

FOREIGN CONDUCT AS A MEASURE OF PATENT DAMAGES AFTER *BRUMFIELD V. IBG*

William R. Clark[†]

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DOI: <https://doi.org/10.15779/Z380Z71021>

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† William R. Clark earned his J.D., Order of the Coif, from the University of California, Berkeley, School of Law. Prior to law school, William earned his B.S. in Mathematics from the University of Notre Dame, with a Minors in Chinese Language and Digital Technologies. After graduation, he plans to work in patent and trade secret litigation. Drawing on his background in China Studies, he hopes his legal practice will have a particular focus on intellectual property disputes between Chinese and American companies.

William is grateful for professors Allison Schmitt and Wayne Stacy, without whose guidance this Note would not exist. William also thanks Jesse Wang, Sandeep Stanley, Maria Milekhina, and Tyler Kotchman—classmates whose peer reviewing sharpened this Note’s focus. William is also grateful to Nicole Boucher, Maya Darrow, John Moore, Siwen Crimean, and everyone at the *Berkeley Technology Law Journal* who helped polish this Note for publication.

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I. INTRODUCTION

As the world’s economy grows ever more connected, products made in the United States are commonly sold elsewhere. This poses a question for U.S. patent laws: to what extent may a patentee recover damages for sales of an infringing product that occur abroad?

In recent years, the Supreme Court and the Federal Circuit have struggled with this question. At first, the Supreme Court sought to strongly limit the application of United States laws to activities inside its borders. There was a customary “presumption against extraterritoriality”: a strong thumb on the

scales against applying our patent laws to conduct outside the United States' borders unless the statute said otherwise.¹ If a plaintiff failed to rebut this presumption, then its claims had to involve a “domestic application” of the statute.”²

But then companies began manufacturing components in the United States and only assembling them into systems that infringed United States patents when they left the country. Putting the infringing behavior out of the territorial reach of United States courts circumvented the U.S.'s patent laws. Accordingly, Congress amended the Patent Act in 1984 to add 35 U.S.C. § 271(f) to forbid this behavior,³ and the Supreme Court sought to stymie the exploitation of this loophole.⁴ Decades later, the Supreme Court ruled that patentees can recover for foreign sales in the narrow circumstances that a defendant infringes under § 271(f).⁵ This ruling created a crack in the presumption against extraterritoriality, suggesting that the United States' patent laws do not *only* consider domestic behavior.

Trying to make sense of the territorial bounds of U.S. patent law, the Federal Circuit recently heard the case of *Brumfield v. IBG*.⁶ There, the Federal Circuit ruled that, if closely connected to domestic infringement, foreign conduct can be used to increase a reasonable-royalty award, so long as it has the “the needed causal relationship” to making the accused products in the United States.⁷ This Note seeks to make sense of *Brumfield*, its “causal relationship” requirement, and its relationship with previous case law.

Part II provides the legal background, laying out the case law that precipitates *Brumfield*.

Part III then discusses *Brumfield* in detail, pointing out the questions that it leaves open. What does this ruling mean for lost profit damages? How can courts apply this ruling to be consistent with existing law on reasonable-royalty awards? And will other patent damages doctrines come under extraterritorial scrutiny?

Part IV seeks to answer these questions. Section IV.A parses the tensions between *Brumfield* and its predecessors to suggest that foreign conduct should only be used as a measure of the value of domestic infringement. Section IV.B

1. *RJR Nabisco, Inc. v. Eur. Cmty.*, 579 U.S. 325, 337 (2016).

2. *Id.*

3. Patent Law Amendments Act of 1984, Pub. L. No. 98-622, 98 Stat. 3383 (Nov. 8, 1984).

4. *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407, 411 (2018) [hereinafter *WesternGeco II*].

5. *Id.*

6. *Brumfield v. IBG LLC*, 97 F.4th 854 (Fed. Cir. 2024) [hereinafter *Brumfield II*].

7. *Id.* at 878.

argues that *Brumfield*'s "causal relationship" should be scrutinized closely in the lost-profits context, only authorizing recovery of money that the infringer's domestic infringement accrued abroad. Section IV.C suggests that *Brumfield* should be implemented in the reasonable-royalty context through the existing *Georgia-Pacific* framework. And Section IV.D outlines the uncertainty that *Brumfield* creates in the arena of willful infringement and enhanced damages based on foreign bad acts. At each turn, this Note suggests that foreign conduct should only be used as a *measure* of damages, as opposed to a cause of legal injury. Part V briefly concludes.

II. LEGAL BACKGROUND

Brumfield is the culmination of an ongoing conversation between the Federal Circuit and the Supreme Court about the territorial scope of the U.S.'s patent laws. This Part lays out recent installments in that conversation, as well as other relevant background on other areas of patent damages, proceeding in four Sections.

Section II.A outlines the conduct that United States patent laws regulate, discussing what does and does not constitute infringement. Section II.B outlines the different types of patent damages awards: lost profits, reasonable royalties, and enhancements. Section II.C discusses *Power Integrations v. Fairchild Semiconductor*, the last time the Federal Circuit aimed to constrain the reach of United States patent damages to domestic conduct.⁸ *Brumfield* partially overruled this case, but its guidance remains useful. Section II.D discusses *WesternGeco v. ION Geophysical*, where the Supreme Court first expanded the ability of courts to consider money earned abroad to calculate the damages caused by patent infringement.⁹ Understanding this ruling is crucial because the court in *Brumfield* interprets it to have created the new framework for the consideration of foreign conduct, which it then applies to new types of damages and infringement.

A. PATENT INFRINGEMENT

Because the inquiry established in *Brumfield* inspects the causal connection between damages and infringement, understanding what does—and does not—constitute patent infringement is essential. Section 271(a) of the Patent Act defines direct infringement to include making, using, selling, offering to sell, or importing into the United States any patented invention.¹⁰ By the plain

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

9. *WesternGeco II*, 585 U.S. at 407.

10. 35 U.S.C. § 271(a).

language of the statute, these actions constitute infringement only when they occur “in the United States.”¹¹ As a general rule, making or selling a U.S. patented product in another country is not infringement because § 271’s provisions all describe conduct in, into, or from “the United States.”¹²

But there is an exception.¹³ Section 271(f) of the Patent Act provides that infringement *does* occur when one “suppl[ies] . . . from the United States,” for “combination” abroad, a patented invention’s “components.”¹⁴ Even if the components themselves do not infringe the patent, the act of supplying the components for combination into an infringing system abroad is an act of patent infringement.¹⁵

B. TYPE OF PATENT DAMAGES

After infringement is proven, courts award damages under Title 35 of the U.S. Code.¹⁶ Section 284 outlines different types of damages, which are the subjects of the following Sections. The first two Sections describe compensatory damages. Section II.B.1 discusses lost profit damages, the subject of the cases that precede *Brumfield*. Section II.B.2 provides background on reasonable-royalty awards, the object of *Brumfield*’s ruling. Section II.B.3 previews the law of willful infringement and enhanced damages, an area of patent law that may face substantial uncertainty as a result of *Brumfield*.

1. Lost Profits

Section 284 of the Patent Act provides that “the court shall award the claimant damages adequate to compensate for the infringement.”¹⁷ Patent holders sometimes seek to recover the profits they lost as a result of the infringement as damages.¹⁸ Courts require a patentee to show a “reasonable probability” that “but for the infringement,” the patentee would have made

11. *Id.*; see also *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1033–34 (Fed. Cir. 1995) (holding “a U.S. patent grants rights to exclude others from making, using and selling the patented invention only in the United States.”).

12. *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 445 (2007); see also 35 U.S.C. § 271(a).

13. *Microsoft Corp.*, 550 U.S. at 437 (describing § 271(f) as an “exception”).

14. 35 U.S.C. § 271(f)(1).

15. *See id.*

16. 35 U.S.C. § 284.

