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### From Deepsouth to WesternGeco: The Patent Provision Heard Around the World

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# From *Deepsouth* to *WesternGeco*: The Patent Provision Heard Around the World

Sam H. Boyer\*

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## INTRODUCTION

High-tech, high-stakes, multinational patent disputes may be modern and flashy, but one tool in the United States patent holder's arsenal, 35 U.S.C. § 271(f), has beginnings as humble as the shrimp and its inelegant vein. Anyone visiting southern Louisiana can attest that shrimp are a dietary staple. Although shrimp certainly present a "gustatory delight," they "wear their skeletons outside of their bodies," creating an issue for those looking to indulge.<sup>1</sup> Moreover, their gastrointestinal veins shallowly traverse their backs.<sup>2</sup> Accordingly, one must tediously peel and devein each individual shrimp prior to consumption—that is, until commercial equipment arrived on the scene.<sup>3</sup>

To industrialize the process of preparing shrimp, Laitram Corporation ("Laitram") meticulously developed a shrimp splitter and deveining device that quickly and cheaply processed large quantities of shrimp.<sup>4</sup> Seeking exclusivity for its innovation, Laitram obtained a patent in 1958.<sup>5</sup> Despite the patent, Deepsouth Packing Company ("Deepsouth") began manufacturing and selling a similar shrimp deveining device.<sup>6</sup> Laitram subsequently sued Deepsouth to halt its operation.<sup>7</sup> The trial court issued an injunction, and the Fifth Circuit affirmed.<sup>8</sup> Determined to keep its business alive, however, Deepsouth requested the United States Supreme Court's approval to continue selling its machine abroad.<sup>9</sup>

Section 271(a) of the Patent Act provides that anyone who makes or sells an infringing device within the United States is liable for patent infringement.<sup>10</sup> Deepsouth successfully argued that by ceasing the manufacturing process on each machine just shy of completion, it was neither "making" nor "selling" the patented invention within the United States in violation of U.S. patent law.<sup>11</sup> Instead, Deepsouth shipped the

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1. *Laitram Corp. v. Deepsouth Packing Co.*, 301 F. Supp. 1037, 1040 (1969).

2. *Id.*

3. *See generally id.* (discussing the economic desirability and introduction of these devices).

4. *Id.*

5. U.S. Patent No. 2,825,927 (filed Mar. 11, 1958).

6. *Deepsouth*, 301 F. Supp. at 1043.

7. *Id.*

8. *Laitram Corp. v. Deepsouth Packing Co.*, 443 F.2d 928 (1971).

9. Deepsouth requested a modification to the injunction that would allow it to continue manufacturing the deveiner in certain situations. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972).

10. "[W]hoever . . . makes, uses or sells any patented invention, within the United States . . . infringes the patent." 35 U.S.C. § 271(a) (2018).

11. *Deepsouth*, 406 U.S. at 523.

deveiner in three separate and individual components to purchasers in Brazil, accompanied with a letter explaining Deepsouth's legal woes and assuring the customers that the last step in the assembly process did not require technical expertise and could be completed in less than an hour.<sup>12</sup> The Supreme Court allowed Deepsouth to continue selling its nearly completed deveiners to its Brazilian consumers using this method.<sup>13</sup>

Justice Blackmun, dissenting, expressed his concerns regarding the majority opinion: “[Permitting Deepsouth's activity] would allow an infringer to set up shop next door to a patent-protected inventor whose product enjoys a substantial foreign market and deprive him of this valuable business.”<sup>14</sup> Thereafter, Congress enacted 35 U.S.C. § 271(f), closing the loophole exposed by *Deepsouth*.<sup>15</sup> Since *Deepsouth*, however, courts have inconsistently applied § 271(f), posing a threat to the strongly domestic nature of patent systems—both the United States' system and those of other nations.<sup>16</sup> The Supreme Court most recently reviewed § 271(f) in *WesternGeco v. Ion Geophysical Corporation*, which similarly involved an infringer shipping a patented device abroad.<sup>17</sup> Against an extraterritorial backdrop, the Court ultimately held the infringer liable to the U.S. patent holder, elucidating § 271(f)'s applicability and how § 271(f) relates to patent law damages.<sup>18</sup>

Although *WesternGeco* first seems to pertain only to a niche carve-out of a specialized area of U.S. law, the wider implications become apparent in reading the Court's opinion.<sup>19</sup> Specifically, the Court not only addressed extraterritoriality and the current status of the *Deepsouth* loophole, but the Court also espoused a broad view on the nature of compensatory damages and the role of proximate cause in the extraterritoriality context.<sup>20</sup> These issues, although far from settled, present the possibility of systematic retaliation from offended countries because the United States' current

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12. *Deepsouth*, 443 F.2d at 938.

13. *Deepsouth*, 406 U.S. at 532.

14. *Id.* at 534. (Blackmun, J., dissenting).

15. 35 U.S.C. § 271(f) (creating a cause of action for patent holders against alleged infringers who supply components of an invention abroad for incorporation into an infringing device).

