

Patent Damages without Borders

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The presumption against extraterritoriality is a deceptively straightforward principle: that U.S. law applies only inside the United States. But there is confusion regarding whether the presumption applies when a court calculates patent damages. In WesternGeco L.L.C. v. Ion Geophysical Corp., the Federal Circuit held that patent holders who show infringement under § 271(f) of the Patent Act cannot recover foreign lost profits. The court maintained that allowing recovery of such damages would result in the Patent Act applying extraterritorially, which cannot be done without Congress's clear intent. This interpretation severely limits the ability of district courts to make patent infringement victims whole. This article maintains that the Federal Circuit's reliance on the presumption is misplaced. The presumption was established to prevent U.S. law from applying to extraterritorial conduct; it was not intended to cover situations in which foreign damages flow directly from an act of domestic patent infringement. The presumption has been rebutted under the Supreme Court's two-step extraterritoriality test. By creating this bright-line rule, the Federal Circuit has unduly restricted the ability of patent holders to recover damages, including in cases in which there is no other applicable law. This Article proposes that the Federal Circuit adopts a flexible test that balances prescriptive comity concerns with the United States' interest in making victims of domestic patent infringement whole.

I. Introduction

The presumption against extraterritoriality (“the presumption”) is the principle “that United States law governs domestically but does not rule the world.”¹ In applying this canon of construction, a court will ask whether statutory language “gives any indication of a congressional purpose to extend its coverage beyond places over which the United States has sovereignty or has some measure of legislative control.”² Congress is presumed to legislate against this backdrop, and must express affirmative intention to overcome it.³

Under § 271(f) of the Patent Act, Congress has expressly permitted the statute to reach extraterritorially;⁴ the provision generally applies when a party exports components for a patented device with the intent that the components be combined outside the United States.⁵ This allows a party to be held liable for infringement even if they did not make, use, or sell a patented device inside the United States. As with other substantive sections of the Patent Act, the patent holder may seek damages under § 284 that arise from a violation of the provision.⁶ The Supreme Court and the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”), en banc, have both been clear that limitations should not be read into § 284 absent express Congressional support.⁷

The Federal Circuit, however, is now barring extraterritorial damages under § 271(f).⁸ In *WesternGeco L.L.C. v. Ion Geophysical Corp.*, the court held that a patent holder cannot recover any damages for losses incurred outside the United

¹ *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454 (2007).

² *Equal Employment Opportunity Comm’n v. Arabian American Oil Co.* (hereinafter, *Aramco*), 499 U.S. 244, 248 (1991) (quoting *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949)).

³ *Id.* See also *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 147 (1957) (holding that for the Court “to run interference in such a delicate field of international relations,” Congress must clearly express affirmative intention).

⁴ See *Microsoft Corp.*, 550 U.S. at 441 (noting that “§ 271(f) is an exception to the general rule that our patent law does not apply extraterritorially”).

⁵ Under § 271(f)(1), the components that are supplied must comprise “all or a substantial portion” of the components of the patented invention so as to induce the combination outside of the United States. See 35 U.S.C. § 271(f)(1) (2010). Under § 271(f)(2), the supplied components must be “especially made or especially adapted” for use in the patented invention and must not “a staple article of commodity or commerce.” See 35 U.S.C. § 271(f)(2).

⁶ See 35 U.S.C. § 284 (“Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer”).

⁷ See *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 653 (1983) (holding that when Congress wishes to limit recovery for patent infringement, it does so explicitly); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (observing that “the [Supreme] Court has cautioned against imposing limitations on patent infringement damages”). See also, *infra*, Part IV.C.2.

⁸ *WesternGeco L.L.C. v. Ion Geophysical Corp.*, 791 F.3d 1340, 1351 (Fed. Cir. 2015), *vacated*, 136 S. Ct. 2486 (2016), *opinion reinstated in relevant part*, 837 F.3d 1358, 1361 (Fed. Cir. 2016).

States, even those that directly flow from a domestic act of infringement under § 271(f).⁹ The court based this decision on the presumption, maintaining that such losses are beyond the reach of U.S. law.¹⁰ The decision to bar damages was notable, given that they arose from service contracts performed on the high seas, where no country's law directly applies.¹¹ Furthermore, although the court's final decision did not issue until late 2016, the Federal Circuit disregarded the Supreme Court's 2016 decision *RJR Nabisco, Inc. v. European Community*, in which the Court provided a new two-step framework for analyzing whether a statute applies extraterritoriality.¹²

In an attempt to not apply U.S. patent law to foreign acts, the Federal Circuit has overextended the presumption. The Supreme Court has never directly applied the presumption to a purely remedial provision in which Congress expressly overcame the presumption for the relevant substantive provision. Moreover, even if the presumption is applicable, a strong argument can be made that it has been rebutted.¹³ By creating a bright-line rule, the Federal Circuit has unduly restricted the ability of patent holders to recover damages under § 271(f), even in cases in which no other country has territorial jurisdiction.

This Article argues that the Federal Circuit has erred in using the presumption to block all extraterritorial damages. Part II introduces the presumption and discusses justifications for it, including prescriptive comity and congressional intent. It explains how the presumption has been applied in patent law, and discusses the Federal Circuit's use of the presumption for damages cases. Part III examines how the presumption has been applied in copyright and trademark law. It discusses how the Supreme Court has permitted the extraterritorial application of trademark law and observes that several courts of appeal have extraterritorially applied the Copyright Act through the predicate act doctrine.

Part IV maintains that the Federal Circuit has misinterpreted Supreme Court precedent regarding the presumption. It argues that under the *RJR Nabisco* test, the presumption has been rebutted due to the relevant conduct occurring inside the United States. Part IV suggests that the court adopt a test that balances comity concerns with the government's interests in making patent holders whole and promoting innovation. Part V concludes.

⁹ *Id.* at 1351.

¹⁰ *See id.* at 1352.

¹¹ *Id.* at 1349 (observing that the service contracts at issue “were all to be performed on the high seas, outside the jurisdictional reach of U.S. patent law”). In his dissent-in-part, Judge Wallach observed that on the high seas, “it may be that no country's patent laws reach the conduct occurring in international waters absent a provision such as § 271(f).” *Id.* at 1360–61.

¹² 136 S. Ct. 2090, 2101 (2016) (discussing the two-step framework). *See also infra*, Part II.A.2 (discussing *RJR Nabisco*). Although the original *WesternGeco* decision was handed down in 2015, that decision was vacated and remanded by the Supreme Court in 2016. *WesternGeco L.L.C.*, 136 S. Ct. 2486 (2016).

¹³ *See* Part IV.B.

II. Extraterritoriality in Patent Law

The presumption against extraterritoriality is a canon of construction that applies not just to the Patent Act, but to all statutes. It plays an important role in maintaining harmony with foreign nations and helps courts respect Congress's intent. With the rise of globalization, extraterritoriality concerns have been arising with greater frequency in patent law, especially with regard to patent damages.¹⁴

This Part provides an overview of the extraterritorial limitations that affect the reach of the Patent Act. Section A briefly discusses the history of the presumption and discusses the current test for determining whether a U.S. statute applies to extraterritorial conduct. Section B examines the justifications for the presumption. Section C then discusses how the presumption has been applied by the Supreme Court in patent infringement cases. Finally, Section D discusses how the presumption has been applied by the Federal Circuit to patent damages cases.

A. Introduction to the Presumption Against Extraterritoriality

Congress's ability to pass laws that regulate extraterritorial conduct is somewhat limited under the customary law of international jurisdiction. With regard to activities inside the United States, Congress may prescribe laws with respect to (1) "conduct that, wholly or in substantial part, takes place within its territory," (2) "the status of persons, or interests in things present within its territory," and (3) "conduct outside its territory that has or is intended to have substantial effect within its territory."¹⁵ Congress also has limited non-territorial jurisdiction. It may prescribe law for its own nationals outside the United States,¹⁶ as well as for conduct of non-nationals who threaten U.S. national security.¹⁷

Beyond the confines of international law, Congress has leeway in making U.S. law reach extraterritorial conduct. However, over the past three decades, the Supreme Court has taken an increasingly aggressive approach to limiting

¹⁴ See, e.g., *Power Integrations v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1371 (Fed. Cir. 2013) (holding extraterritorial lost profits cannot be awarded from a § 271(a) violation); *Carnegie Mellon University v. Marvell Technology Group, Ltd.*, 807 F.3d 1283, 1291 (Fed. Cir. 2015) (holding that foreign sales cannot be used to measure a reasonable royalty for a § 271(a) violation).

¹⁵ RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES, § 402(1) (1986). See also, Jeffrey A. Meyer, *Dual Illegality and Geoambiguous Law: A New Rule for Extraterritorial Application of U.S. Law*, 95 MINN. L. REV. 110, 143–44 (2010) (discussing the scope of the Restatement).

¹⁶ *Id.* § 402(2). This principal goes back to at least the early 1800s. See *The Apollon*, 22 U.S. 362, 370 (1824) (holding "[t]he laws of no nation can justly extend beyond its own territories, except so far as regards its own citizens."); *Rose v. Himely*, 8 U.S. 241, 279 (1808) (noting "that the legislation of every country is territorial; that beyond its own territory, it can only affect its own subjects or citizens").

¹⁷ *Id.* § 402(3).

extraterritorial applications of statutes, forcing Congress to speak with increased clarity.

1. The Early Presumption

The precursor to the presumption is the *Charming Betsy* canon of construction. In the 1804 decision *Murray v. The Schooner Charming Betsy*, the Supreme Court noted “that an act of Congress ought never to be construed to violate the law of nations if any other possible construction remains.”¹⁸ As Professor Curtis Bradley noted, courts invoked the *Charming Betsy* canon to construe ambiguous statutes as not having extraterritorial reach, giving rise to the presumption.¹⁹

From the 1800s through the late 1940s, the Supreme Court developed the presumption against extraterritoriality to determine whether Congress intended to exercise extraterritorial prescriptive jurisdiction. In the early 1800s, the presumption was used primarily to limit the reach of U.S. laws to foreign ships.²⁰ For example, in the 1824 case *The Apollon*, the Court declined to apply U.S. customs law to a French ship that temporarily entered a U.S. port en route to Spanish territory.²¹

In the 1909 decision *American Banana Co. v. United Fruit Co.*, the Court applied the presumption to the Sherman Act. In that case, the plaintiff was harmed through acts that occurred in Panama and Costa Rica. Justice Holmes, writing for the unanimous Court, held that because the acts occurred outside the United States, U.S. law did not apply. He observed that “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.”²²

The early presumption was narrow. In the 1818 case *U.S. v. Palmer*, the Court noted that the “only question” in determining whether a statute applies extraterritorially is to ask whether the statutory text authorizes courts to inflict penalties on non-citizens.²³ In *American Banana*, the Court emphasized that in areas with no sovereign, such as the high seas, “such countries may treat some relations

¹⁸ 6 U.S. 64, 118. *See also*, RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS OF LAW OF THE UNITED STATES, § 114 (AM. LAW INST. 1987) (articulating the *Charming Betsy* canon as where possible, “a United States statute is to be construed so as not to conflict with international law or with an international agreement of the United States”).

¹⁹ Curtis A. Bradley, *The Charming Betsy Canon and Separation of Powers: Rethinking the Interpretive Role of International Law*, 86 GEO. L.J. 479, 489–90 (1998).

²⁰ *See* *United States v. Palmer*, 16 U.S. 610, 630 (1818) (holding that a federal piracy statute did not apply to a robbery committed by a foreign citizen on a foreign ship in international waters). *See also*, William S. Dodge, *Understanding the Presumption Against Extraterritoriality*, 16 BERKELEY J. INT’L L. 85, 86 (2008) (discussing the history of the presumption).

²¹ *The Apollon*, 22 U.S. at 370.

²² 213 U.S. 347, 356.

²³ *Palmer*, 16 U.S. at 630–31.

between their citizens as governed by their own law.”²⁴ The doctrine then went mostly dormant,²⁵ with the Court expansively applying several statutes extraterritorially.²⁶

2. The Presumption’s Revival and Expansion

Beginning the 1990s, the Rehnquist Court revived the presumption and aggressively expanded its reach.²⁷ In *EEOC v. Arabian American Oil Co. (Aramco)*, a U.S. citizen sued Delaware-incorporated Aramco under Title VII, arguing that he was unlawfully fired while working in Saudi Arabia.²⁸ The Court stated that it “assume[s] that Congress legislates against the backdrop of the presumption against extraterritoriality” and described it as “a longstanding principle of American law.”²⁹ The Court concluded that because Congress did not express intent for the statute to apply abroad, Title VII did not apply abroad.³⁰ The Court failed to address why

²⁴ *American Banana*, 213 U.S. 355–56. *See also*, Curtis A. Bradley, INTERNATIONAL LAW IN THE U.S. LEGAL SYSTEM 179 (2d ed. 2015) (discussing how the presumption allowed U.S. law to extend to the conduct of U.S. citizens outside the country). Note that this view is consistent with prescriptive jurisdiction. *See Meyer, supra* note 15 at 143–44 (discussing the scope of customary law of international jurisdiction). The Restatement (Third) of Foreign Relations recognizes four categories in which a State has jurisdiction to prescribe law, including “the activities, interests, status, or relations of its nationals outside as well as within its territory.” *See* RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES, § 402.

²⁵ *See* Maggie Gardner, *RJR Nabisco and the Runaway Canon*, 102 VA. L. REV. ONLINE 134, 136 (2016) (noting the doctrine’s dormancy from 1949 to 1991 and observing that the presumption does not appear in the Restatement (Third) of Foreign Relations Law); William S. Dodge, *The Presumption Against Extraterritoriality in Two Steps*, 110 AM. J. INT’L L. UNBOUND 45, 45 (2016) (noting that absent a brief mention in 1989, the Supreme Court did not apply the presumption to determine a federal statute’s geographic scope between 1949 and 1991).