17. *Id.*

18. ROBERT A. MATTHEWS, JR., 4 ANNOTATED PATENT DIGEST § 30:20 (Oct. 2024) [hereinafter MATTHEWS PATENT DIGEST].

the infringer's sales.¹⁹ Lost profits, as a measure of compensatory damages, are intended to make the party whole—not to punish the infringer.²⁰

2. Reasonable-Royalty Awards

Section 284 of the Patent Act provides that the “damages adequate to compensate for the infringement,” shall be “in no event less than a reasonable royalty for the use made of the invention by the infringer.”²¹ Therefore, instead of recovering the actual damages of a particular act of infringement, a patentee may instead seek a reasonable royalty for the infringer's use of the patented technology.²² Lost-profit awards intend to compensate the patent holder for profits lost as a result of the infringement.²³ A reasonable royalty, while also a compensatory award, is intended to compensate the patentee for the value of the patented technology itself—not how profitable its use actually was.²⁴

A reasonable-royalty award typically requires establishing a royalty rate and a royalty base.²⁵ The royalty base is the number of times the infringing product was made, sold, used, or otherwise infringed.²⁶ A royalty rate is a per-unit dollar amount.²⁷ The reasonable-royalty award is calculated by multiplying the royalty rate times the royalty base.²⁸

Absent evidence of prior licensing rates, a royalty rate is based on the amount the infringer would have agreed to pay to engage in the activity constituting the infringement.²⁹ To determine this amount, courts imagine the outcome of a hypothetical negotiation, conducted on the date of first infringement.³⁰ Royalty rates are often determined by considering fifteen factors set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*³¹ In relevant part for this Note, these factors include:

19. MATTHEWS PATENT DIGEST, *supra* note 18, § 30:20.

20. *See WesternGeco II*, 585 U.S. at 417 (quoting *Gen. Motors Corp. v. Devex Corp.*, 377 U.S. 648, 655 (1983)).

21. 35 U.S.C. § 284.

22. *See id.*

23. *See WesternGeco II*, 585 U.S. at 417 (quoting *Gen. Motors Corp.*, 377 U.S. at 655).

24. *Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, 778 F.3d 1365, 1375 (Fed. Cir. 2015).

25. MATTHEWS PATENT DIGEST, *supra* note 18, § 30:89.

26. *Id.*

27. *Id.*

28. *Id.*

29. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324–25 (Fed. Cir. 2009).

30. MATTHEWS PATENT DIGEST, *supra* note 18, § 30:86.10.

31. *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified on appeal*, 446 F.2d 295 (2d Cir. 1971); *see also* MATTHEWS PATENT DIGEST, *supra* note 18, § 30:84.

3. The nature and scope of the license, as exclusive or non-exclusive; or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold . . .
5. The commercial relationship between the licensor and licensee, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor and promoter.
6. The effect of selling the patented specialty in promoting sales of other products of the licensee; that existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales . . .
8. The established profitability of the product made under the patent; its commercial success; and its current popularity . . .
11. The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.³²

Each of these factors gives a reason that the infringer would agree to pay more to license the patent.³³

3. *Enhanced Damages*

According to the Federal Circuit, willful infringement “arises upon deliberate disregard for the property rights of the patentee,” like knowing a patent exists and copying the invention anyway.³⁴ After a jury returns a finding of willful infringement, the court has discretion to punish the infringer by awarding enhanced damages.³⁵ An infringer’s subjective intent—the presence or absence of deliberate disregard—is commonly proven through circumstantial evidence.³⁶ As enumerated in *Read v. Portec*, such considerations include:

1. whether the infringer deliberately copied
2. whether the infringer had a good-faith belief in noninfringement or invalidity
3. the infringer’s behavior as a party to the litigation

32. *Georgia-Pacific*, 318 F. Supp. at 1120; MATTHEWS PATENT DIGEST, *supra* note 18, § 30:84.

33. See MATTHEWS PATENT DIGEST, *supra* note 18, § 30:84.

34. *Vulcan Eng’g Co., Inc. v. Fata Aluminium, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002).

35. See 35 U.S.C. § 284.

36. See *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510–11 (Fed. Cir. 1990) (finding “[w]hether an act is ‘willful’ is by definition a question of the actor’s *intent*, the answer to which must be inferred from all the circumstances.”).

4. the infringer's size and financial condition
5. closeness of the case
6. duration of the infringer's misconduct
7. remedial action by the infringer
8. the infringer's motivation for harm
9. whether the infringer attempted to conceal its misconduct.³⁷

Courts must not award increased damages just to rectify “an inadequacy in the compensatory damages awarded.”³⁸

C. UNDER *POWER INTEGRATIONS*, COMPENSATORY DAMAGES COULD NOT INCLUDE FOREIGN SALES

Power Integrations v. Fairchild is the first in the duo of cases that led to *Brumfield*. The Federal Circuit held that U.S. patent damages cannot compensate the patentee for the infringer's use of the patent abroad.³⁹ In *Power Integrations*, both parties agreed that Fairchild directly infringed Power Integrations's patents under § 271(a) by making or selling infringing circuits in the United States.⁴⁰ But, the parties disagreed over the proper damages amount.⁴¹

Plaintiff Power Integrations argued that Fairchild's domestic patent infringement caused Power Integrations to lose sales in foreign markets.⁴² Power Integrations advanced both broad and narrow damages theories for lost profits.⁴³ On the broadest side, Power Integrations alleged that Fairchild's infringement in the United States “would cause Power Integrations to lose all sales . . . both inside and outside the U.S.”⁴⁴ But Power Integrations also pointed to more specific damages, such as Fairchild supplanting Power Integrations as the provider of 40 percent of Samsung's chips.⁴⁵

37. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992) (citation modified).

38. *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991).

39. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1371 (Fed. Cir. 2013).

40. *Id.* at 1376.

41. *Id.*

42. *Id.* at 1370.

43. *See generally* Brief for Plaintiff-Cross Appellant at 46, *Power Integrations*, 711 F.3d 1348 (Nos. 2011-1218, 2011-1238), 2011 WL 2827447, at *46.

44. *Id.*

45. *Id.*

Power Integrations argued that damages for these actions were recoverable because of their causal connection with Fairchild’s domestic infringement.⁴⁶ Specifically, Power Integrations alleged that no company would buy any of the defendant’s infringing components unless the resulting products could be sold in the United States.⁴⁷ Accordingly, a jury awarded “worldwide damages” for the lost sales that Power Integrations would have had around the world but for Fairchild’s domestic infringement.⁴⁸

The Federal Circuit held that this jury award was incorrect as a matter of law.⁴⁹ The Federal Circuit acknowledged that United States patent laws allow for “damages adequate to compensate for the infringement.”⁵⁰ The court explained that patent laws do not compensate for the foreign exploitation of a patented invention, “which is not infringement at all.”⁵¹ The Federal Circuit emphasized that foreign conduct cannot constitute infringement because the entirely extraterritorial use or sale of a patented invention breaks the chain of causation initiated by an act of domestic infringement.⁵² Under this reasoning, foreign conduct is irrelevant to calculating “damages adequate to compensate for the infringement” because foreign conduct is not infringement.⁵³ Accordingly, the court ruled that Power Integrations was not entitled to “compensatory damages” for the exploitation of the patented invention outside the United States.⁵⁴

After *Power Integrations*, the rule was clear: U.S. patent laws do not compensate a patentee for an infringer’s actions abroad—even if those actions would constitute patent infringement if performed in the United States.

D. UNDER *WESTERNGECO*, A LOST-PROFIT AWARD CAN INCLUDE LOST FOREIGN PROFITS IN NARROW CIRCUMSTANCES

Next came *WesternGeco v. ION Geophysical Corp* in 2018, where the Supreme Court created the initial crack in the rule against extraterritoriality that *Brumfield* would widen: A lost-profit award can include lost foreign profits when the patent owner proves infringement under § 271(f)(2).⁵⁵

46. *See generally id.*

47. *Id.*

48. *Power Integrations*, 711 F.3d at 1370.

49. *Id.* at 1372.

50. *Id.* at 1371 (quoting 35 U.S.C. § 284).

51. *Id.*

52. *Id.* at 1372.

53. *See id.* at 1370–72.

54. *Power Integrations*, 711 F.3d at 1371.

55. *WesternGeco II*, 585 U.S. at 417.

Plaintiff WesternGeco owned patents that claimed systems for surveying the ocean floor.⁵⁶ A jury found that ION infringed these patents by manufacturing components of patent-claimed systems and exporting them abroad, where they were assembled in infringing systems.⁵⁷ Specifically, the jury found infringement under 35 U.S.C. § 271(f), and awarded lost-profit damages for the sale of ocean-surveying services outside the United States.⁵⁸

Consistent with its ruling in *Power Integrations*, the Federal Circuit held the award of lost-profit damages for foreign sales to be an impermissible extraterritorial application of U.S. patent law.⁵⁹ WesternGeco argued that *Power Integrations*'s ruling was limited to infringement under § 271(a), and therefore its ruling could not limit the damages recoverable from ION's § 271(f) infringement.⁶⁰ In response, the Federal Circuit reasoned that WesternGeco's reading impermissibly broadened the reach of patent damages.⁶¹ Because someone selling a patented invention in the United States is not liable for the use of the product abroad, the exporter of "the component parts cannot be liable for use of the infringing article abroad."⁶²

The Supreme Court reversed, holding that courts can award lost-profit damages based on foreign conduct when the underlying infringement involved exporting components that are assembled into an infringing system abroad.⁶³ The Court did not address the Federal Circuit's reasoning or its application of *Power Integrations*—a loose thread that *Brumfield* addresses later.⁶⁴ Instead, the Court analyzed the case as a matter of extraterritoriality: could the Patent Act be applied to ION's conduct outside the United States?⁶⁵

To answer this question, the Court applied the conventional test for extraterritoriality. When claims involve foreign conduct, courts only have power to hear the claims under two conditions. First, a court could find that the text of the statute itself rebuts the presumption against extraterritoriality.⁶⁶ Second, the court could find that the case involves a "domestic application" of the statute.⁶⁷ In *WesternGeco*, the Court declined to address whether the

56. *Id.* at 411.