16. See Timothy R. Holbrook, *Boundaries, Extraterritoriality, and Patent Infringement Damages*, 92 NOTRE DAME L. REV. 1745, 1749 (2017).

17. See generally *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018).

18. *Id.*

19. Timothy R. Holbrook, *Extraterritoriality and Proximate Cause after WesternGeco*, YALE J. L. & TECH. (forthcoming 2019).

20. *WesternGeco*, 138 S. Ct. at 2130.

position potentially violates the general rule that patent law reaches to a country's borders and no further.<sup>21</sup> If the United States begins to blur this distinction by reaching beyond its borders, offended countries could begin to do the same, upsetting a powerful international understanding built on years of cooperation.<sup>22</sup> To mitigate this problem, courts should adopt the suggested conflict of laws analysis or factor test.<sup>23</sup> These frameworks afford courts flexibility in awarding foreign damages in § 271(f) cases to militate against an offensive result.

This Comment will address the current state of extraterritoriality in patent law in light of the Supreme Court's recent *WesternGeco* holding. Part I will broadly explain patent law, the reasons for curtailing the reach of U.S. law, and how courts have awkwardly married these two constructs. Part II will discuss damages in patent law before expounding on damages related to § 271(f), specifically focusing on the 2018 Supreme Court case *WesternGeco*. Part II also explains *WesternGeco* in full, including the majority's analysis of the availability of lost foreign profits and the extraterritorial implications. Part III will discuss how current U.S. patent law overreach may affect the United States' international standing and the deficiencies in the courts' analyses when it comes to assessing possible international consequences, heavily referencing the dissent in *WesternGeco*. Part IV will propose a conflict of laws analysis borrowed from the Louisiana Civil Code and, additionally, an alternative analytical framework adapted from antitrust law.

## I. UNITED STATES PATENT LAW: FROM *DEEPSOUTH* TO SECTION 271(F)

The U.S. Constitution confers on Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>24</sup> Wholly a matter of federal law, patent law grants enterprising inventors temporary monopolies on patentable subject matter.<sup>25</sup>

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21. Lee Ann W. Lockridge, *Intellectual Property in Outer Space: International Law, National Jurisdiction and Exclusive Rights in Geospatial Data and Data Bases*, 32 J. SPACE L. 319, 339–346 (2006).

22. *Id.*

23. *See infra* Part IV.

24. U.S. CONST. art. I, § 8, cl. 8.

25. “Patentable subject matter” refers to inventions that are useful, novel, and non-obvious. *See* 35 U.S.C. § 154(a)(2) (2018) (specifying a 20-year term from date of issuance); *id.* § 101 (requiring the “process, machine, manufacture, or composition of matter, or . . . improvement thereof” to be “new and useful” to obtain a patent); *id.* §§ 102, 103.

Providing these temporary monopolies incentivizes inventors to experiment and develop novel and non-obvious inventions that aid in the progress “of science and useful arts” as well as spur beneficial economic activity.<sup>26</sup>

Stemming from English law, U.S. patent law developed through several iterations of patent acts promulgated since this country’s genesis.<sup>27</sup> Most recently, Congress enacted the America Invents Act in 2011, which overhauled the previous 1952 patent system, although § 271(f) remained untouched.<sup>28</sup> Despite reworking the system and attempting to harmonize the U.S. patent system with those of other nations, Congress did not solve all of the difficult substantive problems associated with patent law—especially in the extraterritorial context.<sup>29</sup> Extraterritoriality stands in direct contrast to the strongly domestic nature of patent law, creating internal friction that courts continue to grapple with today.<sup>30</sup>

#### *A. The Impact of Deepsouth: Section 271(f)*

Directly after *Deepsouth*,<sup>31</sup> U.S. patents faced grave vulnerabilities.<sup>32</sup> Allowing a would-be infringing company to avoid patent infringement liability by finishing the manufacturing process abroad undermines the purpose of patents.<sup>33</sup> This type of infringement severs the patent holder’s foreign market, significantly devaluing the patent holder’s intellectual property by inflicting financial harm in the form of opportunity loss.<sup>34</sup> In *Deepsouth*, the Court found this type of behavior permissible under

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26. See U.S. CONST. art. I, § 8, cl. 8.

27. See Craig Allan Nard, *Legal Forms and the Common Law of Patents*, 90:51 B. U. L. REV 51, 53–55 (2010). See generally *Graham v. John Deere*, 383 U.S. 1 (1966).

28. MARY LAFRANCE ET AL., *INTELLECTUAL PROPERTY: CASES AND MATERIALS* 396–97 (5th ed. 2018).

29. *Id.* (The America Invents Act brought “the U.S. into greater harmony with the patent systems of other nations.”).

30. 35 U.S.C. § 271(a) (grounding patent law domestically by providing that anyone who “makes, uses, offers to sell, or sells any patented invention *within the United States* . . . infringes the patent”) (emphasis added); *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018).