Note, however, that during this time period, there were cases in which the Supreme Court declined to apply U.S. statutes extraterritorially using other doctrines, such as the maritime law of the flag doctrine. *See McCullough v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 21 (1963) (holding that under the law of the flag and the Charming Betsy canon, the jurisdictional provisions of the National Labor Relations Act do not apply to foreign flagged ships employing foreign seamen).

²⁶ *See, e.g., F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 165 (2004) (applying the Sherman Act to foreign conduct) (emphasis in original); *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285 (1952) (applying the Lanham Act to conduct of a U.S. citizen in Mexico).

²⁷ *See* Gardner, *supra* note 25 at 136 (discussing how the Rehnquist and Roberts Courts used the presumption to “curb[] the scope of transnational litigation in U.S. courts”); Pamela K. Bookman, *Litigation Isolationism*, 67 STAN. L. REV. 1081, 1098–99 (2015) (observing that judges use the presumption as a “means of avoiding transnational litigation in U.S. courts”); John H. Knox, *A Presumption Against Extrajurisdictionality*, 104 AM. J. INT’L L. 351, 374 (2010) (arguing that the Rehnquist court merged the presumption against extraterritoriality with the stricter presumption against extrajurisdictionality—the presumption that federal law does not extend beyond the jurisdictional limits set by international law).

²⁸ 499 U.S. 244, 247 (1991).

²⁹ *Id.* at 248.

³⁰ *Id.* at 257–60.

Congress would have legislated against the background of a doctrine that had been dormant for 43 years.³¹

The Rehnquist Court expanded the presumption's scope in *Smith v. United States*.³² In this case, the widow of a U.S. contractor killed in Antarctica attempted to sue under the Federal Tort Claims Act (FTCA), which waives federal sovereign immunity for some tort suits. Because the FTCA does not apply to claims that arise "in a foreign country," the plaintiff argued that Antarctica is not a foreign country.³³ Nevertheless, the Court found the presumption to be applicable, noting that "any lingering doubt" regarding the law's reach should "be resolved against its encompassing torts committed in Antarctica."³⁴ It reiterated that U.S. law only applies "within the territorial jurisdiction of the United States," notwithstanding the fact that no other country's law applied.³⁵

In *Kiobel v. Royal Dutch Petroleum*, the Roberts Court further broadened the presumption.³⁶ Previously, the Court had found the presumption to apply only to substantive statutes.³⁷ The *Kiobel* Court found, however, that "the principles underlying the canon of interpretation similarly constrain courts considering causes of action."³⁸ It consequently concluded that the Alien Tort Statute did not apply to violations of the law of nations that occurred outside the United States.³⁹

The most dramatic alteration to the presumption was introduced in the Court's 2016 decision, *RJR Nabisco, Inc. v. European Community*.⁴⁰ The Court considered whether the substantive provisions of the Racketeer Influenced and Corrupt Organizations Act (RICO) applied extraterritorially, and whether RICO created a cause of action for foreign plaintiffs. The *RJR Nabisco* Court clarified that a two-step framework applies for analyzing extraterritoriality cases.⁴¹ Under step one, a

³¹ The Court maintained that Congress had "awareness of the need to make a clear statement that a statute applies" based on several statutes in which Congress was explicit about extraterritorial reach, *Id.* at 258, but it is unclear whether Congress *knew* it was required to make such statement.

³² 507 U.S. 197 (1993).

³³ *Id.* at 201.

³⁴ *Id.* at 203–04.

³⁵ *Id.* at 204 (quotation marks omitted).

³⁶ 133 S. Ct. 1659 (2013).

³⁷ The *Kiobel* Court claimed that it "typically" applies the presumption to statutes that regulate foreign conduct, but there do not appear to be any cases prior to *Kiobel* in which the Court applied the presumption to a non-substantive provision. The *Kiobel* Court cited to its earlier decision *McCullough v. Sociedad Nacional del Marineros de Honduras*, in which it declined to extend jurisdictional provisions of the National Labor Relations Act to foreign seaman on foreign-flagged ships. *Id.* at 1672. However, *McCullough* was decided under the law of the flag and applied the Charming Betsy canon and not the presumption. *McCullough*, 372 U.S. at 20–22.

³⁸ *Kiobel*, 569 U.S. at 1665.

³⁹ *Id.* at 1669.

⁴⁰ 136 S. Ct. 2090.

⁴¹ *Id.* at 2101. This two-step framework formalizes the approach taken by the Supreme Court in *Morrison v. National Australia Bank, Ltd.*, 561 U.S. 247, 265 (2010). *See also*, Lea Brilmayer,

court asks “whether the statute gives a clear, affirmative indication that it applies extraterritorially.”⁴² If Congress clearly intended for a statute to apply extraterritorially, then the presumption has been rebutted and the court may apply the statute to foreign activity. If the statute fails step one, the court moves to step two and determines “whether the case involves a domestic application of the statute” by looking at the statute’s focus.⁴³

There were two major changes under the *RJR Nabisco* Court’s approach. First, the unanimous Court noted that a court must apply step one “regardless of whether the statute in question regulates conduct, *affords relief*, or merely confers jurisdiction.”⁴⁴ One of the provisions at issue in the case was § 1964(c) of RICO, which allows “[a]ny person injured in his business or property by reason of a violation of section 1962’ to sue for treble damages, costs, and attorney’s fees.”⁴⁵ This provision is part jurisdictional, in that it provides a cause of action to plaintiffs. But it is also part remedial, because it allows such plaintiffs to be awarded treble damages. Although the Court’s statement regarding provisions that only afford relief was dicta, it suggests that the presumption might apply to § 284 of the Patent Act.

Second, the Court held 4-3 that the presumption can apply more than once to the same statute. After seven Justices of the Court found that Congress intended for substantive § 1962 of RICO to apply extraterritorially, a four-Justice majority held that the presumption had to be applied for a second time to the jurisdictional provision granting a private right of action.⁴⁶ Notwithstanding § 1964(c)’s broad language, the Court maintained that Congress did not overcome the presumption, and that § 1964 was limited to plaintiffs alleging domestic injury.⁴⁷ Under the four-

New Extraterritoriality: Morrison v. National Australia Bank, Legislative Supremacy, and the Presumption Against Extraterritorial Application of American Law, 40 SW. L. REV. 655, 663 (2011) (discussing the two-step approach that emerged from *Morrison*).

⁴² *RJR Nabisco, Inc.* 136 S. Ct. at 2101.

⁴³ *Id.* Note that step two is consistent with the Supreme Court’s earlier cases applying the Sherman Act and Lanham Act extraterritorially. In *Aramco*, the Court justified the extraterritorial application of the Lanham Act on two grounds: that (1) the alleged extraterritorial conduct “had some effects within the United States” and (2) the Lanham Act applies to “all commerce which may lawfully be regulated by Congress.” *Aramco*, 499 U.S. at 252. Similarly, the Sherman Act applies only to foreign conduct that has a domestic effect. *F. Hoffman-La Roche Ltd.*, 542 U.S. at 165 (observing that “courts have long held that application of our antitrust laws to foreign anticompetitive conduct. . .insofar as they reflect a legislative effort to redress *domestic* antitrust injury that foreign anticompetitive conduct has caused”). Consequently, *RJR Nabisco* could be viewed as an attempt by the Supreme Court to reconcile past cases that had appeared to conflict.

⁴⁴ *RJR Nabisco, Inc.* 136 S. Ct. at 2100 (emphasis added).

⁴⁵ *Id.* at 2106 (quoting 18 U.S.C. 1964(c)).

⁴⁶ *Id.* Only seven Justices took part in the consideration of this case because Justice Scalia’s seat was vacant and Justice Sotomayor was recused.

⁴⁷ *Id.* at 2106.

Justice approach, even if Congress clearly intended § 271(f) to reach foreign conduct, the presumption would need to be applied again to § 284.⁴⁸

B. Policy Considerations

Although the presumption was originally about discerning Congress's intent,⁴⁹ it has strayed from these roots. Scholars have observed how the Supreme Court uses it to discount Congress's objectives and engage in judicial policymaking.⁵⁰ Several policy justifications underlie the modern presumption. Some relate to international concerns, such as respecting the laws of foreign countries and avoiding conflicts with them. Others are more domestic in nature, such as maintaining separation of powers.⁵¹

1. International Law and Prescriptive Comity

The presumption is heavily grounded in international law and the principle of prescriptive comity. Although comity is difficult to define,⁵² an early Supreme Court decision described it as “the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws.”⁵³ The Supreme Court applies the presumption when it “construes ambiguous statutes to avoid unreasonable interference with the sovereign authority of other nations.”⁵⁴

⁴⁸ Note that it is unclear what kind of precedential effect a four-Justice majority decision has. *See* Part IV.A.2.

⁴⁹ *See supra*, Part I.A.1.

⁵⁰ *See* Brilmayer, *supra* note 41 at 664 (maintaining that the Supreme Court's approach has “increased the opportunity for judicial policy making and diminished the importance of congressional preferences”).

⁵¹ For a broader look at justifications for the presumption, *see* Curtis A. Bradley, *Territorial Intellectual Property Rights in the Age of Globalism*, 37 VA. J. INT'L L. 505, 513–16 (1997) (discussing the reasons for the presumption) (hereinafter, “*Territorial IP Rights*”).

⁵² *See* JP Morgan Chase Bank v. Altos Hornos de Mexico, S.A. de C.V., 412 F.3d 418, 423 (2d Cir. 2005) (quoting Harold G. Maier, *Extraterritorial Jurisdiction at a Crossroads: An Intersection Between Public and Private International Law*, 76 AM. J. INT'L L. 280, 281 (1982)) (“The doctrine has never been well-defined, leading one scholar to pronounce it ‘an amorphous never-never land whose borders are marked by fuzzy lines of politics, courtesy, and good faith.’”).

⁵³ *Hilton v. Guyot*, 159 U.S. 113, 164 (1895). This article uses the term “prescriptive comity” to distinguish from “comity of the courts,” under which “judges decline to exercise jurisdiction over matters more appropriately adjudged elsewhere.” *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 817 (1993) (Scalia, J., dissenting). *See also* Joseph Story, COMMENTARIES ON THE CONFLICT OF LAWS, FOREIGN AND DOMESTIC § 38 (1834) (distinguishing between the “comity of the courts” and the “comity of nations”).

⁵⁴ *F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164–165 (2004) (discussing *Hartford Fire Co.*, 509 U.S. at 817 (Scalia, J., dissenting)).

Although the presumption is strongly grounded in comity considerations, it is important to note that it does not prevent all foreign conflicts. The Restatement (Third) of the Foreign Relations of

The Court is “unwilling to ascribe to Congress a policy which would raise difficult international law issues” by imposing U.S. law “upon foreign corporations operating in foreign commerce.”⁵⁵ Consequently, the presumption “helps the potentially conflicting laws of different nations work together in harmony” which the Court claims is “particularly needed in today’s highly interdependent commercial world.”⁵⁶

Comity concerns arose in *Morrison v. National Australia Bank Ltd.*, in which the Supreme Court held that the Securities and Exchange Act does not apply to foreign investment deals that have a domestic impact.⁵⁷ In that case, a group of Australian citizens sued both National Australian Bank Limited (National) and Florida-based HomeSide Lending for securities fraud.⁵⁸ The petitioners held National stock, which was listed on the New York Stock Exchange, but not traded in the United States. The companies made a series of deceptive statements in Australia and National issued several write-downs.⁵⁹

The conservative majority held that the presumption applied, notwithstanding the fact that HomeSide engaged in deceptive conduct in Florida. The Court found that the focus of the Exchange Act “is not upon the place where the deception originated, but upon purchases and sales of securities in the United States.”⁶⁰ It observed that the risk of conflict with foreign laws was so high that Congress would have been clear if it intended the Exchange Act to apply to foreign conduct.⁶¹ It noted that other countries differ with regard to “what constitutes fraud, what disclosures must be made, what damages are recoverable, what discovery is

Law of the United States recognizes not just territorial bases for prescriptive jurisdiction, but also non-territorial ones such as nationality. See RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS OF LAW OF THE UNITED STATES, § 402 (AM. LAW INST. 1987). A conflict could thus arise if one country exercises territorial jurisdiction while another exercises nationality jurisdiction. See Zachary D. Clopton, *Replacing the Presumption Against Extraterritoriality*, 94 B.U. L. REV. 1, 12 (2014) (observing that a U.S. court applying U.S. law territorially could still cause a conflict if “one party is a foreign national and her state has exercised nationality jurisdiction”).

⁵⁵ *Aramco*, 499 U.S. at 245. See also *Kiobel*, 133 S. Ct. at 1664 (discussing “the danger of unwarranted judicial interference in the conduct of foreign policy” with regard to the extraterritorial application of the Alien Tort Statute).

⁵⁶ *F. Hoffman-La Roche Ltd.*, 542 U.S. at 164–65. See also *Aramco*, 499 U.S. at 248 (noting that the presumption “serves to protect against unintended clashes between our laws and those of other nations which could result in international discord”).

⁵⁷ 561 U.S. 247 (2010). See also, Zachary D. Clopton, *Bowman Lives: The Extraterritorial Application of U.S. Criminal Law After Morrison v. National Australia Bank*, 67 N.Y.U. ANN. SURV. AM. L. 137 (2011) (noting how the Roberts Court made it harder for plaintiffs to establish U.S. connections needed to avoid the presumption’s application).

⁵⁸ *Morrison*, 561 U.S. at 251.

⁵⁹ *Id.* at 252.

⁶⁰ *Id.* at 266.

