & KEETON ON THE LAW OF TORTS § 42, at 279 (5th ed. 1984)) ("The general principles expressed in the common law tell us that the question of legal compensability is one to be determined on the facts of each case upon mixed considerations of logic, common sense, justice, policy and precedent.") (internal quotation marks omitted).

265. *See, e.g.*, Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 2060 (2011) (using the common law doctrine of willful blindness to hold an infringer liable, although they had intentionally avoided knowing whether a relevant patent existed); Impression Prods. v. Lexmark Int'l, Inc., 137 S. Ct. 1523, 1526 (2017) (holding that patent rights must yield to the common law principle against restraints on alienation of chattels). *But see* Limelight Networks, Inc. v. Akamai Techs., Inc., 572 U.S. 915, 924–25 (rejecting the notion that § 271(b) should be read against an aiding and abetting common law background).

266. Other policy considerations for proximate cause as applied to *WesternGeco* have been suggested by Professor Holbrook. *See* Holbrook, *supra* note 27, at 1791–93. Another example would be the territorial location, or geographic remoteness, of the injury or source of damages. While not an absolute bar to recovery, this policy factor examines the proximity of the injury to domestic infringement. A combination of this inquiry with other findings of remoteness (such as a foreseeable, yet downstream but-for cause of lost profits) may be sufficient to reduce a defendant's overall liability.

267. *See* STEPHEN D. KRASNER, SOVEREIGNTY, ORGANIZED HYPOCRISY 20 (1999); Joel R. Paul, *The Transformation of International Comity*, 71 LAW & CONTEMP. PROBS. 19, 22 (2008). For further reading on the modern role of ideas of sovereignty, see generally JENS BARTELSON, A GENEALOGY OF SOVEREIGNTY (1995) (proposing a novel method of analyzing the evolution of various concepts of sovereignty in international law); GENE M. LYONS & MICHAEL MASTANDUNO, BEYOND WESTPHALIA? STATE SOVEREIGNTY AND

state should apply everywhere as long as they do not conflict with the laws of other nations.[268] Said differently, nations should not interfere with the domestic laws of other nations. As such, comity has long been a policy interest of U.S. patent law.[269] Therefore, it is reasonable to limit infringement liability on the grounds that enforcing U.S. patent laws, predicated on foreign activity, may disrupt international cooperation.[270]

But this policy consideration for proximate cause is not only reasonable; it also restores many jurisprudential values that have become vulnerable after *WesternGeco*. Echoing *Brown v. Duchesne*, comity-derived proximate cause deliberations may help reestablish separation of powers between the courts and Congress.[271] As some scholars have called for increased international cooperation in designing and enforcing intellectual property regimes, it is imperative that courts refrain from self-help and yield to Congress.[272] Enshrining comity also encourages the reciprocal relationship that courts should look to foreign patent regimes for guidance in determining the overall culpability of alleged infringers.[273] This, in turn, facilitates mutual respect for U.S. domestic patent laws. The mutual respect for sovereign patent regimes is critical for predictability, which otherwise erodes state and individual economic efficiencies via confusing and clashing standards.[274] In summary, it

INTERNATIONAL INTERVENTION (1995) (focusing on the shift of sovereignty policy away from the rights of individual states and toward membership of the international community).

268. Ernest G. Lorenzen, *Huber's De Conflictu Legum*, 13 ILL. L. REV. 375, 376 (1919) ("Sovereigns will so act by way of comity that rights acquired within the limits of a government retain their force everywhere so far as they do not cause prejudice to the powers or rights of such government or of their subjects.").

269. *See* Holbrook, *supra* note 27, at 1786 ("All of the Supreme Court cases addressing the presumption specifically recognize that one reason for the presumption is to avoid such conflicts. At times, this concern is articulated as aspects of comity.").

270. *See* Brief of Intellectual Property Law Scholars as Amicus Curiae in Support of Neither Party, *supra* note 248, at *15–16. For further reading on international IP agreements and coordination, see generally Daniel J. Hemel & Lisa Larrimore Ouellette, *Knowledge Goods and Nation-States*, 101 MINN. L. REV. 167 (2016) (arguing for a global knowledge-as-a-public-good promoting regime through uniform taxation).

271. *See* Brown v. Duchesne, 60 U.S. 183, 195, 198 (1857) ("[Patent law] confers no power on Congress to regulate commerce, or the vehicles of commerce, which belong to a foreign nation . . . . [W]e must interpret our patent laws with reference to our own Constitution and laws and judicial decisions.").

272. *See* Hemel and Ouellette, *supra* note 272.

