



Supreme Court Says That Patent Holders May Recover Lost Foreign Profits Resulting From Patent Infringement In The United States

WesternGeco LLC v. ION Geophysical Corp.,
No. 16-1011

Decided June 22, 2018

Today, the Supreme Court held 7-2 that federal law permits a patent holder to recover damages for overseas losses from a defendant that infringes its patent by shipping components of a patented invention from the United States to be assembled abroad.

Background:

35 U.S.C. § 271(f)(2) imposes liability for patent infringement when a company ships components of a patented invention overseas to be assembled in a way that would constitute patent infringement in the United States. 35 U.S.C. § 284 permits patent owners who prove infringement under § 271(f)(2) to recover damages, but the statute is silent on whether damages are available for losses incurred outside of the United States as a result of the infringement. *WesternGeco*, which owns patents related to ocean-floor surveying technology, proved patent infringement under § 271(f)(2) and was awarded damages pursuant to § 284 for lost profits incurred abroad.

Issue:

Whether awarding damages for lost foreign profits to a patent owner who proves patent infringement under 35 U.S.C. § 271(f)(2) comports with the presumption that federal statutes apply only within the territorial jurisdiction of the United States.

“[T]he focus . . . , in a case involving infringement under [35 U.S.C.] § 271(f)(2), is on the act of exporting components from the United States.”

Justice Thomas,
writing for the 7-2 majority

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Court's Holding:

Yes. Awarding damages for lost foreign profits to a patent owner who proves patent infringement under § 271(f)(2) does not violate the presumption against extraterritoriality.

What It Means:

- The Court's holding means that a patent holder who proves infringement under 35 U.S.C. § 271(f)(2) can recover damages for lost foreign profits. The Court expressly declined to decide whether a patent holder can recover lost foreign profits for infringement under other provisions of the Patent Act.
- The Court did not reach the question of whether the damages provision of the Patent Act, 35 U.S.C. § 284, applies extraterritorially. Instead, the Court concluded that WesternGeco's claim for lost foreign profits involved a domestic application of § 284 because it sought a remedy for conduct that occurred in the United States—the export by domestic entities of component parts from the United States.
- Whether the decision will have broader implications in other areas of U.S. law remains to be seen, since the language of the decision strongly suggests that its holding will be cabined to the context of patent infringement.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

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