⁶¹ *Id.* at 269. Note that if Congress explicitly states that a statute applies extraterritorially, a court need not examine the statute’s focus. *RJR Nabisco, Inc.*, 136 S. Ct. at 2103.

available in litigation, what individual actions may be joined in a single suit, what attorney's fees are recoverable, and many other matters."⁶²

In *RJR Nabisco*, the conservative four-Justice majority expressed similar comity concerns in allowing RICO's private right of action to apply extraterritorially. It noted that "[a]llowing recovery for foreign injuries in a civil RICO action, including treble damages, presents the same danger of international friction" that was seen in *Morrison*.⁶³ Although the Court acknowledged that such friction would not happen in every case, it maintained that the mere "potential for international controversy [] militates against recognizing foreign-injury claims without clear direction from Congress."⁶⁴

Justice Ginsburg, joined by Justices Breyer and Kagan, dissented in part and took a more skeptical view.⁶⁵ She described the purpose of the presumption as being much more modest—helping "to distinguish instances in which Congress consciously designed a statute to reach beyond U.S. borders," and observed that due process constraints and the doctrine of *forum non conveniens* were more appropriate for blocking litigation in U.S. courts that should be brought elsewhere.⁶⁶ She maintained that the majority's narrow interpretation was contrary to Congress's intent and created a double standard that "might spark, rather than quell, international strife."⁶⁷

Overall, it is clear that the conservative justices have used comity concerns to force Congress to be crystal clear when it wishes to apply U.S. laws abroad. This approach has caused some scholars to question whether the burden on Congress has become too onerous.⁶⁸

2. Congressional Intent and Focus

Congressional intent and focus still serves as a basis for the presumption. The Supreme Court has observed that the presumption applies unless Congress expresses a contrary intent,⁶⁹ and has further noted that "[w]hen a statute gives no

⁶² *Morrison*, 561 U.S. at 269. These differences were highlighted in the amicus briefs filed by several countries and foreign organizations, all of which complained about foreign interference with foreign securities regulation.

⁶³ *RJR Nabisco, Inc.*, 136 S. Ct. at 2107.

⁶⁴ *Id.*

⁶⁵ *Id.* at 2112.

⁶⁶ *Id.* at 2112, 2115.

⁶⁷ *Id.* at 2115–16.

⁶⁸ See Gardner, *supra* note 25 at 141 (arguing that *RJR Nabisco* has made it harder for Congress to rebut the presumption); Brilmayer, *supra* note 41 at 664 ("*Morrison* makes it more difficult than before to base the result on what Congress wanted and easier than before to base the decision on undeniably judge-made concepts.").

⁶⁹ *Aramco*, 499 U.S. at 248.

clear indication of an extraterritorial application, it has none.”⁷⁰ Congress, in other words, should have the final say in determining whether a statute has “coverage beyond places over which the United States has sovereignty or has some measure of legislative control.”⁷¹ This canon provides “a stable background against which Congress can legislate with predictable effects.”⁷² If Congress is silent, courts should not speculate about whether Congress would have wanted the statute to apply to the case at issue.⁷³

The Supreme Court generally assumes that Congress is focused on territorial concerns. The Court has observed that the presumption is rooted in “the commonsense notion that Congress generally legislates with domestic concerns in mind.”⁷⁴ Consequently, the presumption is applicable even if no foreign law applies.⁷⁵ For example, in *Smith*, the Court declined to apply the FTCA to conduct occurring in Antarctica, even though no country’s law applies there.⁷⁶

3. Separation of Powers

The final major basis for the presumption is separation of powers. Since the early 1800s, the Supreme Court has acknowledged that “delicate and difficult” decisions must be made regarding “the rights of a part of a foreign empire.”⁷⁷ The early Court observed that such questions of foreign policy tend to be political, rather than legal in nature, and maintained that such decisions do not belong to the courts.⁷⁸

⁷⁰ See *RJR Nabisco, Inc.*, 136 S. Ct. at 2100 (observing that the presumption applies “regardless of whether there is a risk of conflict between the American statute and a foreign law”) (quoting *Morrison*, 561 U.S. at 255). See also, *Smith v. United States*, 507 U.S. 197, 204 (1993) (observing the Court will presume Congress’s legislation applies only inside the United States, unless Congress states otherwise).

⁷¹ *Aramco*, 499 U.S. at 248.

⁷² *Morrison*, 561 U.S. at 261.

⁷³ *Id.* (“The results of judicial-speculation-made-law—divining what Congress would have wanted if it had thought of the situation before the court—demonstrate the wisdom of the presumption against extraterritoriality. Rather than guess anew in each case, we apply the presumption in all cases.”).

⁷⁴ *Smith*, 507 U.S. at 204 n.5 (1993). See also *Foley Bros.*, 336 U.S. at 285 (noting the presumption “is based on the assumption that Congress is primarily concerned with domestic conditions”). Although this assumption has been reiterated by the Court several times, it is unclear where it comes from. See Clopton, *Replacing the Presumption*, *supra* note 54 at 13 (criticizing the Court’s unsupported assumption that Congress’s intent is territorial).

⁷⁵ *RJR Nabisco, Inc.*, 136 S. Ct. at 2100 (quotation marks omitted).

⁷⁶ *Smith*, 507 U.S. at 206–7.

⁷⁷ See *Palmer*, 16 U.S. at 634 (1818) (observing that such political questions “belong more properly to those who can declare what the law shall be; who can place the nation in such a position with respect to foreign powers as to their own judgment shall appear wise; to whom are entrusted all its foreign relations”).

⁷⁸ *Id.*

The Rehnquist Court reiterated separation of powers as a basis for the presumption. In *Sale v. Haitian Centers Council, Inc.*, President George H.W. Bush directed the Coast Guard to seize fleeing Haitians at sea and return them without determining whether they qualify as refugees.⁷⁹ The Supreme Court held that a statute prohibiting deportations in certain cases did not apply to actions taken by Coast Guard officials, relying in part on the presumption.⁸⁰ It maintained that the “presumption has special force when we are construing treaty and statutory provisions that may involve foreign and military affairs for which the President has unique responsibility,” and concluded that no judicial remedy existed.⁸¹ Likewise, in *Aramco*, the Court observed that Congress has the ability “calibrate its provisions” in a way that that courts cannot.⁸²

Scholars are mixed on the use of separation of powers to justify the presumption. Some have noted that the *Aramco* Court recognized its limited ability to make nuanced foreign relations judgments compared to Congress,⁸³ and forced Congress to focus on the problems that can arise through the extraterritorial application of U.S. law.⁸⁴ Others have accused the Supreme Court of interfering with the balance of power between Congress and the executive branch.⁸⁵ For example, Professor John Knox has observed that using the presumption to prevent U.S. law from applying to ships and bases under U.S. jurisdiction threatens separation of powers, by allowing the President to shift unlawful activities to such places.⁸⁶

⁷⁹ 509 U.S. 155, 158 (1993).

⁸⁰ *Id.* at 173–74.

⁸¹ *Id.* at 188.

⁸² *Aramco*, 499 U.S. at 259.

⁸³ See Jack L. Goldsmith, *Federal Courts, Foreign Affairs, and Federalism*, 83 VA. L. REV. 1617, 1701 (1997) (observing that the *Aramco* Court “recognized its relative incompetence to make fine-grained foreign relations judgments, and it conceived its proper role to be one of encouraging the political branches to embody such judgments in federal legislation”); Bradley, *Territorial IP Rights*, *supra* note 51 at 553 (noting that Congress ultimately legislatively overruled *Aramco* by statute, and in doing so, “answered some of the difficult questions that had concerned the Court”); Mark P. Gibney, *The Extraterritorial Application of U.S. Law: The Perversion of Democratic Governance, the Reversal of Institutional Roles, and the Imperative of Establishing Normative Principles*, 19 B.C. INT’L & COMP. L. REV. 297, 310 (1996) (observing that the mandate of *Aramco* is political branches “taking on the lion’s share in determining when, and explaining why, U.S. law should or should not be applied extraterritorially”).

⁸⁴ Bradley, *Territorial IP Rights*, *supra* note 51 at 553 (maintaining that the presumption has rightfully forced Congress “to focus specifically on the political problems and uncertainties raised by extraterritoriality”).

⁸⁵ See Clopton, *Replacing the Presumption*, *supra* note 54 at 17 (arguing that “judges repeatedly have ignored the views of the executive branch in favor of the presumption against extraterritoriality”); Knox, *supra* note 27 at 387 (noting the *Sale* Court “seems to assume that the freedom of the executive branch to conduct foreign policy must be protected from undue interference by Congress” and noting that the lines of authority between the two branches “are often too blurry to be suitable for judicial policing”).

⁸⁶ Knox, *supra* note 27 at 388.

C. Extraterritoriality in Substantive Patent Law

Infringement of a U.S. patent has been traditionally limited to activities performed wholly inside the United States. For example, in 1856, the Supreme Court declined to apply the Patent Act to an infringing Dutch ship that entered a U.S. port.⁸⁷ The Court maintained that the Patent Act's powers are "domestic in its character, and necessarily confined within the limits of the United States."⁸⁸ Since that time, however, the line separating domestic versus foreign infringement has become quite fuzzy.

1. § 271(a)

Section 271(a) is the primary infringement provision of the Patent Act and is clearly territorial.⁸⁹ The language of the provision emphasizes liability for one who, without authority, "makes, uses, offers to sell, or sells any patented invention, within the United States, or imports *into the United States*" a patented invention.⁹⁰

The Supreme Court has held that Congress clearly intended infringement under § 271(a) to be limited to domestic activity. In *DeepSouth Packing Co. v. Laitram Corp.*, the patent holder for a shrimp deveining machine sued DeepSouth, which was manufacturing and exporting modules for the complete machine to be easily assembled and used abroad.⁹¹ The Court observed that the "patent system makes no claim to extraterritorial effect" and that "these acts of Congress do not, and were not intended to, operate beyond the limits of the United States."⁹² The Court maintained that Congress intends inventors seeking foreign protection to obtain foreign patents.⁹³ DeepSouth escaped liability because it did not make, use, or sell the assembled machine in the United States.⁹⁴

In *NTP v. Research in Motion, Ltd.*, the Federal Circuit considered the scope of infringement under § 271(a) for infringing activity that crossed borders.⁹⁵ Research In Motion's (RIM's) Blackberry pager system allowed people to send and receive e-

⁸⁷ *Brown v. Duchesne*, 60 U.S. 183, 198.

⁸⁸ *Id.*

⁸⁹ See Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 NOTRE DAME L. REV. (forthcoming 2017), available at <https://ssrn.com/abstract=2885009> (maintaining that the territorial limits of § 271(a) make it appropriate to reject extraterritorial damages); Bernard Chao, *Reconciling Domestic and Foreign Infringement*, 80 UMKC L. REV. 607, 610–11 (2012) (discussing the territorial limitations under § 271(a)).

⁹⁰ 35 U.S.C. § 271(a) (emphasis added). See also, Cameron Hutchison & Moin A. Yahya, *Infringement & the International Reach of U.S. Patent Law*, 17 FED. CIR. B.J. 241, 244–45 (2008) (discussing the territorial limitations of § 271(a) of the Patent Act).

⁹¹ 406 U.S. 518 (1972).

⁹² *Id.* at 531 (quoting *Brown* 60 U.S. at 195).

⁹³ *Id.*

⁹⁴ *Id.* at 527–28.

⁹⁵ *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1291 (Fed. Cir. 2005).

mails on hand-held devices using a wireless network.⁹⁶ Messages sent by a user from the handheld device were relayed through RIM's servers in Canada to their final destination.⁹⁷ NTP asserted several patents against RIM, including both method and system claims.⁹⁸ The methods asserted to be infringing were carried out partly in the United States and partly in Canada; the claimed systems were only partly located in the United States.⁹⁹

The Federal Circuit noted that unlike *DeepSouth*, in which the patented invention was neither assembled nor used in the country, the Blackberry system was partially domestic and involved acts of crossing borders. The court found infringement for the system claims, holding that under § 271(a), "use" of the system occurs in "the place at which the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system obtained."¹⁰⁰ The court maintained that when RIM's U.S. customers sent and received messages, use occurred in the United States.¹⁰¹ Thus, the Federal Circuit distinguished infringing activity that was completely outside the United States from activity that originated from inside the country.

The Federal Circuit, however, found that NTP's method claims were not infringed. It held that "a process cannot be used 'within' the United States" under § 271(a) "unless each of the steps is performed within this country."¹⁰² Because some of the steps of the patented method were performed in Canada, infringement of the method claims did not occur inside the United States.¹⁰³

2. § 271(f)

The *DeepSouth* decision caused a great uproar, leading Congress to add § 271(f) to the Patent Act in 1984.¹⁰⁴ The Senate Report from the Committee on the

⁹⁶ *Id.* at 1289.

⁹⁷ *Id.* at 1290.

⁹⁸ *Id.*

⁹⁹ *Id.* at 1317–18.

¹⁰⁰ *Id.* at 1317. The court analogized the Blackberry system to *Decca Ltd. v. United States*, 544 F.2d 1070, 1075 (Ct. Cl. 1976), which involved patent infringement for a radio navigation system that included a transmitter in Norway. In *Decca*, the U.S. Court of Claims found infringement, holding that "use" of a patented invention occurs "wherever the signals are received and used in the manner claimed." *Id.* at 1083. The court noted that its conclusion was based on several factors, "with particular emphasis on the ownership of the equipment by the United States, the control of the equipment from the United States and on the actual beneficial use of the system within the United States." *Id.*

¹⁰¹ *NTP, Inc.*, 418 F.3d at 1317.

¹⁰² *Id.* at 1318.

¹⁰³ *Id.*

¹⁰⁴ See S. REP. NO. 98-663, at 2–3 (1984). Note that the United States is not alone in protecting extraterritorial acts. German patent law, for example, reaches extraterritorial conduct. See MARKETTA TRIMBLE, *GLOBAL PATENTS*, 122–23 (Oxford Press) (discussing offers for sale and the infringement of method claims under German law).