273. *See* Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. & MARY L. REV. 2119, 2163–68 (2008).

274. If a state's laws generally erode these efficiencies, being subject to multiple competing and clashing laws and sources only exacerbates the effect. *See generally* HANS-HERMANN HOPPE, A THEORY OF SOCIALISM AND CAPITALISM 27–29 (1989) (asserting that increasing the burden of laws on an individual reduces their ability to invest time in higher-return and long-term endeavors, i.e., increases time preference).

is not only reasonable to utilize a comity standard for proximate cause, it is necessary.

Although the implementation of a comity standard will be ultimately left to the discretion of the courts, some scholars have suggested that they may look to other comity uses in the law. For example, the Ninth Circuit recently contemplated various comity factors when evaluating the extraterritorial reach of the Lanham Act.[275] Some scholars have suggested that these factors may play a role outside of the *RJR Nabisco* analysis, perhaps amenable to incorporation in proximate causation policy.[276] Comity was explicitly raised as a guiding policy in employing proximate cause to limit antitrust liability in *Empagran S.A. v. F. Hoffmann-Laroche*.[277] Although the court did not elaborate in great detail how they factored comity in proximate cause, they did criticize but-for causation tests as being deficient in matters where it would otherwise create "unreasonable interference with the sovereign authority of other nations."[278] This suggests, at least, that comity could be used to increase the burden on a plaintiff, requiring a stronger showing of proximate cause than for domestic damages.

C. A COMITY-DRIVEN GEOGRAPHIC LIMITATION TO PROXIMATE CAUSE RECONCILES *WESTERNGECO* WITH FEDERAL CIRCUIT JURISPRUDENCE

In addition to recovering liability protections lost to *WesternGeco* and having some precedent in guiding implementation, a comity-focused inquiry of proximate cause may be able to mend the lingering friction between the Supreme Court's ruling and the Federal Circuit's previous extraterritorial lost profit decisions.

As discussed previously, a strict application of the *RJR Nabisco* inquiry in *Power Integrations* would likely lead to a reversal and award of foreign lost profits. Some scholars, however, have suggested that traditional proximate cause considerations and jurisprudence would preclude recovery, without the need

275. *See* Trader Joe's Co. v. Hallatt, 835 F.3d 960, 972–73 (9th Cir. 2016) ("[1] the degree of conflict with foreign law or policy, [2] the nationality or allegiance of the parties and the locations or principal places of business of corporations, [3] the extent to which enforcement by either state can be expected to achieve compliance, [4] the relative significance of effects on the United States as compared with those elsewhere, [5] the extent to which there is explicit purpose to harm or affect American commerce, [6] the foreseeability of such effect, and [7] the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.").

276. *See* Brief of Intellectual Property Law Scholars as Amicus Curiae in Support of Neither Party, *supra* note 248, at 17–18; Melissa Feeney Wasserman, *Divided Infringement: Expanding the Extraterritorial Scope of Patent Law*, 82 N.Y.U. L. REV. 281, 303–04 (2007).

277. *See* Empagran S.A. v. F. Hoffmann-Laroche, 417 F.3d 1267, 1271 (D.C. Cir. 2005).

278. *Id.* at 1271 (quoting F. Hoffman-La Roche, Ltd. v. EmpagranS.A., 124 S. Ct. 2359, 2366 (2004)).

for a strict geographic limit imposed by the presumption.[279] Professor Yelderman argues that because the plaintiff's theory for foreign lost profits did not sufficiently account for non-infringing substitutes, Federal Circuit precedent analyzing the matter through proximate cause would have precluded recovery.[280] Given a more stringent comity-based proximate cause analysis, a court would likely find the foreign lost profits even more remote.

Similar to *Power Integrations*, application of a policy-oriented proximate cause analysis in *Carnegie* would likely result in denial of foreign lost profits. The plaintiff asserted that the defendant would not have made foreign sales of foreign-manufactured chips—which could perform the patented *method*— if they had not infringed by domestically performing the method.[281] Professor Holbrook argues that a traditional view of proximate cause may have barred recovery of lost profits.[282] Again, the addition of comity to the analysis would further burden the plaintiff.