31. See discussion *supra* INTRODUCTION.

32. See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972) (referring to the loophole that *Deepsouth* exposed).

33. See *id.* at 532 (Blackmun, J., dissenting).

34. “Opportunity loss” refers to the fact that patent holders would essentially forego business that would have otherwise been available. See 35 U.S.C. § 284 (giving patent holders “damages adequate to compensate for the infringement”); see also *Holbrook*, *supra* note 16.

then-existing law.<sup>35</sup> In response to *Deepsouth*'s controversial holding, Congress enacted § 271(f), closing this loophole.<sup>36</sup> In § 271(f), Congress expanded patent infringement to include supplying components originating in the United States to be combined abroad when the complete action would have constituted infringement if it had solely occurred within the United States.<sup>37</sup>

As patent holders salvaged the ability to litigate against overseas activity, extraterritorial and comity concerns arose.<sup>38</sup> Grounded domestically, intellectual property remains a strongly territorial body of law.<sup>39</sup> Accordingly, the enactment of § 271(f), specifically its extraterritorial language, exhumes curious policy considerations.<sup>40</sup> Patent law aims to remain strongly territorial.<sup>41</sup> By applying § 271(f), courts reach beyond our borders and give some effect to U.S. patents abroad.<sup>42</sup>

### *B. The Presumption Against Extraterritoriality*

The extraterritorial hook in § 271(f) implicates comity, which refers to the respect one country gives to another country's legal system as a matter of courtesy with the expectation of some degree of reciprocity.<sup>43</sup>

35. *Deepsouth*, 406 U.S. 523 (1972); 35 U.S.C. § 271(a) (1970 ed.).

36. 35 U.S.C. § 271(f) (2018).

37. *Id.*

38. Section 271(f) closes the loophole from *Deepsouth* but is arguably U.S. patent law overreach. 35 U.S.C. § 271(f). Any time our laws purport to extend beyond territorial boundaries, comity and territoriality are invoked to ensure courts permissibly resolve these matters.

39. Under the intellectual property umbrella, patent law distinguishes itself from other areas of intellectual property by remaining significantly more territorial. *See* *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018); *see also* *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 455 (2007); 35 U.S.C. § 271(a) (grounding patent law domestically by providing that anyone who "makes, uses, offers to sell, or sells any patented invention *within the United States* . . . infringes the patent") (emphasis added).

40. 35 U.S.C. § 271(f)(1) (prohibiting patent holders from "actively induc[ing] the combination of such components *outside of the United States* . . .") (emphasis added); *see also* Holbrook, *supra* note 16, at 1749; Brief of Intellectual Property Law Scholars as Amici Curiae in Support of Neither Party, *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 [hereinafter Brief of IP Law Scholars].

41. *See* *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 455 (2007).

42. *See id.*

43. The doctrine of comity, mirroring the Full Faith and Credit Clause's mutuality but on an international scale, acts as a safeguard against U.S. law overreach by urging the courts to afford deference to other countries' legal systems

Courts and commentators, however, struggle to fully understand what exactly international comity requires.<sup>44</sup> Because comity has “no clear analytical framework, . . . courts have been left to cobble together their own approach.”<sup>45</sup> In the § 271(f) context, comity evaluation generally takes the form of the “presumption against extraterritoriality,” if an evaluation occurs at all.<sup>46</sup> The presumption against extraterritoriality suggests that U.S. law only applies domestically, absent contrary instructions from Congress.<sup>47</sup> In that capacity, the presumption serves to safeguard against holdings that may offend other countries’ bodies of law.<sup>48</sup> In theory, the presumption against extraterritoriality reduces the probability that a holding will elicit adverse extraterritorial implications by avoiding foreign applications of U.S. law.<sup>49</sup> The presumption advocates that a court may only consider extraterritorial presentations in exceptional scenarios within the scope of congressional language.<sup>50</sup> Consequently, § 271(f) and extraterritoriality in patent law invoke two prevailing antithetical policy considerations.<sup>51</sup>

### *1. Policy Considerations*

Patent holders’ interest in full economic protection and the public interest in avoiding condemnation of the international community, which stand diametrically opposed, constitute the backdrop from which courts’ analyses must develop. First, patent holders should be able to fully protect their inventions from infringers looking to capitalize on their devices by

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as a matter of courtesy. William S. Dodge, *International Comity in American Law*, 115 COLUM. L. REV. 2071, 2073–74, 2094 (2015) (citing *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 799 (1993)); 35 U.S.C. § 271(f) (“actively induce the combination of such components *outside of the United States* . . .”) (emphasis added).

44. Dodge, *supra* note 43, at 2073–74.

45. *Id.* (describing three different types of comity). This Comment focuses on what Dodge refers to as “prescriptive comity.” *See id.*

46. Holbrook, *supra* note 16, at 1749.

47. *Id.*

48. Dodge, *supra* note 43, at 2080 (“[The presumption] serves to protect against unintended clashes between our laws and those of other nations which could result in international discord.”).

49. Holbrook, *supra* note 16, at 1749.

50. *See generally* *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 455 (2007).