Judiciary focused on extending what constitutes patent infringement, “so that when components are supplied for assembly abroad to circumvent a patent, the situation will be treated the same as when the invention is ‘made’ or ‘sold’ in the United States.”¹⁰⁵ The Report emphasized that the bill was “needed to help maintain a climate in the United States conducive to invention, innovation, and investment” and observed that the “subterfuge” allowed under *DeepSouth* “weakens confidence in patents among businesses and investors.”¹⁰⁶

Section 271(f) represents a conscious choice by Congress to overcome the presumption against extraterritoriality and to “fill a gap in the enforceability of patent rights.”¹⁰⁷ Merely manufacturing components of a patented device and shipping them abroad is not enough to trigger infringement. Rather, the infringer must also intend that the components be combined extraterritorially, either by actively inducing the combination of the components outside the country under § 271(f)(1) or by intending that the components will be combined outside the country under § 271(f)(2).¹⁰⁸

In *Microsoft Corp. v. AT&T Corp.*, the Supreme Court considered § 271(f)’s applicability to software.¹⁰⁹ AT&T maintained that Microsoft infringed its software method patents when Microsoft exported master disks of Windows that were installed on foreign computers, which in turn were later sold abroad.¹¹⁰ The disks alone were not infringing, but infringement occurred when someone downloaded the software onto a computer and used the software.¹¹¹ The Court held that “abstract software code is an idea without physical embodiment,” and consequently, “does not match § 271(f)’s categorization: ‘components’ amenable to ‘combination.’”¹¹²

The Supreme Court maintained that “any doubt” with regard to whether § 271(f) applies can be resolved by the presumption, which “applies with particular force in patent law.”¹¹³ The Court observed that embedded within the Patent Act is the “traditional understanding” that U.S. patent law “does not extend to foreign

¹⁰⁵ S. REP. NO. 98-663 at 3.

¹⁰⁶ *Id.*

¹⁰⁷ *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 743 (2017).

¹⁰⁸ *See Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1368 (Fed. Cir. 2001) (observing § 271(f)(2) “does not require an actual combination of the components, but only a showing that the infringer shipped them with the intent that they be combined”); Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM. & MARY L. REV. 2119, 2146 (2008) (observing that “[a]n intent to make the combination is sufficient to trigger § 271(f)(1) liability”).

¹⁰⁹ *Microsoft Corp.*, 550 U.S. 437, 454–55 (2007).

¹¹⁰ *Id.* at 442.

¹¹¹ *Id.* at 446.

¹¹² *Id.* at 449. *See also*, *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113, 1118 (Fed. Cir. 2004) (holding that “[s]upplying or causing to be supplied” under § 271(f) “clearly refers to physical supply of components, not simply to the supply of instructions or corporate oversight”).

¹¹³ *Id.* at 454–55.

activities.”¹¹⁴ More generally, it stated that courts should “assume that legislators take account of the legitimate sovereign interests of other nations when they write American laws.”¹¹⁵

D. Geographic Limitations on Patent Damages

The Supreme Court and en banc Federal Circuit have both acknowledged the expansive nature of § 284. Nevertheless, the Federal Circuit has taken a restrictive approach to awarding extraterritorial damages. For infringement under § 271(a), there is justification for this approach, given the provision is explicitly limited to domestic conduct. But no such territorial restriction exists for § 271(f), making the *WesternGeco* court’s decision suspect.

1. Overview of Patent Damages

When Congress passed the 1952 Patent Act, it “sought to ensure that the patent owner would in fact receive full compensation for ‘any damages’ he suffered as a result of the infringement.”¹¹⁶ As the Supreme Court noted in *General Motors Corp. v. Devex Corp.*, “Congress expressly provided in § 284 that the court ‘shall award the claimant damages *adequate to compensate* for the infringement.”¹¹⁷ Damages must be “adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.”¹¹⁸ The Supreme Court has been clear that limitations should not be implied for patent damages.¹¹⁹

In *Rite-Hite Corp. v. Kelley Co., Inc.*, the en banc Federal Circuit broadly construed § 284 and noted that the provision “is expansive rather than limiting,” and that damages “must be adequate.”¹²⁰ The Federal Circuit acknowledged that “adequate damages” must “*fully compensate* the patentee for infringement.”¹²¹ The court recognized that the primary question asked is how much the patent holder would have made had the infringer not infringed.¹²² It further acknowledged the

¹¹⁴ *Id.* at 455 (citing 35 U.S.C. § 154(a)(1) (patentee’s rights over invention apply to manufacture, use, or sale “throughout the United States” and to importation “into the United States”)).

¹¹⁵ *Id.* (quoting *F. Hoffmann–La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004)).

¹¹⁶ *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654–55 (1983) (citing H.R. REP. NO. 1587, pt. 1 (1946)). *See also* *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1544–45 (Fed. Cir. 1995) (en banc) (discussing *General Motors Corp.*).

¹¹⁷ *General Motors Corp.*, 461 U.S. at 655 (emphasis added by Court).

¹¹⁸ 35 U.S.C. § 284.

¹¹⁹ *General Motors Corp.*, 461 U.S. at 653 (observing that “[w]hen Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly”).

¹²⁰ 56 F.3d 1538, 1544 (Fed. Cir. 1995) (en banc).

¹²¹ *Id.* (emphasis in original) (citing *General Motors Corp.*, 461 U.S. at 653).

¹²² *Id.* at 1545 (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964) (plurality opinion)).

Supreme Court's caution "against imposing limitations on patent infringement damages," recognizing that Congress will explicitly state when it wants to limit patent damages.¹²³

Although the patentee is entitled to receive a reasonable royalty at minimum, it can generally recover more if it is able to establish lost profits.¹²⁴ To receive lost profits, the patentee "must show a reasonable probability that, 'but for' the infringement, it would have made the sales that were made by the infringer."¹²⁵ Lost profits can encompass several things. For sales that the patentee did make, it can seek price erosion damages if it was forced to lower prices to compete with the infringer.¹²⁶ Under the entire market value rule, if the patent at issue involves only one part of a multi-featured device, the patentee can, in certain circumstances, recover lost profits for the entire device.¹²⁷ The patentee may also seek to recover future lost profits¹²⁸ and in some cases, harm to the reputation of the product or the patent holder.¹²⁹

The extent to which recoverable lost profits can be calculated based on foreign activity is unclear. As discussed below, Supreme Court decisions prior to the 1952 Patent Act sometimes allowed foreign activity to be included in damages calculations. However, recent Federal Circuit decisions have been far more restrictive, using the presumption against extraterritoriality to limit foreign damages that flow from domestic infringement.

¹²³ *Id.*

¹²⁴ See Mark A. Lemley, *Distinguishing Lost Profits from Reasonable Royalties*, 51 WM. & MARY L. REV. 655, 661 (2009) (observing that "patent damages tend to be greater in lost profits cases than in reasonable royalty cases"). Note that the patent holder can, in theory, receive more than a reasonable royalty without establishing lost profits. See *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1366 (Fed. Cir. 2008) (noting that the assessment of damages beyond a reasonable royalty is not limited to lost profits).

¹²⁵ *Rite-Hite Corp.*, 56 F.3d at 1545.

¹²⁶ See *Crystal Semiconductor Corp. v. TriTech Microelectronics Intern., Inc.*, 246 F.3d 1336, 1357 (Fed. Cir. 2001) ("Reduction of prices, and consequent loss of profits, enforced by infringing competition, is a proper ground for awarding of damages.") (quoting *Yale Lock Mfg. Co. v. Sargent*, 117 U.S. 536, 551 (1886)).

¹²⁷ *Rite-Hite Corp.*, 56 F.3d at 1549. The rule "has typically been applied to include in the compensation base unpatented components of a device when the unpatented and patented components are physically part of the same machine," and also extends "to allow inclusion of physically separate unpatented components normally sold with the patented components." *Id.* at 1549–50.

¹²⁸ *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1581 (Fed. Cir. 1992) (stating that "projected future losses may be recovered when sufficiently supported").

¹²⁹ See *Reebok Int'l Ltd., v. J. Baker, Inc.*, 32 F.3d 1552, 1558 (Fed. Cir. 1994) (acknowledging that harm to reputation can be awarded, but observing that it "is a type of harm that is often not fully compensable by money because the damages caused are speculative and difficult to measure").

2. Supreme Court Decisions Regarding Extraterritorial Patent Damages

Two early Supreme Court cases provide guidance on extraterritorial damages. In the 1881 decision *Goulds' Manufacturing Co. v. Cowing*, the Supreme Court calculated damages for the infringement of a patented gas pump that was manufactured in the United States by the infringer and sold by him in both the United States and Canada.¹³⁰ The Court chose to include Canadian sales in calculating damages, but did not provide an explanation for the inclusion of foreign sales.¹³¹

In *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, the Supreme Court held that the plaintiff could not recover damages solely for drills sold in Canada by the defendant.¹³² The Court observed that U.S. patent infringement “cannot be predicated of acts wholly done in a foreign country.”¹³³ The Court distinguished its case from *Goulds'*, observing that the drills were manufactured in the United States by a third party and not by the defendant as they were in *Goulds'*.¹³⁴ The Court also emphasized that the place of sale is “of controlling importance.”¹³⁵

What both of these cases stand for is disputed. In *WesternGeco*, the majority maintained that they “suggest that profits for foreign sales of the patented items themselves are recoverable when the items in question were manufactured in the United States and sold to foreign buyers by the U.S. manufacturer.”¹³⁶ The dissent-in-part argued that these cases show foreign sales can be used to calculate damages, so long as the defendants domestically manufactured the infringing goods that were later sold abroad.¹³⁷ Which position is correct is unclear. Moreover, although these cases may provide some insight for calculating damages in § 271(a) cases, they are not as helpful for § 271(f)—under which liability exists even though a patented good was never made, used, or sold within the United States.

3. Federal Circuit Decisions Regarding Extraterritorial Patent Damages

The Federal Circuit has considered extraterritorial damages under both §§ 271(a) and (f). Under both provisions, the court has declined to permit damages that arise outside the United States, even if those damages flow from U.S. infringement.

¹³⁰ 105 U.S. 253.

¹³¹ *Id.* at 257–58. The only comment the Court made regarding its decision was that the sole markets for the pumps were in the oil-producing regions of Pennsylvania and Canada. *Id.* at 256.

¹³² 235 U.S. 641, 642–43 (1915). The damages award in this case appears to be based on recovery of the defendant’s profits, as opposed to a lost profits or reasonable royalty theory.

¹³³ *Id.* at 650.

¹³⁴ *Id.*

¹³⁵ *Id.* See also Bradley, *Territorial IP Rights*, *supra* note 51 at 521.

¹³⁶ *WesternGeco L.L.C.*, 791 F.3d at 1352.

¹³⁷ *Id.* at 1356 (Wallach, J. dissenting in part).

a. § 271(a)

In 2013, the Federal Circuit held that damages under § 271(a) do not extend to lost foreign sales. In *Power Integrations v. Fairchild Semiconductor Int'l, Inc.*, the patentee lost contracts to supply customers abroad because of the defendant's domestic patent infringement.¹³⁸ The patentee argued that it should be able to recover lost profits for the foreign sales that it would have made but for the defendant's domestic infringement.

The Federal Circuit disagreed, holding 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.”¹³⁹ The court noted that the law does not “provide compensation for a defendant's foreign exploitation of a patented invention, which is not infringement at all.”¹⁴⁰ The Federal Circuit rooted its analysis in the presumption, citing to *Morrison*.¹⁴¹ However, the Federal Circuit failed to explain why a decision regarding limiting the reach of substantive U.S. law would apply in calculating damages.¹⁴²

Two years later, in *Carnegie Mellon University v. Marvell Technology Group, Ltd.*, Carnegie Mellon University (CMU) sued Marvell for infringement of its patented methods for improving the accurate detection of data recorded on hard disks.¹⁴³ Because CMU did not produce microchips using the claimed methods or otherwise compete with Marvell, CMU sought a fifty-cents-per-chip reasonable royalty.¹⁴⁴

The Federal Circuit again barred extraterritorial damages, citing to *Power Integrations*. It maintained that § 271(a)'s language shows clear intent from Congress to limit the provision to domestic activity.¹⁴⁵ It held:

Where a physical product is being employed to measure damages for the infringing use of patented methods. . . territoriality is satisfied when and only when any one of

¹³⁸ 711 F.3d 1348, 1370 (Fed. Cir. 2013).

¹³⁹ *Id.* at 1371–72.

¹⁴⁰ *Id.* at 1371.

¹⁴¹ *Id.* at 1372 (citing *Morrison v. Nat'l Australia Bank*, 561 U.S. 247, 266 (2010)).

¹⁴² The Federal Circuit's misapplication of *Morrison* is further highlighted by the Supreme Court's decision in *RJR Nabisco*, in which the Court interpreted *Morrison* to be limited to situations when conduct relating to a statute's focus occurs in a foreign country. *RJR Nabisco Inc.*, 136 S. Ct. at 2100. An argument can be made that the relevant activity in *Power Integrations* was the initial act of infringement that occurred in the United States.

¹⁴³ 807 F.3d 1283, 1291 (Fed. Cir. 2015).

¹⁴⁴ *Id.* at 1288; *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 986 F. Supp. 2d 574, 638 (W.D. Penn. 2013) (rev'd in part, 807 F.3d 1283 (Fed. Cir. 2015)).

¹⁴⁵ *Carnegie Mellon Univ.*, 807 F.3d at 1306.

those domestic actions for that unit (*e.g.*, sale) is proved to be present, even if others of the listed activities for that unit (*e.g.*, making, using) take place abroad.¹⁴⁶

The court concluded that only Marvell's domestic sales could be used to measure the reasonable royalty.