57. *Id.*

58. *Id.*

59. *WesternGeco LLC v. ION Geophysical Corp.*, 791 F.3d 1340, 1350–51 (Fed. Cir. 2015) [hereinafter *WesternGeco I*].

60. *Id.* at 1351.

61. *Id.*

62. *Id.*

63. *WesternGeco II*, 585 U.S. at 417.

64. *Brumfield II*, 97 F.4th at 871.

65. *WesternGeco II*, 585 U.S. at 412.

66. *Id.* at 413 (citing *RJR Nabisco*, 579 U.S. at 337).

67. *Id.* (citing *RJR Nabisco*, 579 U.S. at 337).

presumption against extraterritoriality applied to the patent damages statute or if it had been rebutted.⁶⁸ Instead, the Court focused its analysis on determining whether there was a “domestic application” of the statute in the award against ION.⁶⁹

To determine if awarding lost foreign profits was a “domestic application” of the statute, the Court asked if the “conduct relevant to [the statute’s] focus occurred in United States territory.”⁷⁰ The Court identified that § 284’s remedies focused on “the infringement.”⁷¹ Through this lens, the damages provisions of § 284 were “merely the means” by which the statute remedies infringement.⁷² ION’s act of infringement was exporting components from the United States in violation of § 271(f), which regulates the domestic act of supplying components from the United States.⁷³ The Court reasoned that the focus of the statute’s application was ION’s domestic act of supplying.⁷⁴ Because this conduct occurred in the United States, the Court held that the lost-profit award was a domestic application of § 284.⁷⁵ Therefore, the Court upheld the jury award.⁷⁶

Justice Gorsuch’s dissent in *WesternGeco* expressed fear that the majority had authorized damage awards for any use of a patented invention abroad as long as one of its components was supplied from the United States.⁷⁷ Justice Gorsuch argued that the majority’s ruling would allow greater recovery when a defendant exports a component of an invention than when a defendant exports the entire invention.⁷⁸ The majority responded that this position “wrongly conflates legal injury with the damages arising from that injury.”⁷⁹ Without further elaboration on the difference between legal injury and damages in the patent context, the majority concluded that “taken together, § 271(f)(2) and § 284 allow[ed] the patent owner to recover for lost foreign profits.”⁸⁰

68. *WesternGeco II*, 585 U.S. at 413.

69. *Id.*

70. *Id.*

71. *Id.* at 414.

72. *Id.* at 416.

73. *Id.* at 415.

74. *WesternGeco II*, 585 U.S. at 415.

75. *Id.* at 416.

76. *Id.*

77. *Id.* at 423–24 (Gorsuch, J., dissenting).

78. *Id.* at 423 (Gorsuch, J., dissenting).

79. *Id.* at 417.

80. *WesternGeco II*, 585 U.S. at 417.

III. *BRUMFIELD V. IBG*

In *Brumfield*, the Federal Circuit extended *WesternGeco*'s ruling beyond lost-profit damages for infringement under § 271(f). The district court excluded a damages theory that claimed worldwide damages. The Federal Circuit upheld the exclusion, creating three notable shifts to the doctrine. First, the Federal Circuit allowed courts to consider foreign conduct when awarding reasonable-royalty damages. Second, the Federal Circuit expanded the consideration of foreign conduct when the underlying infringement is direct infringement. Finally, the Federal Circuit interpolated *WesternGeco* to recognize a causation requirement for patent damages.

A. DISTRICT COURT OPINION

Trading Technologies (“TT”) owned patents directed to computer interfaces for commodity trading and methods for placing trade orders using those interfaces.⁸¹ TT sued IBG for patent infringement in the Northern District of Illinois, alleging that IBG provided traders with software that infringed TT’s patents.⁸² TT asserted patent claims directed to methods and computer readable mediums (“CRMs”).⁸³ A jury found IBG directly infringed TT’s patent claims under § 271(a).⁸⁴

Instead of lost-profit damages, TT asked IBG to pay a reasonable royalty for its infringing behaviors.⁸⁵ TT’s reasonable-royalty damages theory included “foreign damages” for “making the accused products in the United States.”⁸⁶ Specifically, TT’s damages expert opined that TT was entitled to worldwide damages for the foreseeable and but-for results of IBG’s domestic infringement.⁸⁷

The District of Northern Illinois excluded this damages theory.⁸⁸ Noting that *WesternGeco*, which concerned lost-profit damages, “is of limited value” to a case involving reasonable-royalty damages, the court forbade the damages expert from including foreign users of the accused products in the royalty base.⁸⁹ The court also emphasized that this case involved infringement under

81. *Brumfield II*, 97 F.4th at 859.

82. *Id.*

83. *Id.* at 867.

84. *Brumfield v. IB LLC*, 586 F. Supp. 3d 827, 840 (N.D. Ill. 2022) [hereinafter *Brumfield I*].

85. *Brumfield II*, 97 F.4th at 865.

86. *Id.*

87. *Id.* at 866.

88. *Brumfield I*, 586 F. Supp. 3d at 840.

89. *Id.*; see also Order on Daubert Motion, *Brumfield I*, 586 F. Supp. 3d 827, Dkt. No. 1984.

§ 271(a), unlike *WesternGeco*, which involved infringement under § 271(f).⁹⁰ Because § 271(f) explicitly contemplates foreign activities that are actionable in the United States, and § 271(a) does not, the court declined to extend *WesternGeco*.⁹¹ The court also noted that *WesternGeco* had not explicitly overruled *Power Integrations*, which concerned damages for foreign conduct in a § 271(a) case.⁹² Therefore, the court applied the rule from *Power Integrations* instead of extending the reasoning in *WesternGeco* to § 271(a) infringement.⁹³ Accordingly, the court excluded TT's damages theory, holding TT was not entitled to worldwide damages.⁹⁴

B. FEDERAL CIRCUIT OPINION

On appeal, Brumfield, a trustee of TT,⁹⁵ argued that the district court erred by not applying the *WesternGeco* framework to determine whether the jury award was impermissibly extraterritorial.⁹⁶ The Federal Circuit agreed, but even applying *WesternGeco*, the court affirmed the exclusion of the worldwide damages theory.⁹⁷

1. *The Federal Circuit Extended the WesternGeco Framework to Reasonable-Royalty Awards for Direct Infringement*

The Federal Circuit clarified that district courts should apply the *WesternGeco* framework in extraterritoriality analysis instead of looking to *Power Integrations*.⁹⁸ First, when deciding if the application of the patent damages statute is impermissibly extraterritorial, courts must first identify the “statute’s focus.”⁹⁹ Then, the court should ask “whether the conduct relevant to the statutory focus in this case is domestic.”¹⁰⁰ Last, the court should ask if the infringement has “the needed causal relationship to the foreign conduct” that is the basis of the damages theory.¹⁰¹

First, the court justified expanding the *WesternGeco* framework to cover damages theories to compensate for direct infringement under § 271(a).¹⁰²

90. *Brumfield I*, 586 F. Supp. 3d at 840.

91. *Id.*

92. *Id.*

93. *Id.*

94. *Id.*

95. *Brumfield II*, 97 F.4th at 859.

96. *Id.* at 870.

97. *Id.* at 871.

98. *Id.* at 871.

99. *Id.* at 873 (citing *RJR Nabisco*, 579 U.S. at 337).

100. *Id.* at 873 (citing *WesternGeco II*, 585 U.S. at 414).

101. *Brumfield II*, 97 F.4th at 878.

102. *Id.* at 874–75.