51. *See generally* *DeepSouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972); *Microsoft*, 550 U.S. at 444–45; *Life Tech. Corp. v. Promega Corp.*, 137 S. Ct. 734 (2017).



exploiting the *Deepsouth* loophole.<sup>52</sup> Permitting would-be infringers, including foreign and domestic companies, to escape liability by setting up a finishing plant abroad would run afoul of a fundamental concept in patent law: protecting proprietary information.<sup>53</sup>

Second, the doctrine of comity steers courts away from interpreting § 271(f) in ways that disrespect laws of other nations.<sup>54</sup> U.S. patent law, although a powerful tool for inventors, cannot govern foreign conduct without risking impermissible overreach.<sup>55</sup> In other words, international patent law is perhaps a matter best approached by using coordinated efforts with cooperating countries such that the interests of all countries are appropriately represented.<sup>56</sup> Laws that undermine this concept fall out of comportment with the international understanding that patent laws extend only to each nation's borders.<sup>57</sup>

## *2. The Inconsistent Application of the Presumption Against Extraterritoriality*

For the presumption against extraterritoriality to have the intended effect in the § 271(f) context, courts must apply the presumption consistently.<sup>58</sup> Over time, with steady application, courts could begin to realize the presumption's applicable limits and define its scope.<sup>59</sup> In short, consistency breeds consistency. Courts, however, remain inconsistent in their application of the presumption in the § 271(f) context,<sup>60</sup> which weakens the presumption by leaving future courts to decide when and how to utilize it.<sup>61</sup>

Professor Timothy Holbrook, who has written extensively on the presumption against extraterritoriality, has cataloged courts' continued inconsistencies in applying § 271(f). Professor Holbrook highlighted three frequently used approaches: (1) a forceful application of the presumption

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52. See U.S. CONST. art. I, § 8, cl. 8.

53. See *Deepsouth*, 406 U.S. at 532 (Blackmun, J., dissenting).

54. See *Microsoft*, 550 U.S. at 455.

55. *RJR Nabisco, Inc v. European Cmty.*, 136 S. Ct 2090, 2100 (2016) (“United States law governs domestically but does not rule the world.”) (quoting *Microsoft*, 550 U.S. at 454).

56. See, e.g., Agreement on Trade-Related Aspects of Intellectual Property Rights arts. 27–34, 44–46, Apr. 15, 1994, 1869 U.N.T.S. 299.

57. *Id.*

58. See Holbrook, *supra* note 16, at 1749.

59. See *id.*

60. See discussion *supra* Section I.B.

61. Holbrook, *supra* note 16, at 1749.

against extraterritoriality; (2) simply mentioning but dismissing the presumption; and (3) refraining from mentioning the presumption altogether.<sup>62</sup>

Forceful application of the presumption against extraterritoriality avoids effectuating a needlessly offensive outcome by safeguarding against U.S. law overreach. Endeavoring to comport with a forceful comity analysis, the Supreme Court in *WesternGeco* most recently employed the *RJR Nabisco*<sup>63</sup> two-part test.<sup>64</sup> The *RJR Nabisco* test instructs courts to determine: (1) whether the conduct at bar rebuts the presumption against extraterritoriality, and, if the presumption is rebutted, (2) whether the conduct involved in the case is primarily domestic.<sup>65</sup>

Before *WesternGeco*, however, the Supreme Court employed alternate means of addressing comity. For example, in *Microsoft v. AT&T*, a 2007 case, the Court addressed whether software constitutes a component within the meaning of § 271(f)(1).<sup>66</sup> In its reasoning, the Court acknowledged the exceptional nature of § 271(f).<sup>67</sup> Moreover, the Court, relying heavily on the presumption, resolved any doubt as to statutory interpretation by favoring the territorial application of the statute, that is, in favor of leaving Microsoft's foreign software use outside the reach of U.S. patent law.<sup>68</sup> This holding illustrates the result of the presumption's forceful effect.<sup>69</sup> A forceful application of the presumption complies with the legal theory suggesting courts should interpret statutory exceptions narrowly.<sup>70</sup>

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62. *Id.* (“At times, the court expressly has applied the presumption, giving it forceful effect. Other times, the court mentions the presumption yet dismisses its application. And yet at other times, the court fails to mention the presumption explicitly, ignoring the significant body of law that underlies it. The court has at times afforded extraterritorial reach in the face of seemingly clear language, while other times rejecting such scope.”).

63. *See* *RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2093–2094 (2016) (citing *Morrison v. National Australia Bank*, 561 U.S. 247, 255; *Kiobel v. Royal Dutch Petroleum Co.*, 133 S. Ct. 1659). *RJR Nabisco* articulated the two-step approach to extraterritoriality developed in *Morrison* and *Kiobel* in a Racketeer Influenced and Corrupt Organizations Act (RICO) suit against cigarette manufacturers alleging a global money-laundering scheme in connection with organized crime.

64. *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2133 (2018).

65. *See generally id.*

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

67. *Id.* at 441.

68. *Id.* at 437.