Both of these decisions were relatively uncontroversial because § 271(a) is highly territorial.¹⁴⁷ However, the issue of § 271(a)'s extraterritorial reach needs further examination in light of *RJR Nabisco's* two-step test. Extraterritorial damages cases brought under § 271(a) clearly fail step one, because Congress did not expressly intend the provision to reach beyond the United States. But under step two, the presumption can still be overcome if the conduct relevant to the Patent Act's focus occurred in the United States. In *Goulds'*, the Supreme Court included Canadian sales in a damages calculation in which the infringer of manufactured infringing goods in the U.S., then sold them in the United States and Canada.¹⁴⁸ An argument could be made that step two is met in such a case, given that the defendant manufactured the infringing goods in the United States and exported them for sale.

b. § 271(f)

In *WesternGeco L.L.C. v. Ion Geophysical Corp.*, the Federal Circuit extended the presumption to damages under § 271(f). WesternGeco owned four patents related to streamers, which are devices that contain sensors used to map the ocean floor to aid in oil and gas exploration.¹⁴⁹ WesternGeco sued ION, claiming that ION infringed its patents under § 271(f)(1) and (f)(2). The district court granted summary judgment for infringement of one claim under § 271(f)(1), and a jury found ION infringed all the asserted claims under § 271(f)(2).¹⁵⁰

On appeal, ION challenged the district court's award of lost profits from lost contracts for oil exploration services that would be performed outside the United States. WesternGeco identified ten surveys that it believed it would have received the contract for, but for ION supplying infringing streamer parts to WesternGeco's competitors.¹⁵¹ WesternGeco maintained that it would have earned over \$90 million in profit from these services contracts, which were performed on the high seas,

¹⁴⁶ *Id.*

¹⁴⁷ See Holbrook, *supra* note 89 at 37 (observing that “[i]t is hard to imagine a starker expression of territorial limits” than § 271(a)); Bernard Chao, *Patent Imperialism*, 109 Nw. U. L. REV. ONLINE 77, 78, 84 (2014) (discussing the territorial nature of § 271(a) and rejecting a worldwide causation theory).

¹⁴⁸ *Goulds' Mfg. Co.*, 105 U.S. at 257–58.

¹⁴⁹ *WesternGeco L.L.C.*, 791 F.3d at 1343.

¹⁵⁰ *Id.* at 1342–43.

¹⁵¹ *Id.* at 1349.

outside the jurisdictional reach of any country's patent laws.¹⁵² This loss was a far more substantial for WesternGeco than the sales on the streamers alone.

The Federal Circuit reversed the district court's award of lost profits, using the presumption. Citing *Power Integrations*, the court emphasized that under § 271(a), "export of a finished product cannot create liability for extraterritorial use of that product."¹⁵³ The Federal Circuit held that § 271(f) "does not eliminate the presumption against extraterritoriality," but instead, "creates a limited exception."¹⁵⁴ The court stated that although § 271(f) "operates to attach liability" to U.S. entities that export components from the United States with requisite intent, "the liability attaches in the United States."¹⁵⁵ Consequently, the act of exporting creates the liability.¹⁵⁶ Turning to remedies, the court claimed that any attempt to use § 271(f) to recover lost foreign profits would make it broader than § 271(a).¹⁵⁷

Judge Wallach dissented in part, maintaining that § 271(f) requires consideration of lost foreign sales as part of the damages calculation.¹⁵⁸ Judge Wallach noted that unlike in *Power Integrations*, the foreign damages in this case clearly flowed from ION's infringement.¹⁵⁹ He further observed that the *Power Integrations* court emphasized the ability of the defendant to obtain foreign patents, whereas here, no country has jurisdiction over the high seas. He argued that this raises the concern that U.S. patent holders may not fully recover for infringement involving activities in international waters.¹⁶⁰ Overall, Judge Wallach characterized the majority's decision as a "near-absolute bar to the consideration of a patentee's foreign lost profits," contrary to the precedent of the Supreme Court and Federal Circuit.¹⁶¹ Later, in a dissent from the Federal Circuit's denial of rehearing en banc, Judge Wallach further maintained that the court's decision is in conflict with copyright law's predicate act doctrine.¹⁶²

In June 2016, the Supreme Court issued a grant-vacate-remand for *WesternGeco* in light of the Court's enhanced damages decision in *Halo*

¹⁵² *Id.*

¹⁵³ *Id.* at 1350.

¹⁵⁴ *Id.* at 1351.

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.* at 1354 (Wallach, J., dissenting in part).

¹⁵⁹ *Id.* at 1357.

¹⁶⁰ *Id.* at 1361 ("Under the majority's view of damages, plaintiffs such as WesternGeco who are the victims of proven infringement and who have sustained damages caused by the defendant's activity in the United States may not be able to fully recover even if they obtain patent rights abroad.").

¹⁶¹ *Id.* at 1363–64.

¹⁶² *WesternGeco L.L.C. v. Ion Geophysical Corp.*, 621 Fed. App'x 663, 664 (Wallach dissenting in part). *See also* Part III.A (discussing the predicate act doctrine).

Electronics.¹⁶³ The Federal Circuit subsequently reinstated most of its original opinion, including the section regarding extraterritoriality under § 271(f).¹⁶⁴

III. Extraterritoriality For Other Intellectual Property

Extraterritoriality concerns are not unique to patent law, but also arise in trademark and copyright cases. In trademark law, the Supreme Court has authorized the extraterritorial application of the Lanham Act. In copyright law, several appellate courts have recognized or adopted the predicate act doctrine, which allows the recovery of foreign damages that flow from domestic infringement.

A. Extraterritoriality in Trademarks

The Supreme Court has carved out a notable exception to the presumption in trademark law.¹⁶⁵ In *Steele v. Bulova Watch Co.*, the Court considered whether infringing acts of a U.S. citizen petitioner in Mexico were actionable under the Lanham Act.¹⁶⁶ Although it acknowledged the presumption, it stated that the relevant question was “whether Congress intended to make the law applicable to the facts of this case.”¹⁶⁷ The Court maintained that “the United States is not debarred by any rule of international law from governing the conduct of [its] own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed.”¹⁶⁸ The Court stated that such cases involved “no question of international law,” but were instead, “solely of the purport of the municipal law which establishes the duty of the citizen in relation to his own government.”¹⁶⁹ The Court concluded that the Lanham Act was applicable, notwithstanding the fact that all of the infringing conduct took place in Mexico.

The Court’s decision hinges on the fact that the Lanham Act is grounded in Congress’s Commerce Clause powers. Section 1125 of the Lanham Act prohibits “uses in commerce” of words, terms, or the like that can cause confusion.¹⁷⁰ Under § 1127, “commerce” refers to “all commerce which may lawfully be regulated by

¹⁶³ *WesternGeco L.L.C. v. ION Geophysical Corp.*, 136 S. Ct. 2486 (2016).

¹⁶⁴ The Federal Circuit reinstated its original opinion with the exception of section V, which was directed to the question of enhanced damages. 837 F.3d 1358, 1361 (Fed. Cir. 2016).

¹⁶⁵ See Bradley, *Territorial IP Rights*, *supra* note 51 at 527 (“In contrast to patent and copyright law, courts apply trademark law to conduct abroad even in some cases where no act of infringement has taken place within the United States.”).

¹⁶⁶ 344 U.S. 280 (1952).

¹⁶⁷ *Id.* at 285 (internal quotations deleted).

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at 286.

¹⁷⁰ 15 U.S.C. § 1125(1) (2012). See also, Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT’L L. 603, 605 (1997) (discussing the broad scope of trademark law).

Congress.”¹⁷¹ As the *Steele* Court observed, under international law, Congress can lawfully regulate conduct of its own citizens outside the United States.¹⁷² Consequently, the Court’s extraterritorial application of the Lanham Act has some statutory support.¹⁷³

In the aftermath of *Steele*, courts of appeal have adopted various tests prior to enjoining foreign conduct. Most use a balancing test that examines the effects of the defendant’s conduct on U.S. commerce, the citizenship of the defendant, and the likelihood of a conflict between U.S. law and foreign law.¹⁷⁴ In the Ninth Circuit, the court adopted a complex test from antitrust law, which considers whether:

(1) the alleged violations ... create some effect on American foreign commerce; (2) the effect [is] sufficiently great to present a cognizable injury to the plaintiffs under the Lanham Act; and (3) the interests of and links to American foreign commerce [are] sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority.¹⁷⁵

For determining the third factor, the Ninth Circuit balances seven more factors, including the “degree of conflict with foreign law or policy” and “the extent to which enforcement by either state can be expected to achieve compliance.”¹⁷⁶ With

¹⁷¹ 15 U.S.C. § 1127.

¹⁷² *Steele*, 344 U.S. at 285–86 (observing that international law does not bar the United States “‘from governing the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed’” (quoting *Skiriotes v. State of Florida*, 313 U.S. 69 (1941))).

¹⁷³ The counterargument is that Congress is presumed to think domestically when it passes statutes, see *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993), and the Lanham Act does not explicitly say that it reaches the foreign conduct of U.S. citizens.

¹⁷⁴ See, e.g., *Paulsson Geophysical Services, Inc. v. Sigmar*, 529 F.3d 303, 307 (5th Cir. 2008) (applying a three-part balancing test considering the defendant’s citizenship, the effect of the defendant’s conduct on U.S. commerce, and the existence of a conflict with foreign law); *McBee v. Delica Co., Ltd.*, 417 F.3d 107, 120–21 (1st Cir. 2005) (observing that the Lanham Act applies extraterritorially if the defendant is a U.S. citizen or the action has a substantial effect on U.S. commerce, and in addition, does not raise comity concerns); *Int’l Café, S.A.L. v. Hard Rock Cafe Int’l*, 252 F.3d 1274, 1278 (11th Cir. 2001) (applying the Lanham Act extraterritorially when “(1) Defendant is a United States corporation; 2) the foreign activity had substantial effects in the United States; and 3) exercising jurisdiction would not interfere with the sovereignty of another nation”); *Nintendo of America, Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246, 250 (4th Cir. 1994) (balancing effects of defendant’s conduct on U.S. commerce, citizenship of the defendant, and that “that the injunction sought would not interfere with the sovereignty of the nation within whose borders the extraterritorial conduct was to be prohibited”); *Totalplan Corp. of America v. Colborne*, 14 F.3d 824, 830 (2d Cir. 1994) (balancing defendant’s citizenship, impact of defendant’s conduct on U.S. commerce, and whether extraterritorial application creates “a conflict with trademark rights established under foreign law”). See also, *Bradley, Territorial IP Rights*, *supra* note 51 at 528 (discussing the three-part balancing test).

¹⁷⁵ *Trader Joe’s Company v. Hallatt*, 835 F.3d 960, 969 (9th Cir. 2016) (alteration in original) (quoting *Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass’n*, 549 F.2d 597 (9th Cir. 1976)).

¹⁷⁶ *Reebok Int’l, Ltd. v. Marnatech Enters., Inc.*, 970 F.2d 552, 555 (9th Cir. 1992).

these tests, courts are able to apply the Lanham Act extraterritorially, but can avoid such application when it would undermine international comity.

B. Predicate Act Doctrine and Copyright

Although the Copyright Act is not regarded as having extraterritorial reach,¹⁷⁷ a broad exception has been adopted by three courts of appeal. Under the predicate act doctrine, an act of U.S. infringement that permits further infringement abroad can give rise to a claim for damages flowing from the foreign conduct.¹⁷⁸ This tort doctrine was first extended to copyright law by the Second Circuit in 1939 in *Sheldon v. Metro-Goldwyn Pictures Corp.*¹⁷⁹ In that decision, authored by Judge Learned Hand, the court held that it was appropriate to consider profits made from exhibiting an infringing film outside the country because the film negatives were illegally reproduced in the United States.¹⁸⁰ The Second Circuit noted that it was a tort to make the negatives in the United States, and that the plaintiffs acquired an equitable interest in the profits.¹⁸¹

The leading modern case for the doctrine is *Update Art, Inc. v. Modiin Publishing, Ltd.*, in which the plaintiff's copyrighted artwork was reproduced without permission in an Israeli newspaper.¹⁸² The defendant discovered the art in the United States and reproduced it domestically, prior to it being reproduced in Israel.¹⁸³ The Second Circuit held that U.S. copyright law is applicable and affirmed an award of damages accruing from the foreign infringement.¹⁸⁴

Other circuits have also adopted the predicate act doctrine, based on *Update Art*. In 1994, the en banc Ninth Circuit declined to comment on the validity of the doctrine, but observed that the doctrine is “premised on the theory that the copyright holder may recover damages that stem from a direct infringement of its exclusive rights that occurs within the United States.”¹⁸⁵ Subsequently, a Ninth Circuit panel adopted the doctrine, holding that the copyright holder was “entitled to recover damages flowing from exploitation abroad of the domestic acts of infringement

¹⁷⁷ See, e.g., *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (en banc) (holding that “wholly extraterritorial acts of infringement are not cognizable under the Copyright Act”); *Update Art, Inc. v. Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) (holding “[i]t is well established that copyright laws generally do not have extraterritorial application.”).

¹⁷⁸ *Tire Eng'g and Distrib., LLC v. Shandong Linglong Rubber Co., Ltd.*, 682 F.3d 292, 306 (4th Cir. 2012) (per curiam).

¹⁷⁹ 106 F.2d 45 (2d Cir. 1939).

¹⁸⁰ *Id.* at 52.

¹⁸¹ *Id.*

¹⁸² 843 F.2d 67, 73 (2d Cir. 1988).

¹⁸³ *Id.* Note that the court construed the facts in this fashion because the defendants failed to comply with discovery requests. *Id.*

¹⁸⁴ *Id.* at 72–73.

¹⁸⁵ *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (emphasis in original).

committed by defendants.”¹⁸⁶ In adopting the doctrine, the panel emphasized that the rule would not allow U.S. law to be applied to “acts of infringement that take place entirely abroad,” but rather, only if a party infringes a copyright in the United States.¹⁸⁷ It further noted that damages must flow from the “extraterritorial exploitation of an infringing act that occurred in the United States.”¹⁸⁸ The Fourth Circuit also adopted the doctrine,¹⁸⁹ and the Federal Circuit has acknowledged it in dicta.¹⁹⁰ To date, no court of appeals appears to have rejected it.