Brumfield's software directly infringed in the United States, unlike *WesternGeco*, where components were exported from the United States and assembled into an infringing system abroad.¹⁰³ The Federal Circuit afforded little analysis to this difference, going so far as to say "nothing about the *WesternGeco* analysis . . . is altered when the infringement at issue is infringement under § 271(a) rather than § 271(f)."¹⁰⁴

Second, the court discussed why courts should use the *WesternGeco* framework to determine whether foreign conduct is a proper basis for a reasonable-royalty award.¹⁰⁵ The Federal Circuit noted that the *WesternGeco* Court did not distinguish between forms of damages in its extraterritoriality analysis, so its ruling could be extended to a different form of damages.¹⁰⁶ The Federal Circuit cautioned that the royalty base for a damages award "cannot include activities that do not constitute patent infringement."¹⁰⁷ However, the court held that a patentee may use foreign conduct that is not itself infringing to increase its reasonable-royalty rate through "show[ing] why that foreign conduct increases the value of the domestic infringement itself."¹⁰⁸

Finally, the Federal Circuit interpolated *WesternGeco* to recognize a causation requirement for all patent damages. While silent on the necessary level of proof for a lost-profit award, the Federal Circuit ruled that a patentee seeking a reasonable-royalty award can use foreign conduct to increase the value of the award if it explains why the royalty established at the hypothetical negotiation "would have properly been increased to reflect . . . prospective [conduct] abroad."¹⁰⁹

2. *Applying the WesternGeco Framework, the Federal Circuit Upheld the Exclusion of TT's Damages Theory*

Applying these three principles to the allegations against IBG, the Federal Circuit affirmed the exclusion of TT's foreign damages theory.¹¹⁰ According to the court, the damages theory lacked "the needed causal relationship" to making the accused products in the United States.¹¹¹

103. *Id.* at 875.

104. *Id.*

105. *Id.*

106. *Id.*

107. *Brumfield II*, 97 F.4th at 876 (quoting *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1343 (Fed. Cir. 2015)).

108. *Id.* at 877. The Federal Circuit also offers an example of such an increase if the domestic infringement "enables and is needed to enable otherwise-unavailable profits from conduct abroad." *Id.*

109. *Id.* at 880.

110. *Id.* at 879.

111. *Id.*

The jury found IBG liable for making, using, offering to sell, selling, or importing a claimed method and a claimed CRM under § 271(a).¹¹² However, the damages theory only claimed compensation for “making the accused products.”¹¹³ The Federal Circuit noted that “making the accused product” cannot describe infringing a method claim because methods are practiced, not made.¹¹⁴ In the case of a CRM claim, the domestic act of infringement is “making an individual memory-device unit.”¹¹⁵ For the CRM claims, the Federal Circuit found that the damages expert failed to tie the overseas purchase and usage of IBG’s software to a domestic act of infringement.¹¹⁶

TT’s damages expert opined that distributing the infringing software to customers outside the United States was the result of being designed and programmed in the United States.¹¹⁷ But designing and programming the software did not “make a CRM,” such as an individual memory-device unit, so the court found these actions did not constitute domestic acts of infringement.¹¹⁸ Instead of tying the damages theory to making a CRM, the damages expert focused on the use of the software itself, which the patent claims did not protect.¹¹⁹ The damages expert failed to connect the overseas purchase and usage of IBG’s software to a domestic act of infringement, so the Federal Circuit found that the district court correctly excluded her testimony.¹²⁰

After this holding, the Federal Circuit continued to outline the deficiencies of the excluded damages theory.¹²¹ This criticism is instructive of the requirements of a damages theory that includes foreign conduct in its reasonable-royalty calculation. Any such damages theory must present a “focused, coherent explanation of the required causal connection” between the foreign conduct and domestic infringement.¹²² In the reasonable-royalty context, a patentee needs to explain why the royalty established at the hypothetical negotiation would have been increased to reflect prospective conduct abroad.¹²³ Lastly, the Federal Circuit also acknowledged that such a

112. *See id.*

113. *Brumfield II*, 97 F.4th at 879.

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.* at 880.

118. *See id.*

119. *Brumfield II*, 97 F.4th at 879.

120. *Id.*

121. *Id.* at 880.

122. *Id.* at 881.

123. *Id.* at 880.

damages theory must apportion the value of the foreign conduct that is attributable to the claimed invention.¹²⁴

IV. ANALYSIS OF *BRUMFIELD V. IBG*

In *Brumfield*, the Federal Circuit ruled that the *WesternGeco* framework displaced *Power Integrations* as the required framework of analysis for a case involving 35 U.S.C. § 271(a) and a reasonable royalty.¹²⁵ But the Federal Circuit declined to “parse *Power Integrations* to identify which particular sentences are now superseded by *WesternGeco*.”¹²⁶ The court also explicitly declined to explore whether the facts of *Power Integrations* would have supported the same ruling under the *WesternGeco* framework.¹²⁷ Additionally, the court in *Brumfield* was silent on the role of foreign conduct in other patent damage awards. These questions are explored in the following Sections.

Section IV.A proposes a way to read *Power Integrations*, *WesternGeco*, and *Brumfield* to be consistent with one another by using foreign conduct as a tool to measure the proper amount of damages. The following three Sections explore how foreign conduct functions as a measure in three different damages contexts. First, Section IV.B examines the impact of *Brumfield* on lost-profit awards, arguing that foreign conduct must only be used to measure the amount of money that the infringer’s domestic infringement accrued abroad. Then, Section IV.C cautions that foreign conduct has no place in a royalty *base*, but foreign conduct may be considered in harmony with the *Georgia-Pacific* factors to determine the royalty *rate*. Lastly, Section IV.D discusses the potential for courts to use foreign conduct as a measure of willfulness in deciding whether to award enhanced damages.

A. PARSING *POWER INTEGRATIONS*, *WESTERNGECO*, AND *BRUMFIELD* TO CREATE A FRAMEWORK IN WHICH FOREIGN CONDUCT MEASURES, BUT DOES NOT PRODUCE, PATENT DAMAGES

The outcomes of *WesternGeco* and *Brumfield* seem to contradict *Power Integrations*. *Power Integrations* held that a patentee is not entitled to “*compensatory damages* for injury caused by infringing activity that occurred outside the territory of the United States.”¹²⁸ But *Brumfield* and *WesternGeco* involve two compensatory damages awards that considered activity that occurred outside

124. *Id.*

125. *Brumfield II*, 97 F.4th at 871.

126. *Id.*

127. *Id.*

128. *Power Integrations*, 711 F.3d at 1371 (emphasis added).

the United States.¹²⁹ *Brumfield* held that a patentee seeking a reasonable-royalty award could use foreign conduct to increase the value of the award if it explains why the royalty rate “would have properly been increased to reflect . . . prospective [conduct] abroad.”¹³⁰ *WesternGeco* held that a lost-profit award could “include lost foreign profits when the patent owner proves infringement under § 271(f)(2).”¹³¹

These cases can be synthesized into a single doctrine. Take *Brumfield* to establish a general rule for reasonable-royalty awards, *Power Integrations* to establish a general rule for lost-profits awards, and *WesternGeco* to be an exception to *Power Integrations*’s rule.

Viewed through this lens, some of *Power Integrations* remains good law. Indeed, the Federal Circuit declined to “parse *Power Integrations* to identify which particular sentences are now superseded by *WesternGeco*.”¹³² Thereby, the court suggested that some parts of *Power Integrations* are no longer binding, but that some parts still may be.

The following Sections identify two important principles from *Power Integrations* that *WesternGeco* may affect. Section IV.A.1 outlines that *Brumfield* does not address whether *Power Integrations*’s claim that foreign conduct cuts off the chain of causation from domestic infringement is still good law.¹³³ On the contrary, Section IV.A.2 argues that *WesternGeco* and *Brumfield* necessarily refute *Power Integrations*’s claims regarding compensatory damages. By this token, this Note proposes that the correct way to apply *Power Integrations*, *WesternGeco*, and *Brumfield* is through using foreign conduct to measure the value of domestic infringement.

1. The “Chain of Causation” Clause of Power Integrations May Remain Good Law

Power Integrations held that “the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement.”¹³⁴ The Federal Circuit offered this as bright-line guidance on the scope of an infringer’s liability. The *Brumfield* court explicitly declined to comment on the extent to which proximate causation and foreseeability limit the scope of foreign liability.¹³⁵

129. See *Brumfield II*, 97 F.4th at 880; *WesternGeco II*, 585 U.S. at 417.

130. *Brumfield II*, 97 F.4th at 880.

131. *WesternGeco II*, 585 U.S. at 417.

132. *Brumfield II*, 97 F.4th at 871.

133. *Power Integrations*, 711 F.3d at 1371–72.

134. *Id.*

135. *Brumfield II*, 97 F.4th at 878.

