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Patent Infringement Liability for Extraterritorial Acts

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PATENT INFRINGEMENT LIABILITY FOR EXTRATERRITORIAL ACTS[1]

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Background: WesternGeco's Relationship to Infringement Liability for Acts Abroad?

On June 22, 2018, the Supreme Court overruled the Federal Circuit's decision disallowing lost profits based on competition overseas. *WesternGeco L.L.C. v. ION Geophysical, Corp.*, 138 S.Ct. 2129, No. 16–1011 (U.S. Supreme Court June 22, 2018),[3] held that once a ***domestic act*** of infringement has been proven under § 271(f)(2), foreseeable damages proximately caused by the infringement may be recoverable regardless of where they occur in the world. In *WesternGeco*, the infringer sold a component of a system that the jury found had no substantial non-infringing use other than in a patented apparatus for conducting marine surveys. The patent owner did not sell the component but did compete in the worldwide market for marine surveys. The patent owner claimed lost profits from competition overseas by the infringer's foreign customers who used the component in their marine survey businesses. Since the use of the component by foreign companies in marine surveys outside of the United States did not infringe, the Federal Circuit held that no damages could be based on these extraterritorial acts. The Supreme Court reversed, holding that once there was a domestic act of infringement (there, supply of a component with no

[1] This paper and the accompanying speech and slides are for the purpose of promoting discussion among the patent bar and do not represent the views of Fish and Richardson, any of its attorneys or clients, or the views of ION Geophysical, Inc. or of Power Integrations, Inc., and is not sponsored by any of them. This paper is not legal advice.

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[3] The author was one of the counsel for ION Geophysical in the Supreme Court. This summary of *WesternGeco* is intended only to be a factual recitation of the actual decision, not an analysis of or an expression of any opinion about the decision or its impact. It is presented as background only for the following discussion of ***liability*** for extraterritorial acts that follows.

substantial non-infringing use from the United States), foreseeable losses proximately caused by the infringement could be recoverable, regardless of whether they arose from activity outside of the United States. The Supreme Court then remanded the case to the Federal Circuit for further proceedings on issues the panel had not reached in its 2015 opinion. On remand, the panel is also considering the impact of another panel's affirmance of the PTAB's cancellation of certain claims during the pendency of the Supreme Court proceedings.

Since *WesternGeco* overruled Federal Circuit law that prohibited damages for extraterritorial acts, litigants might argue that overseas acts, while not themselves infringing, may nonetheless be the basis for damages for domestic infringement under appropriate circumstance. Among other things, unresolved are questions regarding proximate cause left open by *WesternGeco*. 138 S.Ct. at 2137 fn. 3. For example, among other issues, are the question of how long these later foreign sales or acts can continue to count for the purpose of damages: The life of the patent? Limitations? Until there is a change in circumstance regardless of time?

Although *WesternGeco* specifically limited its holding to § 271(f)(2), 138 S.Ct. 2137 at fn. 2, at least one Federal District Court has already applied it to § 271(a), and then certified the case for an immediate interlocutory appeal. *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 2018 WL 4804685 (D. Del. Oct 4, 2018).[4] Given the remand to the panel in *WesternGeco* and now the certification of interlocutory appeal in *Power Integrations*, the Federal Circuit might speak on some of these open issues in the near future.

[4] Fish and Richardson is counsel for Power Integrations in this lawsuit, and this paper expresses no opinion and give no analysis regarding that case or the issues in that case.

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