The predicate act doctrine is notable because of the parallels that can be drawn to patent law. Unlike the Lanham Act, both the Patent Act and Copyright Act are grounded in the Intellectual Property Clause of the U.S. Constitution.¹⁹¹ *WesternGeco* involved U.S. patent infringement that gave rise to damages abroad, much like the copyright cases applying the predicate act doctrine. One could argue that *WesternGeco* had an equitable interest in the streamer parts, and should be able to collect any damages that flow from the use of the completed device.¹⁹² However, as Part IV discusses, there are sufficient differences between patent and copyright law to justify a different test for extraterritorial patent damages.

¹⁸⁶ *Los Angeles News Service v. Reuters Int’l, Ltd.*, 149 F.3d 987, 992 (9th Cir. 1998).

¹⁸⁷ *Id.*

¹⁸⁸ *Id.* Note that the doctrine, as originally articulated by the Second Circuit, only allowed for foreign profits to go into a constructive trust. See *Sheldon*, 106 F.2d at 52 (holding that “as soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form”). More recent decisions, however, emphasize that the doctrine captures all foreign damages directly flowing from the domestic infringement. See, e.g., *L.A. News Serv.*, 149 F.3d at 992 (holding that the copyright holder is “entitled to recover damages flowing from exploitation abroad of the domestic acts of infringement committed by defendants”); *Update Art.*, 843 F.2d at 73 (awarding “damages accruing from the illegal infringement”).

¹⁸⁹ *Tire Eng’g*, 682 F.3d at 307 (holding that “[o]nce a plaintiff demonstrates a domestic violation of the Copyright Act, then, it may collect damages from foreign violations that are directly linked to the U.S. infringement”).

¹⁹⁰ *Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 1371 (Fed. Cir. 2008) (observing that “courts have generally held that the Copyright Act only does not reach activities ‘that take place entirely abroad’ “ (quoting *Subafilms*, 24 F.3d at 1098)). See also *Liberty Toy Co. v. Fred Silber Co.*, No. 97-3177, 1998 WL 385469, at *3 (6th Cir. June 29, 1998) (noting that “if all the copying or infringement occurred outside the United States, the Copyright Act would not apply” but “as long as some act of infringement occurred in the United States, the Copyright Act applies”).

¹⁹¹ U.S. CONST., art. I, § 8, cl. 8. See also, *Golan v. Holder*, 565 U.S. 302, 324 (2012) (observing that “Congress’ copyright authority is tied to the progress of science; its patent authority, to the progress of the useful arts”).

¹⁹² See *WesternGeco L.L.C. v. Ion Geophysical Corp.*, 621 F. App’x 663, 664 (2016) (Wallach, J., dissenting in part) (analogizing to the predicate act doctrine and maintaining that “*WesternGeco*’s damages flowed from the exploitation abroad of domestic acts of patent infringement under § 271(f)”).

IV. Rethinking Extraterritorial Damages

The presumption against extraterritoriality plays an important role in minimizing conflicts between U.S. and foreign law. Extending the presumption to cover patent damages is tempting, because it provides a clear, easy to apply rule. However, existing Supreme Court precedent applies the presumption far more narrowly. In maritime cases, moreover, the Federal Circuit's bright-line rule may prevent patent holders from recovering for high seas infringement. At the same time, patent law is highly territorial, raising concerns that permitting extraterritorial damages in all cases could lead to disputes with foreign nations. For these reasons, a balancing test is warranted.

Section A argues that the *RJR Nabisco* two-step test is met for cases like *WesternGeco*, and concludes that §§ 271(f) and 284 apply extraterritorially. Section B discusses the lack of applicable law for infringement on the high seas and maintains that it is unclear whether law of the flag applies to patent cases. Section C looks at the policy concerns regarding the extraterritorial application of patent damages and proposes that courts utilize a balancing test to limit problems of prescriptive comity and promote innovation.

A. Application of the Presumption

Although the Federal Circuit reissued the *WesternGeco* decision in late 2016, it disregarded the *RJR Nabisco* Court's two-step test for extraterritoriality. The seven justices taking part in the *RJR Nabisco* decision agreed that a two-step test is used to determine whether the substantive provision of RICO applies extraterritorially.¹⁹³ A four-Justice majority further held that the test applies separately to jurisdictional provisions.¹⁹⁴ One possibility is that the Supreme Court will not give precedential value to the four-Justice majority, in which case courts must only consider whether § 271(f) meets the test. Another possibility is that the four-Justice majority will be followed, in which case both §§ 271(f) and 284 must independently meet the test.

1. Application of two-step test to § 271(f).

a. Step One

Under step one, the court asks whether the presumption has been rebutted by the statute providing "a clear, affirmative indication that it applies extraterritorially."¹⁹⁵ In *Microsoft*, the Supreme Court recognized that "§ 271(f) is an exception to the general rule that our patent law does not apply

¹⁹³ *RJR Nabisco, Inc.*, 136 S. Ct. at 2101.

¹⁹⁴ *Id.* at 2106.

¹⁹⁵ *Id.* at 2101.

extraterritorially.”¹⁹⁶ Section 271(f) clearly applies to extraterritorial conduct, by creating liability for those who export components with the intent that they be used abroad to create patent devices.

The question that must be asked, however, is what the breadth of the statutory exception is?¹⁹⁷ In *Microsoft*, the Supreme Court resisted giving § 271(f) a broad interpretation and held that abstract software did not count as a “component” under the provision, due to being “uncombinable.”¹⁹⁸ Mindful of this, the Federal Circuit in *WesternGeco* maintained that § 271(f) merely “expanded the territorial scope of the patent laws to treat the export of components of patented systems abroad (with the requisite intent) just like the export of the finished systems abroad.”¹⁹⁹ The Federal Circuit claimed that in doing so, there was no indication that “Congress intended to extend the United States patent law to cover uses abroad of the articles created from the exported components,” and maintained that its § 271(a) precedent blocking extraterritorial patent damages is applicable to § 271(f).²⁰⁰

There are several problems, however, with the Federal Circuit’s position. In *Microsoft*, the issue was how to interpret the term “component” in § 271(f). Faced with a choice of a broad interpretation of “component” that extended the extraterritorial reach of § 271(f) versus a narrow one that did not, the Court chose the narrow reading.²⁰¹ But in *WesternGeco*, it was clear that § 271(f) had been violated, the only issue was how to compensate the patent holder under § 284. In this regard, *Microsoft* and *WesternGeco* can be differentiated.

Moreover, on multiple occasions, the Supreme Court has admonished the Federal Circuit for attempting to restrict damages.²⁰² When Congress passed § 284, it was clear that the provision’s purpose was to make patent infringement victims whole. The House Report noted that the legislation was intended to allow recovery

¹⁹⁶ *Microsoft Corp.*, 550 U.S. at 441.

¹⁹⁷ *See id.* at 455–56 (noting that “the presumption is not defeated” merely because a statute addresses issues of extraterritorial application, because the court must also “determine[] the *extent* of the statutory exception”) (emphasis in original).

¹⁹⁸ *See id.* at 449 (“Abstract software code is an idea without physical embodiment, and as such, it does not match § 271(f)’s categorization: ‘components’ amenable to ‘combination.’”).

¹⁹⁹ *WesternGeco L.L.C.*, 791 F.3d at 1350.

²⁰⁰ *Id.* at 1350–51 (extending *Power Integrations* to § 271(f)).

²⁰¹ *Microsoft Corp.*, 550 U.S. at 442, 454–56.

²⁰² *See Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1935 (2016) (holding that the Federal Circuit’s test restricting the award of enhanced damages “unduly confines the ability of district courts to exercise the discretion conferred on them”); *General Motors Corp.*, 461 U.S. at 652–53 (holding that pre-1952 limitations on the award of interest in patent cases did not survive the 1952 Patent Act and maintaining that “[w]hen Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly”). *See also, Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014) (holding that the Federal Circuit’s test for when cases are “exceptional” under § 285 is “unduly rigid” and “impermissibly encumbers the statutory grant of discretion to district courts”).

of “any damages” that the patent holder can prove²⁰³ and the Senate Report adopted the same language.²⁰⁴ The Federal Circuit should not interpret the presumption so broadly as to contravene the Supreme Court’s guidance and Congress’s legislative intent.

Although the Senate Report noted that Congress wanted the export of parts of a patented good to be treated as though the final patented good itself was exported, Congress never expressed any intent to restrict damages.²⁰⁵ When § 271(f) was passed in 1984, there was no restriction on extraterritorial damages under § 271(a). Congress had no way to predict that the Supreme Court would one day resurrect and expand the presumption, nor that the Federal Circuit would limit extraterritorial damages under § 271(a). Indeed, the year before § 271(f) passed, the Supreme Court in *General Motors* stated: “When Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly.”²⁰⁶ The Court further observed that in passing § 284, “Congress sought to ensure that the patent owner would in fact receive full compensation for ‘any damages’ he suffered as a result of the infringement.”²⁰⁷ Given Congress would have been legislating against this backdrop, it is absurd to think that in passing § 271(f), it intended to implicitly limit damages.

b. Step Two

If step one is not met, the court will move to step two, which states that if the focus of the statute occurred in the United States, “then the case involves a permissible domestic application even if other conduct occurred abroad.”²⁰⁸ But “if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory.”²⁰⁹

The case for step two being met is even stronger than for step one. Section 271(f)’s focus is on components exported from the United States with the intention that they be assembled into U.S.-patented devices. Indeed, the *WesternGeco* court

²⁰³ H.R. REP. NO. 1587, 79th Cong., 2d Sess., 1 (1946).

²⁰⁴ S. REP. NO. 1503, 79th Cong., 2d Sess., 2 (1946) (adopting the language from the House Committee Report).

²⁰⁵ See S.R. 98663 (stating that the bill “amends patent law so that when components are supplied for assembly abroad to circumvent a patent, the situation will be treated the same as when the invention is ‘made’ or ‘sold’ in the United States”).

²⁰⁶ *General Motors Corp.*, 461 U.S. at 653 (emphasis added). The en banc Federal Circuit has acknowledged that Congress must expressly limit damages. See *Rite-Hite Corp.*, 56 F.3d at 1545 (observing that “the Court has cautioned against imposing limitations on patent infringement damages”).

²⁰⁷ *General Motors Corp.*, 461 U.S. at 654–55.

²⁰⁸ *RJR Nabisco Inc.*, 136 S. Ct. at 2101.

²⁰⁹ *Id.*

maintained that liability under § 271(f) “attaches in the United States.”²¹⁰ Consequently, for cases like *WesternGeco*, there is “a permissible domestic application”—preventing the export of components that are in the United States— notwithstanding the fact that other conduct occurred abroad.

Damages under § 271(f) involves a multiterritorial, not extraterritorial, application of U.S. law. As Professor Jane Ginsburg has noted in the context of copyright law, multiterritorial claims “involve acts or parties located in more than one country, but do not necessarily require application of a single law—the forum’s—to resolve the entire claim.”²¹¹ By contrast, extraterritorial applications involve “the application of one country’s laws to events occurring outside that country’s borders.”²¹² In *WesternGeco*, the core activity regulated by § 271(f)—shipping components for reassembly abroad coupled with the necessary intent—occurs inside the United States. Seeking damages flowing from this domestic event does not involve an impermissible extraterritorial extension of the Patent Act.

2. Application of two-step test to § 284.

The four-Justice majority in *RJR Nabisco* maintained that the presumption must be applied twice: once to RICO’s substantive provision and again for RICO’s jurisdictional provision.²¹³ Seven justices in *RJR Nabisco* further noted in dicta that the presumption applies to a statute that “affords relief,” in addition to those that regulate conduct or confer jurisdiction.²¹⁴ This raises the possibility the two-step test may need to be separately applied to § 284.

It is unclear what kind of precedential effect the four-Justice majority portion of the *RJR Nabisco* opinion will have. The Supreme Court has never expounded on whether such decisions bind lower courts or are entitled to stare decisis; only a single state supreme court case exists in which a court has directly considered the issue.²¹⁵ Although this issue has not received much attention from scholars, Professor Jonathan Nash has suggested limiting the precedential value of such

²¹⁰ *WesternGeco L.L.C.*, 791 F.3d at 1351.

²¹¹ Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT’L L. 587, 588 (1997).

²¹² *Id.*

²¹³ *RJR Nabisco, Inc.*, 136 S. Ct. at 2101, 2016.

²¹⁴ *Id.* at 2101.

²¹⁵ After a four-Justice majority struck down Florida and Pennsylvania replevin statutes, the Arizona Supreme Court declined to strike down a similar Arizona statute, maintaining that it had “doubts” that the opinion would stand with the full court. *Roofing Wholesale Co., Inc. v. Palmer*, 502 P.2d 1327, 1329 (Ariz. 1972). Indeed, the full Supreme Court reversed course two years later, finding such statutes to be constitutional. *See Mitchell v. W.T. Grant Co.*, 416 U.S. 600 (1974). *See also, State Court is not Bound by 4-3 Decision of the United States Supreme Court*, 86 HARV. L. REV. 1307, 1313–14 (1973) (student note) (maintaining that Arizona erred and that four-Justice majority decisions should be entitled to full precedential effect).

decisions.²¹⁶ If the four-Justice portion of *RJR Nabisco* has no precedential value or only limited value, than the analysis above for §271(f) alone may be all that is required.

If, however, the entire *RJR Nabisco* opinion is binding, we must consider how to apply the test to § 284. The *RJR Nabisco* Court first observed that § 1964(c) lacks any explicit extraterritorial reach, and that use of the phrase “any person” was insufficient to displace the presumption.²¹⁷ It then emphasized that § 1964(c) of RICO is not coextensive with the substantive provisions of the statute. It maintained that “by cabin[ing] RICO’s private cause of action to particular kinds of injury,” that “Congress signaled that the civil remedy is not coextensive with § 1962’s substantive prohibitions.”²¹⁸

Unlike with RICO, damages under § 284 are available for *any* kind of patent infringement, not just limited cases.²¹⁹ The House Committee on Patents noted that the Patent Act’s purpose was “to make the basis of recovery in patent-infringement suits general damages, that is, any damages the complainant can prove,”²²⁰ and the Senate adopted the same language.²²¹ The Supreme Court has repeatedly admonished the Federal Circuit for attempting to restrict damages under both § 284²²² and § 285,²²³ and the en banc Federal Circuit has acknowledged that “the Court has cautioned against imposing limitations on patent infringement damages.”²²⁴

Consequently, the argument for restricting § 1964(c)’s reach does not apply to § 284. Although there is no guidance from the Supreme Court for dealing with this situation, it would be absurd for courts to require Congress to revise a coextensive damages provision every time Congress expands underlying substantive law extraterritorially. Moreover, in the case of § 284, Congress would have had no

²¹⁶ Jonathan Remy Nash, *The Majority that Wasn’t: Stare Decisis, Majority Rule, and the Mischief of Quorum Requirements*, 58 EMORY L.J. 831, 872, 883 (2009).