69. *See generally id.*

70. *See id.* at 442 (“§ 271(f) is an exception to the general rule that our patent law does not apply extraterritorially, we resist giving the language in which

Likewise, by rejecting the extraterritorial application,<sup>71</sup> the Court recognized that “patent laws, like other laws, are to be understood against a background presumption against extraterritorial reach.”<sup>72</sup> By employing a forceful application of the presumption, the Court ensured that its holding would not upset international patent law understandings, which seek to keep countries’ patent laws within their own borders.

When a court merely mentions the presumption without applying it forcefully, the presumption fails to carry its intended weight. Courts, however, occasionally mention the presumption, but abandon its function when the presumption militates against their desired holding.<sup>73</sup> *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, a 2010 Federal Circuit case, involved a patent holder who brought an infringement suit related to a foreign offshore drilling apparatus.<sup>74</sup> The court directly acknowledged the applicability of the presumption against extraterritoriality but failed to further explain how and if the presumption shaped the holding.<sup>75</sup> The opinion in *Transocean* illustrates the presumption’s perceived importance but haphazard application—courts recognize the presumption’s merit, but they frequently gloss over its application, perhaps in an effort to avoid arguments that weigh against the holdings they see fit.<sup>76</sup>

Lastly, courts occasionally avoid the presumption altogether, ignoring an admired doctrine that provides useful direction for analysis. In 2017, the Supreme Court reviewed *Life Technologies Corp. v. Promega Corp.*, which involved a DNA testing kit manufactured abroad, to determine the precise meaning of § 271(f).<sup>77</sup> The Court mentioned the strong domestic nature of patent law but failed to discuss the presumption, ultimately holding that the alleged infringer’s conduct did not violate § 271(f).<sup>78</sup> In effectuating this

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Congress cast § 271(f) an expansive interpretation”); *WesternGeco*, 138 S. Ct. at 2136 (“This principle, commonly called the presumption against extraterritoriality, has deep roots.”).

71. *Microsoft*, 550 U.S. at 441.

72. *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1306 (Fed. Cir. 2015).

73. *See, e.g.*, *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010).

74. *Id.*

75. Although the Federal Circuit held that there was no liability on the facts, the Federal Circuit further stated that, as a matter of law, an offer for sale in a foreign country would infringe on the U.S. patent if the eventual sale would be in the United States, even if the sale of the device never occurs. *Id.* at 1309.

76. *See generally id.*

77. *Life Tech. Corp. v. Promega Corp.*, 137 S. Ct. 734 (2017).

78. *See id.*

territorial holding, the Court's concerning lack of a formal comity analysis upset any foothold the presumption otherwise had.<sup>79</sup>

These cases collectively demonstrate courts' discomfort with extraterritoriality in patent law, specifically when applying the presumption against extraterritoriality.<sup>80</sup> Rather than building on the presumption, courts issue opinions that continually evade the heart of the question.<sup>81</sup> The presumption, although not wholly sufficient in and of itself, provides some safeguard against an improper extraterritorial holding. The courts' failure to regularly apply it, however, effectively defangs what the presumption may have otherwise provided.<sup>82</sup>

Although the presumption provides a useful precaution, courts occasionally rely on the mere fact that § 271(f) refers to conduct "outside of the United States" to rebut the presumption.<sup>83</sup> The already-defanged presumption, in those cases, "would be a craven watchdog indeed if it retreated to its kennel whenever some domestic activity is involved in the case."<sup>84</sup> Not only is the presumption insufficient in this context—courts inconsistently apply the insufficient presumption.<sup>85</sup>

## II. SECTION 284: DAMAGES IN PATENT LAW REGARDING EXTRATERRITORIALITY

The inconsistent application of the insufficient presumption would be rather inconsequential if courts were not additionally lumping it together with damages provisions, thereby creating or increasing disconcerting retaliatory possibilities. Nevertheless, parties primarily litigate patent claims in the hope of recovering damages, making it all the more important for courts to fully consider the implications of awarding sizable recoveries.

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79. *See id.*

80. Holbrook, *supra* note 16, at 1749.

81. *Id.*

82. *See generally id.* at 1749.

83. 35 U.S.C. § 271(f); *see also* *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018).

84. *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 266 (2010):  
That presumption here (as often) is not self-evidently dispositive, but its application requires further analysis. For it is a rare case of prohibited extraterritorial application that lacks all contact with the territory of the United States. But the presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever some domestic activity is involved in the case.

85. Holbrook, *supra* note 16, at 1749.

*A. Damages in Patent Law*

Generally true in any civil case, a court must determine liability before addressing damages. Accordingly, when alleged extraterritorial patent infringement occurs, the court must first decide whether the conduct constitutes infringement under § 271.<sup>86</sup> Second, if the court finds the activity to be infringing, it must then address remedies under § 284—the patent damages statute.<sup>87</sup> Generally, courts issue injunctive relief to ensure infringement cessation.<sup>88</sup> Additionally, § 284 provides a damages floor—reasonable royalties<sup>89</sup>—for the patent holder.<sup>90</sup> Section 284 also allows a court to award damages “adequate to compensate for the infringement” and even to award a three-fold increase to a jury’s damages finding.<sup>91</sup> Typically, a patent holder establishes losses sustained from the alleged infringer’s proscribed use by showing a reasonable probability that, but for the infringement, the patent holder would have been better financially situated.<sup>92</sup> When a patent holder’s product encompasses all or most of a market share, and an infringer enters the same market, the patent holder generally establishes damages by showing the profits lost due to the infringer’s entrance to the market.<sup>93</sup> Issues arise, however, when a patent holder attempts to recover for losses suffered in a foreign country.