While both Federal Circuit case outcomes are consistent with a policy-based proximate cause inquiry, *WesternGeco* is slightly more nuanced. Holbrook argues the use of the infringed technology as the basis for the foreign profits is too removed from the infringing act of domestic supply to recover under a proximate cause analysis.[283] Professor Yelderman disagrees, arguing that the plaintiff made an "extremely strong showing of proximate causation," sufficient for recovery. WesternGeco, however, had only made a but-for causation assertion—although one appealing to foreseeability—without a proximate cause-specific counter to the attenuation between the infringing acts and foreign use of the invention.[284] Still, the Court was well aware of these facts, and reversed the Federal Circuit. Furthermore, the use of the streamers occurred on the high seas, where there is no sovereign law or patent regime to usurp. Therefore, it is likely that a comity-driven proximate

279. *See* Yelderman, *supra* note 8, at 10.

280. *See id.* (citing Am. Seating Co. v. USSC Grp., Inc., 514 F.3d 1262, 1268 (Fed. Cir. 2008)).

281. *See* Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd., 807 F.3d 1283, 1305 (Fed. Cir. 2015).

282. *See* Brief of Intellectual Property Law Scholars as Amicus Curiae in Support of Neither Party, *supra* note 248, at *28–32; *see also* Timothy R. Holbrook, *Extraterritoriality and Proximate Cause after WesternGeco*, 21 YALE J.L. & TECH. 189, 222–23 (2019) (arguing that the lost profits in *WesternGeco* were removed from the infringing act).

283. *See* Holbrook, *supra* note 282, at 24.

284. *See generally* Reply Brief for Petitioner at 10–11; WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011), LEXIS 1458, at *35–36 (offering a conclusory statement that the lost profits were foreseeable from ION's act of infringement); Brief for Petitioner, *supra* note 246 (failing to present a specific showing of proximate cause between ION's acts and the lost profits); Transcript of Oral Argument, WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018) (No. 16-1011) (failing to present a specific showing of proximate cause between ION's acts and the lost profits).

cause doctrine would leave *WesternGeco* in place while simultaneously retaining the outcomes in *Power Integrations* and *Carnegie*.

VI. CONCLUSION

The Supreme Court set out to create a very narrow extraterritoriality holding, applied to the limited § 271(f) exception of domestic U.S. patent laws. Despite neglecting salient issues, they failed. The Court's decision in *WesternGeco* wrongly expanded patent rights, predicated on an arbitrary interpretation of § 284 that creates deep strains of uncertainty in the role of damages statutes, perhaps writ large. This uncertainty places the burden of its resolution on the shoulders of the Federal Circuit, other courts, and practitioners. A comity-influenced doctrine of proximate cause may be able to assist these parties.

But for the time being, *WesternGeco* likely produces mixed feelings for an economic audience. For some, this decision ends another loophole preventing full compensation for infringement. As of right now, worldwide sales do not seem to require a full proximate cause analysis, representing a potential boon for both practitioners and plaintiffs. In an ever-connected society, where copying and pirating technology continues to pace other technological developments, *WesternGeco* provides some much-needed relief for patent owners.

For other economic participants, *WesternGeco* represents a threat of near-endless liability. Without a proper proximate cause framework to reel in the uncapped nature of worldwide sales and lost profits theories, competitors may be less likely to produce ambiguously infringing technology, compete in previously safe jurisdictions, and contribute to lower consumer costs. The general vagueness of what is too remote to trigger infringement, and how state's borders temper this inquiry, only increases risk in the market. This, in turn, facilitates a centralization of organizations that can pragmatically take on entrepreneurial risks.[285] Given the growing antitrust concerns in fields of technology, *WesternGeco* does little to quell the fears of neo-gilded age doomsayers.[286]

Nevertheless, the Federal Circuit has the opportunity to mend the open-ended decisions made in *WesternGeco*. First, the court will likely standardize the Supreme Court's *RJR Nabisco* inquiry as to allow foreign lost profits regardless of infringement type. Next, it will need to settle the clash

285. Increasing the burden of laws on individual actors raises barriers to entry into various economic activities. This disproportionately affects those with fewer resources. *See* Hoppe, *supra* note 274.

286. *See* Christopher Shay, *Tim Wu Goes After the Titans of the New Gilded Age*, NATION (Nov. 13, 2018), https:// www.thenation.com/article/tim-wu-interview-curse-bigness [https://perma.cc/P5RN-3BR5].

between the presumption against extraterritoriality and proximate cause analysis. And finally, it will need to distinguish the Supreme Court's divorcing of damages provisions writ large from the presumption.

But it is likely that some of the burden will likely fall on the Supreme Court in the future. Congress and the Executive may take some interest in navigating patent issues in certain trade deals and other foreign affairs. Yet the role of damages provisions in the overall scheme of comity, if decided by a court, will need to be decided by the highest court in the land. As the Supreme Court has chosen to export U.S. law across the globe, it is imperative that it recognizes that responsibility instead of ignoring core issues.