²¹⁷ *RJR Nabisco Inc.*, 136 S. Ct. at 2108.

²¹⁸ *Id.*

²¹⁹ See 35 U.S.C. § 284 (“Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement. . .”).

²²⁰ H.R. REP. NO. 1587, 79th Cong., 2d Sess., 1 (1946).

²²¹ S. REP. 79-2 at 2.

²²² See *Halo Electronics*, 136 S. Ct. at 1935 (holding that the Federal Circuit’s test restricting the award of enhanced damages “unduly confines the ability of district courts to exercise the discretion conferred on them”); *General Motors Corp.*, 461 U.S. at 652–53 (holding that pre-1952 limitations on the award of interest in patent cases did not survive the 1952 Patent Act and maintaining that “[w]hen Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly”).

²²³ See *Octane Fitness, LLC*, 134 S. Ct. at 1756 (holding that the Federal Circuit’s test for when cases are “exceptional” under § 285 is “unduly rigid” and “impermissibly encumbers the statutory grant of discretion to district courts”).

²²⁴ *Rite-Hite Corp.*, 56 F.3d at 1545.

reason to do this, given that at the time of passage, there was no indication that the presumption might apply to a damages provision.

B. High Seas Patent Damages

Intellectual property infringement on vessels is not a new problem. For example, there have been several high-profile cases involving cruise ships that performed copyrighted works in international waters.²²⁵ The question remains, however, whether any country's patent law applies when infringement takes place on the high seas.

Under the law of the flag, a vessel is considered to be part of the sovereign territory of the country whose flag it flies.²²⁶ But in the United States, a more nuanced balancing test applies to determine whether U.S. law extends to conduct that occurred on a vessel.²²⁷ Moreover, it is unclear whether the law of the flag applies to intellectual property infringement.²²⁸ Consequently, in patent infringement cases involving vessels, there is a risk that in limiting extraterritorial damages, the patent holder will not be able to recover in any jurisdiction.

1. Overview of Law of the Flag

United Nations Convention on the Law of Seas (UNCLOS) provides guidance on the application of national law at sea.²²⁹ But although the United States is a signatory to UNCLOS, Congress never ratified it, so it is merely advisory.²³⁰

²²⁵ For example, in 2006, the rights holder for the musical *Grease* sued Carnival Cruise Lines, Celebrity Cruises, and several others for two counts of copyright infringement, alleging that the vessels had performed the musical, either in its entirety or modified. Complaint and Jury Demand at 1–2, *Jacobs v. Carnival Corp.*, No. 06 CV 0606, 2006 WL 551156 (S.D.N.Y. Mar. 25, 2009). See also, Jeff Pettit, *At Sea, Anything Goes? Don't Let Your Copyright Sail Away, Sail Away, Sail Away*, 93 TEX. L. REV. 743, 750 (2015) (student note) (discussing the problem of copyright infringement on the high seas by cruise ships). Similarly, Barry Manilow recently sued Princess Cruises in the Central District of California for rebroadcasting one of his concerts, alleging copyright and trademark infringement, unfair competition, dilution and violation of right of publicity. Ashely Cullins, *Princess Cruise Line Faces Lawsuit Over Barry Manilow Concert Broadcast*, HOLLYWOOD REPORTER (March 18, 2016), <http://www.hollywoodreporter.com/thresq/princess-cruises-faces-lawsuit-barry-876787>.

²²⁶ *Lauritzen v. Larsen*, 345 U.S. 571, 585 (1953). See also, William Tetley, *The Law of the Flag, "Flag Shopping," and Choice of Law*, 17 TUL. MAR. L.J. 139 (1993) (providing an overview of the law of the flag).

²²⁷ See Part IV.B.1.

²²⁸ See Part IV.B.2.

²²⁹ Third United Nations Convention on the Law of the Sea, Nov. 16 1994, 1833 U.N.T.S. 31363 (hereinafter UNCLOS).

²³⁰ See Elizabeth I. Winston, *Patent Boundaries*, 87 TEMP. L. REV. 501, 505 (2015) (discussing UNCLOS); Jeffrey D. Kramer, *Seafaring Data Havens: Google's Patented Pirate Ship*, 2010 U. ILL. J. L. TECH. & POL'Y 359, 361–62 (student note) (discussing the law of the sea). Note that 148 countries are currently bound by the treaty.

UNCLOS provides that countries can enforce all of their laws in their territorial waters, which extend out a maximum of 12 nautical miles beyond the shore.²³¹ In addition, laws for taxation, customs, immigration and pollution can be enforced in the “contiguous zone,” which extends up to 24 nautical miles from shore.²³² But beyond the area of national enforcement is international waters or the high seas.²³³

For vessels on the high seas, the law of the flag applies. Under UNCLOS, a vessel flying under a state’s flag is subject to that state’s exclusive jurisdiction on the high seas.²³⁴ This would mean that the state whose flag is flown would have exclusive jurisdiction over any intellectual property dispute arising on the vessel.

Under federal common law, however, the law of the flag is far more limited. In *Spector v. Norwegian Cruise Line Ltd.*, the Supreme Court observed “general statutes are presumed to apply to conduct that takes place aboard a foreign-flag vessel in United States territory if the interests of the United States or its citizens, rather than interests internal to the vessel, are at stake.”²³⁵ Statutes, however, do not apply to such vessels “insofar as they regulate matters that involve only the internal order and discipline of the vessel, rather than the peace of the port.”²³⁶ In other words, in the United States, the law of the flag is limited to criminal conduct and civil conduct involving the substantive rights of the crew, passengers, and the vessel owner.²³⁷

Even if the law of the flag is applicable, it alone is not determinative.²³⁸ To determine whether U.S. or foreign law governs a maritime conflict, the court will

²³¹ Article 3 UNCLOS.

²³² Article 33 UNCLOS.

²³³ Note that U.S. law does apply to piracies, felonies, and offenses against the Law of Nations. U.S. CONST., art. 1, § 8, cl.10. Patent law, however, does not fit within any of these categories. Winston, *supra* note 233 at 517.

²³⁴ Article 92 UNCLOS.

²³⁵ 545 U.S. 119, 130 (2005). *See also* *Uravic v. F. Jarka Co.*, 282 U.S. 234, 240 (1931) (holding that “general words” should be “generally applied” and that therefore there is “no reason for limiting the liability for torts committed [aboard foreign-flag ships in United States territory] when they go beyond the scope of discipline and private matters that do not interest the territorial power”).

²³⁶ *Spector*, 545 U.S. at 130.

²³⁷ *See McCullough*, 372 U.S. at 21 (observing that “the law of the flag state ordinarily governs the internal affairs of a ship”); *Lauritzen*, 345 U.S. at 585 (noting that “the law of the flag supersedes the territorial principle, even for purposes of criminal jurisdiction of personnel of a merchant ship”); *Petition of Chadade S. S. Co.*, 266 F. Supp. 517, 519 (S.D. Fla. 1967) (“the law of the flag of a vessel generally governs not only criminal conduct but also the substantive rights of crew, passengers and the shipowner in civil causes of action arising thereon”).

²³⁸ *U.S. Lines Co. v. Eastburn Marine Chemical Co.*, 221 F. Supp. 881, 884 (S.D.N.Y. 1963) (declining to apply law of the flag in an insurance case). *See also*, Marcus R. Bach-Armas & Jordan A. Dresnick, *Laws Adrift: Anchoring Choice of Law Provisions in Admiralty Torts*, 17 U. MIAMI INT’L & COMP. L. REV. 43 (2009) (recognizing “the false notion that a ship is merely a floating portion of the country under which the vessel flies its flag” and maintaining that “the complex web of laws governing the maritime industry is governed largely by international law and self-regulation”).

apply the *Lauritzen-Rhoditis* balancing test,²³⁹ and consider the (1) place of the wrongful act, (2) law of the flag, (3) allegiance or domicile of the injured, (4) allegiance of the defendant shipowner, (5) place of contract, (6) inaccessibility of foreign forum, (7) law of the forum, and (8) shipowner's base.²⁴⁰ This test has been criticized for being unpredictable,²⁴¹ and at least one scholar has observed that the law of the flag factor has lost importance in the courts due to vessel owners' growing use of flags of convenience.²⁴²

2. Law of the Flag in Patent Law

It is unclear whether the law of the flag governs in cases involving patent law. Substantive U.S. patent law clearly does not apply to ships sailing foreign flags.²⁴³ In the 1856 case *Brown v. Duchesne*, a U.S. citizen patent holder claimed infringement of a gaff saddle that was on a French ship in a U.S. port.²⁴⁴ The saddle was made in a foreign port in accordance with French law. The Court held that U.S. patent law does not apply to foreign vessels entering U.S. ports.²⁴⁵ It emphasized that no infringement occurs for a ship, provided the patented improvement "was placed upon her in a foreign port, and authorized by the laws of the country to which she belongs."²⁴⁶ It noted that to hold otherwise would interfere with Congress's power to pass legislation regulating commerce and the President's treaty-making power.

Patent infringement on a ship does not fit the narrow category of behaviors covered by law of the flag in the United States. Infringement does not affect the substantive rights of the crew, passengers, or ship owner, given that no basic human right is at issue. Nor do patents relate to internal order or discipline on a vessel the way that tort or criminal law does. Consequently, as Judge Wallach observed in *WesternGeco*, if an infringer exclusively supplies components from one country that

²³⁹ The first seven factors come from the Supreme Court's decision in *Lauritzen v. Larsen*, 345 U.S. at 583–91, the eighth factor comes from *Hellenic Lines Ltd. v. Rhoditis*, 398 U.S. 306, 310 (1970). See also Tetley, *supra* note 229 at 157 (discussing *Lauritzen*). Although the test was originally limited to cases involving injuries to seamen, it has since been extended "to virtually all maritime conflicts." Symeon C. Symeonides, *Cruising in American Waters: Spector, Maritime Conflicts, and Choice of Law*, 37 J. MAR. L. & COM. 491, 513 (2006).

²⁴⁰ See *Reino de España v. American Bureau of Shipping, Inc.*, 691 F.3d 461, 468 (2d Cir. 2012) (applying an eight-factor balancing test); *Fogelman v. Aramco*, 920 F.2d 278, 282–83 (5th Cir. 1991) (also applying an eight-factor balancing test).

²⁴¹ See Bach-Armas, *supra* note 241 at 58 (observing that the result of the test "has been a panoply of decisions pointing in different directions and leaving little predictability for today's practitioners, especially when the factors are incongruous").

²⁴² Symeonides, *supra* note 242 at 514 (collecting cases).

²⁴³ Winston, *supra* note 233 at 521.

²⁴⁴ 60 U.S. 183,193.

²⁴⁵ *Id.* at 195.

²⁴⁶ *Id.* at 198–99.

is only used on the high seas, “it may be that no country’s patent laws reach the conduct occurring in international waters absent a provision such as § 271(f).”²⁴⁷

The only recent case on point is *M-I Drilling Fluids UK Ltd., v. Dynamic Air, Inc.*, in which the District of Minnesota held that U.S. patent law applies to U.S.-flagged ships in international waters.²⁴⁸ The district court acknowledged that Congress was silent on the issue when it passed the 1952 Patent Act. Instead, the court relied on the Senate Judiciary Report from the 1990 Outer Space Act which claimed that there was support for applying law of the flag in patent infringement cases.²⁴⁹ However, the Outer Space Act was not contemporaneous with the passage of the Patent Act, calling into question the validity of the court’s analysis.

It is uncertain whether the law of the flag is applicable in cases like *WesternGeco*. The doctrine generally applies to conduct occurring on a vessel, not damages resulting from conduct in the United States, and no case appears to apply it to damages. Moreover, it is wholly unclear whether other countries will generally be amenable to applying their respective patent laws to cases involving infringement on vessels flying their flags. It is possible that there may be infringement cases in which no country’s patent law is applicable.²⁵⁰

Furthermore, if damages arise from U.S. infringement, the *Lauritzen-Rhoditis* balancing test might favor the application of U.S. law. In *Reino de España v. American Bureau of Shipping, Inc.*, a Bahamian flagged vessel sank off the coast of Spain, causing oil to wash ashore in Spain.²⁵¹ Spain sued American Bureau of Shipping (ABS), which had inspected the vessel for structural soundness. Applying the full balancing test, the Second Circuit applied U.S. law, notwithstanding the fact that the vessel was flagged in the Bahamas.²⁵² It held that for factor (1), the “place of the wrongful act” is not where the vessel sank, but “where the negligence [or

²⁴⁷ *WesternGeco L.L.C.*, 791 F.3d at 1360–61 (Wallach dissenting in part).

²⁴⁸ 99 F. Supp. 3d 969 (D. Minn. 2015). There is also a very short decision from the District of Massachusetts from 1865. See *Gardiner v. Howe*, 9 F. Cas. 1157, 1158 (D. Mass. 1865) (holding that U.S. patent law “extends to the decks of American vessels on the high seas, as much as it does to all the territory of the country”).

²⁴⁹ The Senate Report for the Outer Space Act noted that “some caselaw supports the proposition that the deck of U.S.-flagged vessels may be treated as U.S. territory for jurisdictional purposes in patent infringement proceedings.” *Id.* at 975 (quoting S. REP. NO. 101-266 (1990)). It is unclear, however, why legislative history from an unrelated statute sheds light on how to interpret the Patent Act.