The applicability of these doctrines in the context of patent damages has been the subject of debate,¹³⁶ and it is outside the scope of this Note, which analyzes the *new* open questions after *Brumfield*. Because *Brumfield* passed on this question, practitioners may still anchor their arguments in *Power Integrations* when advancing these arguments.

2. *The “Compensatory Damages” Clause of Power Integrations Must Be Construed Narrowly*

Power Integrations held that a patentee is not entitled to “compensatory damages for injury caused by infringing activity that occurred outside the territory of the United States.”¹³⁷ In light of *WesternGeco* and *Brumfield*, *Power Integrations*’s language about “compensatory damages” must be clarified not to extend to reasonable-royalty awards. Reasonable-royalty awards are compensatory damages.¹³⁸ *Brumfield* makes clear that damages may be awarded based on activity outside the United States.¹³⁹

A defendant may argue that the “compensatory damages” language remains good law, but that interpretation is misguided. Recall that *Power Integrations* prohibited “compensatory damages for injury caused by infringing activity that occurred outside the territory of the United States.”¹⁴⁰ A defendant, seeking to minimize its foreign liability, may argue that *Power Integrations* prohibited compensation for injury that occurs abroad. Because *Brumfield* did not discuss foreign injury—as the hypothetical negotiation that determines the royalty rate occurs before *any* infringement occurs—a defendant could therefore argue that *Power Integrations*’s prohibition on compensatory damages awards for foreign infringement remains binding even over *Brumfield*.¹⁴¹

A plaintiff may easily counter this textualist reading of *Power Integrations*. Activities outside the United States do not infringe patent rights,¹⁴² so conduct occurring outside the United States cannot be called “infringing activity.”¹⁴³ Therefore, prohibiting compensatory damages for injury caused by infringing activity that occurred outside the territory of the United States would be a

136. See, e.g., Nicolas E. Calcaterra, *The Supreme Court Denies Rebuttal: WesternGeco and Salvaging Extraterritorial Bars to Patent Liability*, 34 BERKELEY TECH. L.J. 925, 949 (2019) (discussing multiple viewpoints on the role of foreseeability in patent damages).

137. *Power Integrations*, 711 F.3d at 1371 (emphasis added).

138. See *Minks v. Polaris Indus., Inc.*, 546 F.3d 1364, 1372 (Fed. Cir. 2008) (referring to a “reasonable royalty” as a “compensatory award”).

139. *Brumfield II*, 97 F.4th at 880.

140. *Power Integrations*, 711 F.3d at 1371.

141. See MATTHEWS PATENT DIGEST, *supra* note 18, § 30:86.10.

142. See *Brown v. Duchesne*, 60 U.S. 183, 195–96 (1856).

143. *Contra Power Integrations*, 711 F.3d at 1371.

trivial rule: there is no such thing as infringing activity outside of the United States, so it can cause no injury, and so there is nothing to compensate.

But even supposing that such foreign injury from foreign infringement did exist, *WesternGeco* already rejected this hypothetical defendant's argument. Justice Gorsuch's dissent in *WesternGeco* expressed fears that the majority had authorized damage awards for any use of a patented invention abroad, as long as one of its components was supplied from the United States.¹⁴⁴ The majority responded that this position "wrongly conflates legal injury with the damages arising from that injury."¹⁴⁵ By this token, the foreign use of the patent is not independently actionable; foreign conduct does not produce new harm or injury. Rather, foreign conduct is merely the measure of how much the patentee has suffered as a result of the infringement.

But *how* should courts use foreign conduct as a measure of harm? The following Sections illustrate the answer through discussing how foreign conduct is a measure of the proper amount of damages in three different contexts: lost profits, reasonable royalties, and enhanced damages.

B. FOREIGN CONDUCT AS A MEASURE OF LOST-PROFIT AWARDS

The *Brumfield* court declined to speculate if *Power Integrations* would stand up under the *WesternGeco* framework.¹⁴⁶ Exploring this question will illustrate the effects of the *WesternGeco* framework on the determination of lost-profit awards. The discussion below illuminates a fork in the road: foreign conduct could be used as either a broad or narrow measure of lost-profit awards.

Recall how *Brumfield* describes the *WesternGeco* framework. First, when deciding if the application of a statute is impermissibly extraterritorial, courts must first identify the statute's focus.¹⁴⁷ Then, the court should ask whether the conduct relevant to the statute's focus is "domestic."¹⁴⁸ Last, the court should ask if the infringement has "the needed causal relationship" to the foreign conduct that is the basis of the damages theory.¹⁴⁹

Applying the *WesternGeco* framework to *Power Integrations*, the first two steps are unlikely to exclude the consideration of foreign conduct. *WesternGeco* and *Brumfield* clearly establish that the focus of § 284 is "the infringement."¹⁵⁰ *Power Integrations* involved direct infringement under § 271(a).¹⁵¹ Reading § 271(a)

144. *WesternGeco II*, 585 U.S. at 423–24 (Gorsuch, J., dissenting).

145. *Id.* at 417.

146. *Brumfield II*, 97 F.4th at 871.

147. *Id.* at 873 (citing *RJR Nabisco*, 579 U.S. at 337).

148. *Id.* (citing *WesternGeco II*, 585 U.S. at 414).

149. *Id.* at 874, 878.

150. *WesternGeco II*, 585 U.S. at 414.

151. *Power Integrations*, 711 F.3d at 1376.

into the focus, § 284 provides a remedy for the act of making, using, selling, or importing any patented invention within the United States.¹⁵² As another scholar has noted, this trivially shows a domestic application of the statute.¹⁵³

Therefore, the last element, analysis of the “needed causal relationship,” will almost always be dispositive.¹⁵⁴ After *Brumfield*, the reasonable royalty argument needs to show that the hypothetically negotiated royalty would have been increased to reflect prospective conduct abroad.¹⁵⁵ The *Brumfield* court did not offer explicit guidance on the required causal connection for a lost-profit award, so applying the *WesternGeco* to *Power Integrations* poses a choice. Courts could apply this principle to lost-profit awards under two potential frameworks.

First, courts could apply the causation principle loosely when using foreign conduct to measure lost profits. The question guiding the damages award under that framework would be: What amount of money did the infringer make in *foreign sales* that the patentee should have instead made through its *domestic practice* of the patent?

Alternatively, the court could apply this causation principle more narrowly when using foreign conduct to measure lost profits. The question guiding the damages award under that framework would be: What amount of money did the infringer’s *domestic infringement* accrue abroad?

The following Sections discuss the application of each interpretation, suggesting that the latter interpretation is more consistent with Federal Circuit case law.

1. *When Using Foreign Conduct as a Measure of Injury, Courts Should Not Focus on the Disgorgement of Foreign Profits*

The generous reading of *WesternGeco* suggests that an infringer should be disgorged for the foreign sales of patented products that the patentee would have otherwise made through its domestic practice of the patent.¹⁵⁶ In this view, the foreign sales constitute unjust enrichment, which should be disgorged from the defendant. However, this view is misguided. In synthesizing the new doctrine of foreign patent damages, *Power Integrations* should be read to reject this damage theory.

WesternGeco and *Brumfield* both agree that patent damages should be “the difference between [the patentee’s] pecuniary condition after the infringement,

152. 35 U.S.C. § 271(a).

153. Calcaterra, *supra* note 136, at 949.

154. *See generally Brumfield II*, 97 F.4th at 880.

155. *Id.*

156. *See generally WesternGeco II*, 585 U.S. at 407.

and what [its] condition would have been if the infringement had not occurred.”¹⁵⁷ This frames the issue as expectation damages, where the patentee should be provided the benefits they expected to receive had the infringement not occurred.¹⁵⁸ One such expected benefit is the sale of their patented products on a global marketplace. By this token, if a domestic infringer made sales that, absent the infringement, otherwise would have been the patentee’s—isn’t the patentee entitled to those lost profits? This damages theory could be said to remain domestic because it focuses on the domestic conduct that the patentee would have profited from if not for the infringer.

This generous reading, however, is difficult to reconcile with *Power Integrations*, where the Federal Circuit prohibited a similar damage theory.¹⁵⁹ Power Integrations originally supplied 100 percent of the controller chips for Samsung cellphone chargers, and after beginning to sell infringing chips, Fairchild took on 40 percent of Samsung’s business.¹⁶⁰ Noting that selling a patented invention abroad is not infringement, the Federal Circuit rejected Power Integrations’s claim to these profits.¹⁶¹ Some of Fairchild’s sales to Samsung occurred abroad, but absent Fairchild’s infringement, Power Integrations alleged that it would have sold Samsung the chips in the United States.¹⁶² A disgorgement framework, therefore, would condone this damages theory, because Fairchild’s foreign sales should have been Power Integrations’s domestic ones.