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86. 35 U.S.C. § 271.

87. 35 U.S.C. § 284.

88. Injunctive relief precludes the further production of the infringing device to mitigate damage to the patent holder. But injunctive relief is not automatic. *See* *Ebay, Inc. v. Mercexchange, LLC*, 547 U.S. 388 (2006) (departing from the “general rule” of issuing an injunction in patent infringement cases, the Court denied the injunction based on a four-factor test); Ryan T. Holte & Christopher B. Seaman, *Patent Injunctions on Appeal: An Empirical Study of the Federal Circuit’s Application of Ebay*, 92 WASH. L. REV. 145 (2017) (“District courts that grant an injunction after a finding of liability are highly likely to be affirmed on appeal, whereas district courts that deny an injunction have a statistically significant lower affirmance rate.”).

89. 35 U.S.C. § 284. “Reasonable royalties” refers to a reasonable amount of money that the patent holder could have charged for licensing the patent to the infringing party.

90. 35 U.S.C. § 284.

91. *Id.*

92. DONALD S. CHISUM, CHISUM ON PATENTS § 20.05 (2018).

93. *Id.*

*B. Extraterritorial Damages in Patent Law*

Awarding lost foreign profits generally aids in equitably remedying infringement and comports with § 271(f)'s closing of the *Deepsouth* loophole, but this approach also implicates comity in an area where courts severely lack consistency and care.<sup>94</sup> In particular, § 284's repercussive nature amplifies extraterritorial concerns.<sup>95</sup> Forcing an injunction and reasonable royalties abroad raises ostensible extraterritorial concerns. Frequently awarding additional damages increases the likelihood of systematic retaliation by offended foreign sovereigns.<sup>96</sup> Courts compound this likelihood of retaliation in cases where they award the patent holder lost foreign profits without a proper explanation.<sup>97</sup> Patent infringement remedies, therefore, best illustrate the need for cohesion and consistency in the patent system.<sup>98</sup> If U.S. courts continue to award these damages, they risk unsettling the status quo, which could lead to systemic changes in other countries' patent law frameworks as they try to match our extraterritorial stance.<sup>99</sup> Therefore, the damages judgment provides the most illuminating justification for a foreign sovereign to expand its patent law reach as a response to U.S. courts' infringement findings under § 271(f).<sup>100</sup>

Furthermore, erratic and uncertain awarding of lost foreign profits leads to difficult business planning for a company.<sup>101</sup> Patent law damages yield

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94. See *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018).

95. See generally Bernard Chao, *Patent Law's Domestic Sales Trap*, 93 DENV. L. REV. ONLINE 87 (2016).

96. *WesternGeco*, 138 S. Ct. at 2143 (Gorsuch, J., dissenting) ("Worse yet, the tables easily could be turned. If our courts award compensation to U.S. patent owners for foreign uses where our patents don't run, what happens when foreign courts return the favor?").

97. Courts not only fail to give a proper explanation, but they also tend to elide the issue altogether. Section 271(f) has both a territorial prong ("supply from the U.S.") and a foreign prong ("outside the U.S."). Courts tend to fall back on the domestic prong and say that because the conduct contemplates domestic activity, it can be applied like a domestic statute and, therefore, needs no framework for analyzing extraterritoriality. See, e.g., *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454 (2007); *WesternGeco*, 138 S. Ct. at 2143 (Gorsuch, J., dissenting); see also § 271(f) (2018).

98. 35 U.S.C. § 284 (2018).

99. See Chao, *supra* note 95.

100. See *id.*

101. See *id.*

notoriously large sums,<sup>102</sup> and businesses must pay high rates to litigate these matters.<sup>103</sup> Accordingly, when making executive decisions, such as choosing manufacturing locations and assessing legal vulnerability, the ideal application of the presumption and § 271(f) properly situates counsel to advise their companies on possible repercussions.<sup>104</sup> Given the unclear analyses by courts, however, effective advising becomes tricky because business executives must essentially gamble on whether the potential recovery justifies hefty litigation costs.<sup>105</sup>

On the other hand, failure to allow § 284 to apply to its fullest extent neuters the purpose of § 271(f).<sup>106</sup> By foregoing foreign damages due to these extraterritorial concerns, courts risk inadequately compensating the injured patent holder, which would weaken the U.S. patent system as a whole, as patent law fails to fully protect inventors.<sup>107</sup>

In assessing the countervailing principles regarding § 284's applicability in instances involving foreign conduct, courts have three different options in applying the presumption: (1) apply it only to § 271(f) in assessing whether the alleged infringer did, in fact, infringe; (2) apply it only to § 284 in assessing whether the misconduct entitles the patent holder to foreign damages; or (3) apply it to both §§ 271(f) and 284 such that the court addresses the presumption twice—once in determining existence of infringement and again in determining the appropriate remedy therefor.<sup>108</sup>

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102. *WesternGeco*, 138 S. Ct. at 2143 (awarding approximately \$93 million in foreign lost profits).