²⁵⁰ In *Spector v. Norwegian Cruise Line, Ltd.*, the Supreme Court held that “general statutes may not apply to foreign-flag vessels insofar as they regulate matters that involve only the internal order and discipline of the vessel, rather than the peace of the port.” 545 U.S. at 130. Applying this distinction, Professor Elizabeth Winston argued that the law of the flag is more appropriate for patent law cases, maintaining that “[p]atent law has more to do with the internal affairs of the vessel itself.” Winston, *supra* note 233 at 521–22. But there is another possibility—that intellectual property law fails to fit either paradigm and that no law applies to infringement that occurs at sea.

²⁵¹ 691 F.3d at 462.

²⁵² *Id.* at 467.

recklessness] occurs,” and maintained that ABS’s wrongful conduct “[gave] the United States ties to the litigation that [were] both obvious and more pertinent” than the other factors.²⁵³ Likewise, a patentee could argue that under § 271(f), the United States was the place of the wrongful act, given that is where the patent components were manufactured and exported leading to the high seas damages.

C. Rethinking Extraterritorial Damages

Given that the presumption is rebutted, courts could adopt the predicate act doctrine from copyright law. However, due to the lack of international uniformity in patent law, extraterritorial patent damages poses a greater risk to prescriptive comity than copyright law. Consequently, a balancing test would be a better option, allowing courts to weigh the United States’ interest in enforcing its laws and promoting innovation with the risk of creating a foreign conflict.

1. Comity Concerns for Extraterritorial Patent Damages

International law and comity considerations make courts unwilling to interpret a law in a way that creates a conflict with a foreign sovereign, absent express congressional intent. In maritime cases like *WesternGeco*, no foreign conduct is regulated. Although the law of the flag exists, it is but one consideration under federal common law. Even if jurisdiction is claimed by the country whose flag the vessel flies or the country where the relevant contract was entered into, the United States also has a strong interest in making patent infringement victims whole through damages after substantive U.S. patent law has been violated.²⁵⁴

Concerns can arise, however, when another country with territorial jurisdiction has conflicting laws. Suppose that Smith holds a U.S. patent on a powerful drug that cures cancer. Further suppose that Foreign Country does not offer patents on pharmaceuticals, to keep prices low for its citizens, but that no company currently offers Smith’s cancer drug due to a lack of adequate production facilities. In violation of § 271(f), U.S.-based USPharma Corporation sells a specialized compound used to make the drug to a pharmaceutical company in Foreign Country, with the intent that it will be combined with other ingredients to make Smith’s patented drug and sold abroad. If a U.S. court holds USPharma liable for damages in Foreign Country, that decision will serve as a deterrent to other companies thinking of importing the compound to Foreign Country, thereby undermining Foreign Country’s policy objective of making drugs available to its citizens and

²⁵³ *Id.* at 468.

²⁵⁴ Similar concerns exist in contract law. See Nik Yeo and Daniel Tan, *Damages for Breach of Exclusive Jurisdiction*, COMMERCIAL LAW AND COMMERCIAL PRACTICE, 419–20 (noting that “to rely on comity to limit the right to damages” in contract law introduces uncertainty and “without providing sufficient independent justification, allows concepts drawn from private international law to ‘trump’ the domestic right to damages”).

decreasing the supply of the drug in Foreign Country.²⁵⁵ Regardless of the merits of Foreign Country's patent system, such conflicts are undesired.

But why should patent law be treated differently than copyright law? As discussed earlier, several courts have adopted the predicate act doctrine and have awarded extraterritorial damages in copyright cases.²⁵⁶ However, copyright law among nations is fairly uniform. The Berne Convention binds 171 countries and helped harmonize copyright law by eliminating formalities for obtaining copyrights.²⁵⁷ It furthermore created minimum standards of copyright protection for all member states.²⁵⁸ Although prescriptive comity concerns still arise in copyright cases,²⁵⁹ the high degree of uniformity limits any conflicts of law.

By contrast, patent law is the most territorial intellectual property right.²⁶⁰ Unlike copyrights or trademarks, patent applications undergo extensive government review prior to issuance,²⁶¹ allowing governments to play a major role in shaping claim language. Furthermore, as the Supreme Court in *Microsoft* observed, the Patent Act itself contains explicit territorial restrictions,²⁶² unlike the Copyright Act

²⁵⁵ Professor Bernard Chao has argued against a worldwide causation theory because of this type of comity concern, noting that companies could seek foreign patent damages based on U.S. law “even if the other country has refused to award a patent for a particular invention and has consciously chosen to provide more modest recoveries to those that are awarded patents there.” Chao, *Patent Imperialism*, *supra* note 149 at 87. Chao further argues that such a result would violate prescriptive comity. *Id.*

²⁵⁶ See *supra*, Part III.B.

²⁵⁷ See Daniel Gervais & Dashiell Renaud, *The Future of United States Copyright Formalities: Why We Should Prioritize Recordation, and How to do That*, 28 BERKELEY TECH. L. J. 1459, 1471–74 (2013) (discussing the abolition of formalities for copyright registration and transfers under the Berne Convention).

²⁵⁸ See Graham B. Dinwoodie, *The Development and Incorporation of International Norms in the Formation of Copyright Law*, 62 OHIO ST. L.J. 733, 739 (2001) (discussing the minimum standards of the Berne Convention).

²⁵⁹ See, e.g., *Subafilms, Ltd. v. MGM-Pathe Communications, Co.*, 24 F.3d 1088, 1090 (9th Cir. 1999) (holding that “there can be no liability under the United States copyright laws for authorizing an act that itself could not constitute infringement of rights secured by those laws” and maintaining “that wholly extraterritorial acts of infringement are not cognizable under the Copyright Act”).

²⁶⁰ See, e.g., Chisum, *supra* note 172 at 605 (“Of the three principal forms of intellectual property, patent rights are most explicitly territorial.”); Mark A. Lemley et al., *Divided Infringement Claims*, 33 AIPLA Q.J. 255, 264 (2005) (“Because patent law, unlike copyright, is territorial in nature, those who want worldwide protection must seek patents in multiple countries.”).

²⁶¹ See Timothy R. Holbrook, *Territoriality Waning? Patent Infringement for Offering in the United States to Sell an Invention Abroad*, 37 U.C. DAVIS L. REV. 701, 704–5 (2004) (observing that that strong territorial nature of patents is based, in part, on government review of patent applications prior to issuance); Graeme B. Dinwoodie et. al., *International and Comparative Patent Law* 30 (2002).

²⁶² *Microsoft Corp.*, 550 U.S. at 455 (observing that “the traditional understanding” that patent law operates domestically and not internationally “is embedded in the Patent Act itself, which provides that a patent confers exclusive rights in an invention within the United States”).

and Lanham Act.²⁶³ The Patent Act prevents non-patent holders “from making, using, offering for sale, or selling the invention *throughout the United States*” or from “importing the invention *into the United States*.”²⁶⁴ The Supreme Court, moreover, is already known for treating different areas of substantive law differently for extraterritoriality purposes,²⁶⁵ and has stated that “foreign law may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions.”²⁶⁶ Patent law’s territorial nature make comity concerns stronger compared to copyright law.

2. Test for Extraterritorial Patent Damages

The Federal Circuit may not place artificial restraints on the award of damages. Consequently, any test the court uses for awarding extraterritorial damages must be flexible, allowing district courts room to determine whether damages are appropriate. Such balancing tests already exist in areas of law with extraterritorial reach. For example, when applying the Lanham Act extraterritorially, several courts of appeal use a three-part balancing test considering the effect of the defendant’s conduct on U.S. commerce, the citizenship of the defendant, and the likelihood of conflict between U.S. law and foreign law.²⁶⁷ A balancing test could be used in patent law to allow for extraterritorial damages in certain circumstances.

In considering whether extraterritorial damages are appropriate, a court should consider whether awarding such damages would raise prescriptive comity concerns, by considering whether another country’s law governs the case at hand. If another country’s law does apply, then the court should ask whether the court exercising jurisdiction would interfere with the sovereignty of another nation by contravening that country’s patent laws.²⁶⁸

²⁶³ See Chisum, *supra* note 172 at 605 (observing that the Patent Act confers specific rights limited to the United States, while the Copyright Act is silent regarding territoriality and the Lanham Act expansively covers all use “in commerce”); Alan M. Fisch & Brent H. Allen, *The Application of Domestic Patent Law to Exported Software*: 35 U.S.C. § 271(f), 25 U. PA. J. INT’L ECON. L. 557, 565 (2004) (observing that “the 1952 Patent Act authorized patent infringement claims only for acts occurring “within the United States”).

²⁶⁴ 35 U.S.C. § 154(a) (emphasis added). Donald Chisum maintains that “[w]ith such explicit provisions, there is no occasion even to consider whether there is a presumption for or against extraterritorial application.” Chisum, *supra* note 172 at 605. However, § 271(f) clearly does have some extraterritorial reach, due to its explicit language “outside the United States.”

²⁶⁵ In addition to applying the trademark law extraterritorially, the Supreme Court denied certiorari to a Ninth Circuit case applying the Sherman Act abroad. See *Timberlane Lumber Co. v. Bank of America Nat’l Trust & Sav. Assoc.*, 749 F.2d 1378 (9th Cir. 1984), cert. denied, 472 U.S. 1032 (1985) (Sherman Act).

²⁶⁶ *Microsoft Corp.*, 550 U.S. at 455 (internal quotations omitted).

²⁶⁷ See *supra*, Part III.A.

²⁶⁸ It may also be worth exploring whether related non-IP doctrines that deal with comity concerns can shed light on how to deal with extraterritorial damages. The doctrine of *forum non conveniens* can allow U.S. litigation to be dismissed in favor of a foreign venue based on factors such as the connection of the plaintiff and the lawsuit to the United States, availability of an adequate alternate

Any comity concerns should then be balanced against the United States's interest in making victims of domestic patent infringement whole and promoting innovation. If extraterritorial damages are not permitted, will the infringer be sufficiently deterred from engaging in future infringement? Will future inventors choose to not invest money in innovations, say, in off-shore technology due to inadequate remedies? Note that in some cases, innovation may best be promoted by not awarding extraterritorial damages.

Under the balancing test, infringement on the high seas would almost always be actionable due to the lack of conflicting foreign law. In the event that there is a way to make foreign law reach to the high seas conduct, perhaps through the law of the flag, this could be balanced against the need to promote innovation. For cases in which damages are incurred in a foreign jurisdiction, U.S. interests would have to be strong enough—and the conflict of foreign law small enough—to justify an award of extraterritorial damages.

Finally, district courts should ensure that any foreign damages awarded actually flow from the domestic infringement at issue. In *Rite-Hite*, the Federal Circuit noted that “[i]f 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.”²⁶⁹ In *WesternGeco*, an argument can be made that the patent holder should not have received damages for lost foreign contracts due to the lack of foreseeability. Ion shipped parts abroad that were combined together outside the United States. Those devices were then sold to third parties which used the devices to offer competing surveying services. Even if courts permit extraterritorial damages, it is not clear that Ion could have foreseen that foreign third parties would compete with *WesternGeco* for service contracts. Indeed, as some scholars have observed, if *Rite-Hite* is broad enough to reach damages such as those found in *WesternGeco*, than perhaps it should be reconsidered.²⁷⁰

forum, and a balancing of public and private interest factors. See *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 254–56 (1981). Some courts of appeal have also recognized international comity abstention, which deals with the situation where litigation brought in the United States duplicates on-going foreign litigation, and the U.S. court weights various factors in deciding whether the U.S. proceeding should be dismissed. See *Royal and Sun Alliance Ins. Of Canada v. Century Intern. Arms*, 466 F.3d 88, 93–95 (2d Cir. 2006); Edward Flanders et al., *A Tale of Two Doctrines*, NY L. J. (Jan 14, 2013), (discussing the differences between international comity abstention and forum non conveniens).

²⁶⁹ *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1546 (Fed. Cir. 1995) (en banc) (emphasis added).

²⁷⁰ See Holbrook, *supra* note 89 at 37 (noting that when foreseeability is stretched too far, it threatens downstream innovation); Mark A. Lemley, *The Fruit of the Poisonous Tree in IP Law*, available at <https://papers.ssrn.com/sol3/papers.cfm?abstractid=2867099> (Nov. 9, 2016), 14–18 (discussing the problem of broad “reach-through royalties” in patent law).

V. Conclusion

The presumption against extraterritoriality is a useful canon of construction for courts that must determine whether federal substantive law includes activities arising wholly or mostly outside the United States. It promotes comity by preventing U.S. law from conflicting with that of foreign countries, and ensures that courts do not extend laws beyond what Congress intended. The presumption furthermore promotes separation of powers, by making it clear that Congress alone decides whether a U.S. law should be applicable abroad.

However, the presumption does not limit the courts' ability to award damages based on foreign conduct. Even if the presumption is applicable to damages provisions, it is rebutted under *RJR Nabisco*. Congress has explicitly stated that it intends for § 271(f) to apply to extraterritorial conduct, and it necessarily follows that § 284 must as well to make infringement victims whole. Furthermore, step two of *RJR Nabisco* is met, because the conduct relevant to § 271(f) and § 284 is domestic, with liability attaching in the United States.

Although courts should have the ability to award foreign damages, this does not mean that they should do indiscriminately. Unlike copyright law, patent law is highly territorial, raising the concern that applying damages to conduct that occurred abroad could conflict with foreign laws. Moreover, the Patent Act is grounded in promoting innovation, so courts must also consider whether awarding more damages in multinational cases would help or hinder innovation. Finally, some damages are too speculative or tenuous to flow from the domestic wrongdoing at issue. Consequently, a balancing test would provide lower courts with the flexibility to award damages to promote innovation when such damages are warranted, after ensuring that the damages would not cause prescriptive comity concerns.