A disgorgement theory’s focus on unjust enrichment threatens to expand the scope of liability for patent infringement to be broader than ever before—even for domestic conduct. An infringer would not only be unjustly enriched through stolen profits, but also through avoided research and development (R&D) costs. Courts do not disgorge infringers of their avoided costs in patent cases.¹⁶³ This framework’s eye toward disgorgement also confuses the purposes of compensatory and punitive damages. Disgorgement “is assessed in part for punitive purposes, and in many cases, the award is not

157. *Brumfield II*, 97 F.4th at 874; *WesternGeco II*, 585 U.S. at 414–15.

158. *See* Fifth Third Bank v. United States, 518 F.3d 1368, 1374 (Fed. Cir. 2008) (discussing the nature of expectation damages).

159. Recall that *Brumfield* held that *Power Integrations*’s legal framework was superseded by *WesternGeco*, but *Brumfield* did not cast doubt on the court’s ultimate ruling to exclude the damages theory. *Brumfield II*, 97 F.4th at 871.

160. Brief for Plaintiff-Cross Appellant, *Power Integrations*, *supra* note 43, at 46.

161. *Power Integrations*, 711 F.3d at 1372.

162. *See* Brief for Plaintiff-Cross Appellant, *Power Integrations*, *supra* note 43, at 46.

163. *Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360, 1375 (Fed. Cir. 2017) (permitting evidence of an infringer’s avoided costs insofar as they were probative of the royalty rate the infringer would have agreed to pay, but not as an independent basis of damages).

compensatory.”¹⁶⁴ But § 284 authorizes only compensatory awards: “damages adequate to compensate for the infringement.”¹⁶⁵

2. *Using Foreign Conduct as a Measure of Injury Should Instead Focus on the Amount of Money That the Infringer’s Domestic Conduct Accrues Abroad*

Even before *Brumfield*, the Eastern District of Texas interpreted *WesternGeco* to authorize lost-profit damages for foreign sales if and only if the sales were the result of domestic infringement.¹⁶⁶ In 2019, *Plastronics* extended the holding of *WesternGeco* to a lost-profits case based on § 271(a) infringement.¹⁶⁷ The court characterized *WesternGeco* as holding “a plaintiff could recover foreign damages that resulted from domestic acts of infringement,” regardless of the type of damages sought or nature of underlying infringement.¹⁶⁸ The court also correctly cautioned, in accordance with *WesternGeco*, that a plaintiff cannot recover under § 271(a) for purely foreign manufacturing, use, or sales because these acts do not constitute infringement under § 271(a).¹⁶⁹

Helpfully, the *Plantronics* court offered examples of foreign activity coupled with domestic infringement that can authorize lost profit awards, e.g., an infringing product made in the United States that was sold abroad, or a product imported into the United States that was subsequently sold internationally.¹⁷⁰ The court noted that each of these instances involved conduct from a defendant that constituted infringement under § 271(a), and thus, under the reasoning of *WesternGeco*, was compensable even if the sale causing damage ultimately occurred abroad.¹⁷¹ By this token, foreign profits measure the patentee’s harm because they were where the domestic infringement finally accrued a measurable benefit.

WesternGeco, viewed through this lens, is consistent with the proposition that lost-profit awards must only compensate for the *domestic* actions of the infringer.¹⁷² ION’s infringement was shipping components of a patented invention overseas to be assembled.¹⁷³ The *WesternGeco* jury found that because

164. Liu v. Sec. & Exch. Comm’n, 591 U.S. 71, 76 (2020).

165. 35 U.S.C. § 284.

166. See generally *Plastronics Socket Partners, Ltd. v. Dong Weon Hwang*, No. 218CV00014JRGRSP, 2019 WL 4392525 (E.D. Tex. June 11, 2019), *report and recommendation adopted*, No. 218CV00014JRGRSP, 2019 WL 2865079 (E.D. Tex. July 3, 2019).

167. *Id.* at *4.

168. *Id.*

169. *Id.* at *5 (citing *WesternGeco II*, 585 U.S. at 410).

170. *Id.* at *5.

171. *Id.*

172. See *WesternGeco II*, 585 U.S. at 409.

173. *Id.*

ION supplied components to companies abroad, ION won ten contracts worth over \$90 million.¹⁷⁴ The jury found that absent ION's shipping of components, WesternGeco would have obtained, performed, and profited from these contracts.¹⁷⁵ Accordingly, the relevant "lost profits" were not merely for sales of ION's components, but instead the value of overseas contracts that WesternGeco lost to competitors as a result of ION's infringement.¹⁷⁶

This framework has the benefit of easier administration. *Power Integrations* ruled that no company would buy any of the Fairchild's infringing chips unless the resulting products could be sold in the United States.¹⁷⁷ This theory is a disgorgement theory because it argues that all of Fairchild's foreign profits should instead have been Power Integrations' domestic profits. But proving a blanket statement on the consumption of foreign consumers is inadministrable. In contrast, WesternGeco pointed to ten contracts and proved that they would have obtained, performed, and profited from these contracts.¹⁷⁸ This has a level of specificity that makes the causation requirement easier to satisfy.

C. FOREIGN CONDUCT AS A MEASURE OF REASONABLE-ROYALTY AWARDS

How should courts use foreign conduct to measure the proper amount that an infringer would have paid to engage in the infringing conduct, and how may practitioners argue that foreign conduct should increase a reasonable-royalty rate? Section IV.C.1 examines one court's misunderstanding of *Brumfield* to authorize the consideration of non-infringing conduct in a royalty base. Section IV.C.2 illustrates how foreign conduct may increase reasonable-royalty rates through the already-existing *Georgia-Pacific* factors.

174. Brief for Petitioner at 14, 25, *WesternGeco II*, 585 U.S. 407 (No. 16-1011), 2018 WL 1083739, at *14, *25; accord Brief for Respondent at 8, *WesternGeco II*, 585 U.S. 407 (No. 16-1011), 2018 WL 1517869, at *8.

175. Brief for Petitioner, *WesternGeco II*, *supra* note 174, at 14.

176. Compare *WesternGeco II*, 585 U.S. at 417 (affirming damages amount), with Brief for Petitioner, *WesternGeco II*, *supra* note 174, at 14, 25 (discussing amount and calculation of original damages amount).

177. Brief for Plaintiff-Cross Appellant, *Power Integrations*, *supra* note 43, at 46.

178. Brief for Petitioner, *WesternGeco II*, *supra* note 174, at 14.

1. *Patentees Should Not Include Foreign Conduct in Their Royalty Bases*

The *WesternGeco* dissent expressed fear that companies would interpret the causation requirement as broadening, not limiting, damages.¹⁷⁹ Expanding *WesternGeco*, then, also raises this fear, particularly that courts will include foreign conduct in a royalty base. District courts should be careful to apply the rule of *Brumfield* only as a measure of how much the infringer would agree to pay per use of the infringing product.

Recall that the royalty base is generally the number of times the infringing product was made, sold, used, or otherwise infringed.¹⁸⁰ And recall that making, selling, or using a patented product in another country is not infringement.¹⁸¹

IPA Technologies, the first district court opinion to cite *Brumfield*, curiously interpreted *Brumfield* to support the consideration of non-infringing *domestic* conduct in a royalty base.¹⁸² IPA Technologies sued Microsoft, alleging that servers embedded in Windows 10 infringed its patent.¹⁸³ IPA's proposed reasonable-royalty base included all sales of Windows 10¹⁸⁴ on the rationale that the infringing servers "can only be accessed by Windows 10 and can only serve Windows 10."¹⁸⁵ Microsoft moved for summary judgment on this damages theory, arguing that sales of Windows 10 could not form the royalty base because Windows 10 did not infringe, only the accused servers did.¹⁸⁶ Microsoft insisted that the damages calculation "must be tied to actual consumer usage of the accused server code," not of Windows 10 as a whole.¹⁸⁷ The District of Delaware denied Microsoft's motion of summary judgment to exclude this damages theory, finding that using Windows 10 as the royalty base was a "reasonable way of measuring" the impact of the infringement.¹⁸⁸

After *Brumfield*, Microsoft petitioned the court for reconsideration.¹⁸⁹ Citing *Brumfield*, Microsoft argued that "the royalty base for reasonable-royalty

179. *WesternGeco II*, 585 U.S. at 423 (Gorsuch, J., dissenting) ("[S]upplying a single infringing product from the United States would make ION responsible for any foreseeable harm its customers cause by using the product to compete against WesternGeco worldwide").

180. MATTHEWS PATENT DIGEST, *supra* note 18, § 30:89.

181. *Microsoft Corp.*, 550 U.S. at 437.

