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U.S. Patent Infringement Opens the Door to Damages Based on Foreign Conduct

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Multinational companies beware – the U.S. Court of Appeals for the Federal Circuit's recent decision in *Brumfield v. IBG LLC*, 97 F.4th 854 (Fed. Cir. 2024), has opened the door for U.S. patent holders to seek damages based on wholly foreign sales for patent infringement occurring in the United States.

Prior to 2018, it was well understood that plaintiffs in U.S. patent infringement lawsuits could not recover damages based on a defendant's wholly foreign conduct. As the Federal Circuit explained in its 2013 decision in *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 711 F.3d 1348, 1370-71 (Fed. Cir. 2013), "[i]t is axiomatic that U.S. patent law does not operate extraterritorially to prohibit infringement abroad," and there can be no "compensation for a defendant's foreign exploitation of a patented invention, which is not infringement at all."

However, in 2018, when addressing a case of infringement under 35 U.S.C. § 271(f)(2), the Supreme Court of the United States ruled in *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407 (2018), that a patent owner could recover damages in the form of foreign lost profits that were proximately caused by the domestic infringement. Section 271(f)(2) prohibits a specific type of infringement in which a person supplies or causes to be supplied in or from the United States components of a patented invention when the person "know[s] that such component is so made or adapted and intend[s] that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States."

Unlike the *WesternGeco* case, the issues in *Brumfield* involved infringement under 35 U.S.C. § 271(a)—which prohibits the making, using, selling, offering to sell, or importing of patented inventions—and a damages award of reasonable royalties (as opposed to lost profits in *WesternGeco*). However, the Federal Circuit in *Brumfield* determined that the Supreme Court's reasoning in *WesternGeco* applies equally to infringement under Section 271(a) and to damages awards of reasonable royalties as well as lost profits. In so doing, the *Brumfield* court expressly ruled that *WesternGeco* supersedes *Power Integrations* and that the determination of whether patent damages are properly awarded based on foreign conduct should be governed under the framework of *WesternGeco*.

Under *Brumfield,* patent holders may now be able to recover damages for a defendant's foreign sales if the foreign sales were proximately caused by the defendant's making, using, selling, offering to sell, or importing the patented invention in the United States. Although the *Brumfield* decision leaves open important questions about the definition and scope of the "proximate cause" necessary for recovery of damages based on foreign conduct, it is clear that the Federal Circuit's decision in *Brumfield* sets a significant precedent with broad implications for foreign companies conducting business within the United States. It will be left to future cases to test and define the limits of the proximate cause between domestic infringement and foreign sales. In the meantime, the *Brumfield* decision will likely lead to an increase in discovery disputes related to defendants' foreign activity, prompt more complicated and novel damages theories, encourage more non-practicing entity activity, and ultimately increase the potential liability of multinational companies doing business in the United States for patent infringement that occurs in the United States.

Foreign entities must now be acutely aware that engaging in activities that infringe upon U.S. patents can lead to legal repercussions that extend beyond the borders of the United States. The *Brumfield* decision underscores the need for comprehensive legal counsel and strategic planning for multinational companies seeking to enter or expand their presence in the U.S. market and highlights the importance of proactive measures to mitigate legal risks and safeguard against potential liabilities.

If you have any questions about the *Brumfield* decision or how it may apply to your business, please contact your Masuda Funai relationship attorney or any member of Masuda Funai's Litigation Practice Group.

Masuda Funai is a full-service law firm with offices in Chicago, Detroit, Los Angeles, and Schaumburg.