103. *Hourly Rates Hit \$1750 in IP Litigation*, NAT'L ASS'N LEGAL FEE ANALYSIS (July 16, 2018), <http://www.thenalfa.org/blog/hourly-rates-hit-1750-in-ip-litigation/> [<https://perma.cc/A3FK-NFTB>].

104. *See* Chao, *supra* note 95, at 90 (explaining that lack of clarity in courts analyses “makes it extremely difficult to give good legal advice.”).

105. *See, e.g., WesternGeco*, 138 S. Ct. at 2143 (2018).

106. 35 U.S.C. §§ 271(f), 284. Section 271(f)'s purpose was to close the *Deepsouth* loophole. *See* Robert A. Matthews, Jr., *Diverted Sales From Patentee to Infringer—Diverted Foreign Sales*, 4 ANNOTATED PATENT DIGEST § 30:44 (2018).

107. 260 INTELLECTUAL PROPERTY COUNSELOR NL 2, Westlaw (Aug. 2018 Update). Barring “recovery of such damages was at odds with the statute on patent damages and risked systematically undercompensating patent owners for damages resulting from U.S. infringement.” *Id.*

108. *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1287 (Fed. Cir. 2015) (“The presumption against extraterritorial reach of patent law applies not just to identifying the conduct that will be deemed infringing but also to assessing the damages that are to be imposed for domestic liability-creating conduct.”). *But see WesternGeco*, 138 S. Ct. 2129. In the conflict of laws context,

### *1. Extraterritorial Damages Jurisprudence*

When courts approach extraterritorial damages in patent law, the main inquiry becomes whether the presumption applies to liability, damages, or both. The Federal Circuit in *Power Integrations v. Fairchild* originally concluded that a patent holder may not recover extraterritorial damages in a § 271(a) infringement case.<sup>109</sup> Likewise, in *Carnegie Mellon v. Marvell Technology*, a 2015 Federal Circuit case, Carnegie Mellon sued Marvell Tech for infringing Carnegie Mellon's data recording patent.<sup>110</sup> Finding infringement under § 271(a), the traditional infringement statute,<sup>111</sup> the Federal Circuit highlighted the district court's error in failing to give the jury instruction on the presumption against extraterritoriality.<sup>112</sup> Moreover, the court noted the presumption applies not only to the infringement inquiry but also to the remedies inquiry.<sup>113</sup> Relying on the presumption, the court decided that, despite the proximity between Marvell's infringement and its domestic activity,<sup>114</sup> the conduct's extraterritoriality precluded an award of damages.<sup>115</sup> Thus, despite the clear causal link between foreign sales and the deleterious impact felt by Carnegie Mellon, the court rejected this causation-based approach and reversed Carnegie Mellon's award of foreign damages.<sup>116</sup>

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dépeçage provides for the possibility that one jurisdiction's laws could control the issue of liability, and another jurisdiction's laws control the issue of damages. See *Dépeçage*, BLACK'S LAW DICTIONARY (11th ed. 2019).

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

110. *Carnegie Mellon*, 807 F.3d at 1306.

111. Section 271 provides for different types of patent infringement. Section 271(a) proscribes patent infringement when somebody makes, uses, offers to sell, or sells the patented invention within the United States. Section 271(f) provides that patent infringement occurs when someone ships components outside the United States for combination and use or sale abroad.

112. *Carnegie Mellon*, 807 F.3d at 1284.

113. *Id.* at 1287.

114. Marvell's domestic activities include the design and selling of these microchips. *Id.* at 1291.

115. Importantly, the defendant infringed the plaintiff's patent under § 271(a), not § 271(f), which justified the strength the court gave the presumption, considering that § 271(a) does not contemplate any foreign activity whatsoever. *Id.* at 1308.

116. Notably, however, the court relied on the appellate court's holding in *WesternGeco* which the Supreme Court overturned. *Id.*



*Carnegie Mellon* set the stage for extraterritorial damages in patent law.<sup>117</sup> The court essentially held that absolutely no extraterritorial damages were permissible under § 284 when the underlying infringement resulted from traditional infringement under § 271(a).<sup>118</sup> Under the logic of *Carnegie Mellon*, any allowance of extraterritorial damages must exclusively arise from the language of § 271(f) and therefore independently rebut the presumption against extraterritoriality.<sup>119</sup> Contrary to *Carnegie Mellon*, some scholars have concluded that “a liability versus remedies line is a distinction without a difference.”<sup>120</sup> In other words, some scholars posit that the infringement analysis and the damages analysis are seemingly similar—after exhaustively determining a company has infringed, damages automatically follow to the extent allowed by § 284.<sup>121</sup> In that sense, however, courts conflate the main filter for liability and the main filter for recovery such that full recovery is binary and flows any time the court determines liability.<sup>122</sup>