182. Memorandum Order, *IPA Techs., Inc. v. Microsoft Corp.*, No. CV 18-1-RGA, 2024 WL 1962070, at *1 (D. Del. May 2, 2024).

183. *Id.* at *2.

184. Memorandum Opinion at 40, *IPA Techs.*, No. CV 18-1-RGA (D. Del. May 2, 2024), Dkt. No. 247.

185. Memorandum Order, *IPA Techs.*, *supra* note 182, at *2.

186. Memorandum Opinion, *IPA Techs.*, *supra* note 184, at 42.

187. *Id.* at 46.

188. *Id.* at 39.

189. Memorandum Order, *IPA Techs.*, *supra* note 182, at *2.

damages cannot include activities that do not constitute patent infringement, like Windows 10.”¹⁹⁰ Curiously, the District of Delaware understood Microsoft to argue that damages theories cannot include consideration of any non-infringing product.¹⁹¹ The court cited *Brumfield* to support the opposite proposition: a non-infringing product may be considered when it “enables and is needed to enable otherwise-unavailable profits” from the non-infringing activity.¹⁹² Without addressing Microsoft’s narrower argument about Windows 10 as a royalty *base*, the court ruled that IPA Technologies’s proposed reasonable-royalty *rate* did not “capture more than the value of what was taken.”¹⁹³ Thereupon, the district court declined reconsideration and upheld the damages theory.¹⁹⁴ At trial, the jury found that IPA Technologies was entitled to \$242 million in reasonable-royalty damages.¹⁹⁵ After verdict, the parties dismissed the case pursuant to a settlement agreement, so the court’s characterization of *Brumfield* escaped appellate review.¹⁹⁶

IPA Technologies exists in a curious tension with *Brumfield*. The *Brumfield* court indeed held that a non-infringing product may be considered when it enables and is needed to enable profits from the non-infringing activity.¹⁹⁷ But it explicitly stated that this consideration cannot be in the royalty *base*, which “cannot include activities that do not constitute patent infringement.”¹⁹⁸ *Brumfield* explicitly forecloses a damages theory like IPA Technologies’s. There should be no compensation specifically for the sale of Windows 10, “which is not infringement at all.”¹⁹⁹ The District of Delaware seemed to not want to disturb a damages award that it considered proper,²⁰⁰ but it muddied its analysis in its ruling.

Instead, the better consideration of Windows 10 would be in the royalty rate. *Brumfield* supports a damages theory that technological integration with Windows 10 “increase[d] the value” of the domestically infringing servers.²⁰¹

190. *Id.* (citing *Brumfield II*, 97 F.4th at 876); *see also* Microsoft Corporation’s Opening Brief in Support of Its Partial Motion for Reconsideration at 3, *IPA Techs.*, No. CV 18-1-RGA (D. Del. Apr. 26, 2024), Dkt. No. 348.

191. Memorandum Order, *IPA Techs.*, *supra* note 182, at *1.

192. *Id.*

193. *Id.* at *3 (emphasis added).

194. *Id.*

195. Jury Verdict, *IPA Techs.*, No. CV 18-1-RGA (D. Del. May 10, 2024), Dkt. No. 371.

196. Joint Stipulation of Dismissal with Prejudice, *IPA Techs.*, No. CV 18-1-RGA (D. Del. June 20, 2024), Dkt. No. 407.

197. *Id.* at *1.

198. *Brumfield II*, 97 F.4th at 876 (quoting *AstraZeneca*, 782 F.3d at 1343).

199. *See id.* at 866.

200. Memorandum Order, *IPA Techs.*, *supra* note 182, at *2.

201. *See Brumfield II*, 97 F.4th at 877.

By this token, Microsoft may have been willing to pay more per use of the allegedly infringing servers—a higher royalty rate. The following Section outlines the proper ways to consider foreign conduct in consonance with *Brumfield*. Foreign conduct may be considered in the royalty base only to the extent that it would be the proper basis for a lost profit award.

2. *Brumfield Is Consistent with the Georgia-Pacific Factors*

Having clarified that foreign conduct may be considered in the royalty rate and not the royalty base, this Section outlines how foreign conduct may “increase the value of the domestic infringement.”²⁰² Practitioners should include these arguments in their existing analysis of the *Georgia-Pacific* factors, each of which embody a reason that an infringer would have agreed to pay a higher royalty rate.²⁰³ The following Sections discuss how foreign conduct fits into several of the existing *Georgia-Pacific* factors.

a) Factor 3: The Scope of the License

The third *Georgia-Pacific* factor is “[t]he nature and scope of the license, as exclusive or non-exclusive; or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold.”²⁰⁴ This factor explicitly contemplates that the territorial scope of a license influences a royalty rate.²⁰⁵ Here, it is possible that a prospective infringer would pay more for a license that permits international sales from the United States than it would for one that only authorizes sales in the United States. This possesses the “required causal connection” because the sales abroad result from the domestic infringement: making the infringing product in the United States.²⁰⁶

b) Factor 5: The Commercial Relationship Between the Licensor and Licensee

The fifth *Georgia-Pacific* factor is “[t]he commercial relationship between the licensor and licensee, such as, whether they are competitors in the same territory in the same line of business.”²⁰⁷ Suppose a patentee and infringer are competitors in markets outside of the United States. A patentee will be less

202. *Brumfield II*, 97 F.4th at 877. The Federal Circuit also offers the example of such an increase if the domestic infringement “enables and is needed to enable otherwise-unavailable profits from conduct abroad.” *Id.*

203. *See supra* Section II.B.2.

204. *Georgia-Pacific*, 318 F. Supp. at 1120.

205. *See id.*

206. *See Brumfield II*, 97 F.4th at 880.

207. *Georgia-Pacific*, 318 F. Supp. at 1120.

willing to license to its competitor—especially if it competes in the market for the patented product *outside* the United States—leading to a higher royalty rate. After all, a company that buys the licensed product from the competitor in the United States may be more likely to also buy it from the competitor abroad. As above, this theory possesses the “required causal connection” because the sales abroad result from the domestic infringement of making the infringing product in the United States.²⁰⁸

c) Factor 6: Promotion of Sales of Non-Patented Items

The sixth *Georgia-Pacific* factor is “[t]he effect of selling the patented specialty in promoting sales of other products of the licensee; that existing value of the invention to the licensor as a generator of sales of his non-patented items.”²⁰⁹ Running with the same hypothetical from above, a company that buys the licensed product from the competitor in the United States may be more likely to also buy the competitor’s other products abroad. The potential sales boost to non-patented items outside of the United States may make the competitor more willing to pay a higher price to practice the patent in the United States. Therefore, the royalty established at the hypothetical negotiation could be increased to reflect prospective conduct abroad.²¹⁰

d) Factor 8: Established Profitability

The eighth *Georgia-Pacific* factor is “[t]he established profitability of the product made under the patent; its commercial success; and its current popularity.”²¹¹ If the competitor or patentee has a proven record of high profits from selling the product abroad, then the competitor would pay more to license the patent in the United States. Therefore, the royalty established at the hypothetical negotiation could be increased to reflect prospective conduct abroad.²¹²

e) Factor 11: Value of Invention to the Infringer

The eleventh *Georgia-Pacific* factor is “[t]he extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.”²¹³ This factor does not reference the use of the invention in the United States, so it could cover prior use abroad. Suppose that prior to infringing in the United States, a competitor used the patented method to manufacture

208. See *Brumfield II*, 97 F.4th at 880.

209. *Georgia-Pacific*, 318 F. Supp. at 1120.

210. See *Brumfield II*, 97 F.4th at 880.

211. *Georgia-Pacific*, 318 F. Supp. at 1120.

212. See *Brumfield II*, 97 F.4th at 880.

213. *Georgia-Pacific*, 318 F. Supp. at 1120.

widgets abroad, to great success. A patentee may offer evidence that is probative of the value of that foreign use to suggest that the competitor would have paid more to license the patent to use the method for manufacturing in the United States.

D. FOREIGN CONDUCT AS A MEASURE OF WILLFUL INFRINGEMENT

Section IV.B.1 proposes that courts reject the disgorgement interpretation of *WesternGeco*'s causation framework in the context of lost-profit awards. But this is not to say that damages awards may never be increased to disgorge a defendant for their foreign bad acts. Indeed, it makes sense to increase damages awards to punish or deter wrongdoing, but this must be done by using foreign conduct as a measure of willfulness. Thereby, foreign conduct fits neatly into the existing framework of enhanced damages awards.

Section IV.D.1 illustrates a real-life scenario where enhanced damages based on foreign misconduct may be proper. Then, Section IV.D.2 applies the *WesternGeco* framework to the enhanced damages provision of § 284, arguing that it could render such an award impermissibly extraterritorial. Therefore, courts must be careful in applying *WesternGeco*.

1. Case Study: Power Integrations II

Interestingly, an example of seeking enhanced damages based on bad acts abroad is *Power Integrations II*.²¹⁴ On remand, after the Federal Circuit had excluded the evidence of foreign sales in a lost-sales award, Power Integrations instead argued that Fairchild had willfully infringed its patent.²¹⁵ The District of Delaware ruled that the Federal Circuit's *Power Integrations* decision did not prohibit punitive damages for foreign conduct, even though it prohibited compensatory damages for foreign conduct.²¹⁶ Specifically, the District of Delaware found that Fairchild's extraterritorial conduct "is relevant to assessing Fairchild's intent, and, hence, it may be considered as part of a record supporting a finding of willfulness."²¹⁷ Accordingly, the District of Delaware found that the infringement was willful.²¹⁸ However, the court ultimately declined to award enhanced damages because the patent invalidity ruling was too close of a call.²¹⁹ Nonetheless, *Power Integrations II* illustrates that foreign bad acts can establish willful infringement.

214. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, No. CV 04-1371-LPS, 2017 WL 6206382, at *13 (D. Del. Dec. 8, 2017) [hereinafter *Power Integrations II*].

215. *Id.*

216. *Id.* at *10.

217. *Id.* at *10.

218. *Id.* at *11.

219. *Id.* at *9.

2. *WesternGeco Does Not Prohibit Using Foreign Conduct as the Basis of Willful Infringement*

Brumfield is silent on the issue of extraterritoriality in enhanced damages awards.²²⁰ And to the extent that *Power Integrations* remains good law, its focus is on compensatory, not punitive awards.²²¹ Is considering foreign conduct in awarding enhanced damages—augmenting the actual damages to punish or deter wrongdoers—impermissibly extraterritorial? As *Power Integrations II* illustrates, courts already consider foreign conduct in determining whether infringement was willful, and *Brumfield* should not change that.

As *Brumfield* dictates, the *WesternGeco* framework guides how a court must determine the permissibility of considering foreign conduct as the basis of willful infringement awards.²²² As in *WesternGeco*, the relevant statute is § 284, but this time the relevant provision allows courts to “increase the damages up to three times the amount found or assessed.”²²³

The first step of the *WesternGeco* framework requires identifying the “statute’s focus.”²²⁴ The Supreme Court and Federal Circuit both found the focus of § 284 to be providing patent owners “complete compensation for infringements.”²²⁵ But they focused on the compensatory damages provision of the statute, not the enhanced damages provision.²²⁶ Just as the *WesternGeco* Court looked to jurisprudence to determine the focus of the first provision of § 284,²²⁷ determining the purpose of the enhanced damages provision requires analyzing case law. Federal Circuit case law explains that the two *focuses* of enhanced damages are punishment and deterrence.²²⁸

The next step of the *WesternGeco* framework requires asking if the conduct relevant to the statutory focus in this case is domestic.²²⁹ *WesternGeco* found that the conduct relevant to § 271(f)(2) was “the domestic act of supply[ing] in

220. See generally *Brumfield II*, 97 F.4th at 871.

221. *Power Integrations*, 711 F.3d at 1371.

222. *Brumfield II*, 97 F.4th at 871 (holding that the *WesternGeco* framework governs the “determination whether patent damages are properly awarded in a particular case based partly on conduct abroad”).

223. 35 U.S.C. § 284.

224. *Brumfield II*, 97 F.4th at 873 (citing *RJR Nabisco*, 579 U.S. at 337).

225. *Id.* (citing *WesternGeco II*, 585 U.S. at 408).

226. *WesternGeco II*, 585 U.S. at 414.

227. *Id.*

228. *See* *Avia Grp. Int’l, Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1566 (Fed. Cir. 1988) (holding that “[o]ne purpose of an increased damage award is to deter willful patent infringement by punishing the willful infringer.”); *see also* *SRI Int’l, Inc. v. Advanced Tech. Lab’ys, Inc.*, 127 F.3d 1462, 1468 (Fed. Cir. 1997) (holding that “the remedy of enhancement of damages” is “primar[ily] punitive/deterr[ence]”).

229. *Brumfield II*, 97 F.4th at 873 (citing *WesternGeco II*, 585 U.S. at 414).

or from the United States.”²³⁰ *Brumfield* framed this inquiry as focusing on the “object of [the statute’s] solicitude, which can include the conduct it seeks to regulate, as well as the parties and interests it seeks to protect or vindicate.”²³¹ This poses a choice: do enhanced damages awards deter and punish foreign activity, or the willful infringement itself?²³²

This choice is dispositive of the framework’s outcome. If a court interpreted the award of enhanced damages to be concerned with regulating foreign conduct, then the application of § 284 could not be said to be domestic. But if the court interpreted the award of enhanced damages to be concerned with the willful domestic infringement itself, by the same token as *Brumfield*, the application of § 284 would be domestic.

Courts should carefully consider the evidentiary issues of proving willful infringement when considering whether the conduct relevant to § 284’s focus is domestic. The Federal Circuit instructs that the “tort of willful infringement arises upon deliberate disregard for the property rights of the patentee.”²³³ The evidence of an infringer’s subjective intent—the presence or absence of deliberate disregard—is commonly proven through careful consideration of the circumstances of the infringement.²³⁴ Through this lens, foreign conduct is merely a *measure* of willfulness, not the bad act that *itself* deserves punishment. The factors outlined in *Read v. Portec* are circumstantial evidence of subjective intent, not bad acts in themselves.²³⁵

Last in the *WesternGeco* framework is an inquiry into whether willful infringement “ha[s] the needed causal relationship to the foreign conduct.”²³⁶ In compensatory damages awards, courts ask how the foreign conduct increases the value of the domestic infringement.²³⁷ By this token, courts should ask if the foreign conduct increases the likelihood that, when the infringer committed domestic infringement, it acted knowingly or with

230. *Id.* (citing *WesternGeco II*, 585 U.S. at 415).

231. *Id.*

232. *See* 35 U.S.C. § 284.

233. *Vulcan Eng’g Co., Inc. v. Fata Aluminium, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002).

234. *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510–11 (Fed. Cir. 1990) (holding “[w]hether an act is ‘willful’ is by definition a question of the actor’s *intent*, the answer to which must be inferred from all the circumstances.”).

235. *See supra* Section II.B.3.

236. *Brumfield II*, 97 F.4th at 874, 878.

237. *Id.* at 877. The Federal Circuit also offers the example of such an increase if the domestic infringement “enables and is needed to enable otherwise-unavailable profits from conduct abroad.” *Id.*

deliberate disregard. As with compensatory damages awards, this will be a fact-specific inquiry.²³⁸

Accordingly, courts should consider that foreign bad acts can justify increasing damages awards. But consistent with *Power Integrations*, courts should not disgorge lost foreign profits that lack a causal connection to domestic infringement.²³⁹ Instead, courts should consider whether the foreign conduct makes it more likely that, at the time the defendant infringed in the United States, it acted with willful disregard for the patent.

V. CONCLUSION

Now more so than ever before, juries and judges are authorized to consider foreign conduct when determining the amount of damages that an infringer owes. Amidst the changing doctrine, courts should be careful not to make foreign bad acts independently actionable. Foreign activity can be a measure of injury, but it must not be mistaken for a cause of injury.

It is unclear what tactical advantage the expansion of foreign conduct will give to litigants. Perhaps patent plaintiffs, eager to get damning facts before the jury, will use foreign conduct damages theories to argue the relevance of foreign exploitation of the invention. Perhaps defendants, worried about the possibly increased scope of their liability, will be more willing to reach a settlement.

It is likely that international companies risk more by infringing in the United States. Now that the Supreme Court and Federal Circuit have expanded the ability of patent owners to recover for foreign conduct, offshore profits are not immune from damages awards. Businesses may begin to protect these offshore assets by creating American subsidiaries. Ultimately, sophisticated companies will structure themselves to minimize the scope of their risk, and the growing territorial reach of United States patent law threatens to expand it.

Only time will tell what the impact of *Brumfield* on lost-profit and enhanced damages awards will be. District courts should construe the impact of *Brumfield* on lost-profit awards narrowly because foreign bad acts are sometimes better punished through enhanced damages rather than disgorgement. Instead, lost-profit awards should focus on the amount of money that an infringer's domestic infringement accrues abroad—a measure, not a cause, of damages.

238. See *supra* Section II.B.3.

239. *Id.*