## 2. WesternGeco’s Over-Inclusive Majority

In 2018, the Supreme Court reviewed *WesternGeco v. Ion Geophysical Corp.* to determine the relationship between §§ 271(f) and 284.<sup>123</sup> Falling squarely under § 271(f), Ion domestically manufactured components of WesternGeco’s seismic technology and shipped the components abroad for incorporation in the completed system—large surveying ships on the high seas.<sup>124</sup> After finding infringement, the jury awarded WesternGeco \$93.4 million in lost profits and \$12.5 million in reasonable royalties.<sup>125</sup> In addressing §§ 271(f) and 284, the Court concentrated on whether WesternGeco could recover lost foreign profits in light of the fact that

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117. See generally *id.* at 1306.

118. *Id.*

119. If no foreign damages in § 271(a) exist, then all foreign damages must come from the invocation of § 271(f). *Id.* at 1287, 1306.

120. Brief of IP Law Scholars, *supra* note 40, at 10.

121. *Id.*

122. *Id.*

123. See generally *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018).

124. *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358, 1367 (Fed. Cir. 2016).

125. *WesternGeco LLC v. ION Geophysical Corp.*, 953 F. Supp. 2d 731, 755 (S.D. Tex. 2013), *aff’d* in part, *rev’d* in part, 791 F.3d 1340 (Fed. Cir. 2015). This award represented 100% of the lost profits sought by WesternGeco and 84% of the reasonable royalties sought. *Id.*

§ 284 does not specifically have any territorial language.<sup>126</sup> Recognizing the extraterritoriality implications of forcing a company to surrender foreign profits on the basis of U.S. patent rights, the Court utilized the *RJR Nabisco* two-part test that, to reiterate, rests on: (1) whether the conduct rebuts the presumption against extraterritoriality and, if not, (2) whether the case involves a domestic application of the statute.<sup>127</sup> The Court, however, elected to skip step one of the *RJR Nabisco* test because step one could have “far-reaching effects in future cases.”<sup>128</sup> Advancing to step two, the Court determined that the conduct relevant to the inquiry occurred in the United States because § 271(f)(2) contemplates the exporting of components *from within the United States*.<sup>129</sup> Accordingly, the Court decided that the *RJR Nabisco* test permitted the recovery of foreign damages.<sup>130</sup>

After analyzing the *RJR Nabisco* test, the Court focused on the location of the infringement because the *RJR Nabisco* analysis alone did not satisfy the underlying inquiry.<sup>131</sup> The Court held that Ion’s activity entitled WesternGeco to all damages under § 284, including lost foreign profits, because § 271(f)(2) focuses on supplying components from the United States—a domestic activity—rather than on inducing the components’ combination outside of the United States.<sup>132</sup> The Court determined that the statutory focus is domestic as opposed to extraterritorial, ultimately finding that WesternGeco was entitled to the excess damages.<sup>133</sup> Although this outcome is not necessarily flawed, the opinion lacks analytic rigor because the Court avoided grounding the holding in the specific facts of the case. Opening the door to foreign lost damages without a rigorous analysis of the facts could lead to a floodgates

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126. *WesternGeco*, 138 S. Ct. at 2132.

127. *Id.* (citing *RJR Nabisco, Inc. v. European Cmty.* 136 S. Ct. 2090 (2016)). The *RJR Nabisco* test came as a recommendation from the Brief of IP Law Scholars. See Brief of IP Law Scholars, *supra* note 40.

128. *WesternGeco*, 138 S. Ct. at 2136.

129. *Id.* at 2133 (“In sum, the focus of § 274 in a case involving infringement under § 271(f)(2) is on the act of exporting components from the United States. So, the conduct in this case that is relevant to the statutory focus clearly occurred in the United States.”).

130. *Id.* at 2139.

131. *Id.* at 2137 (noting that the *RJR Nabisco* analysis alone “does not resolve the case”).

132. *Id.* at 2138.

133. *Id.* Section 271(f) can be viewed as either a domestic statute with an extraterritorial hook or an extraterritorial statute with a domestic hook. Justice Thomas, writing for the majority, ignores the possibility that the statute could be construed as an extraterritorial statute with a domestic hook. *Id.*

effect by which other courts automatically award foreign lost damages without a proper analysis in accordance with the Supreme Court's precedent.<sup>134</sup>

The Supreme Court is the final arbiter of U.S. laws; still, this analysis does not comport with the district court and appellate court's reasoning, as well as scholar recommendations submitted in anticipation of *WesternGeco*.<sup>135</sup> In awarding lost foreign profits, the district court considered § 271(f)'s origin and acknowledged that foregoing lost foreign profits cuts against the purpose of § 271(f).<sup>136</sup> The appellate court, however, forcefully applied the presumption against extraterritoriality, ultimately reversing the award of lost foreign profits.<sup>137</sup> In reversing, the court stated that the extraterritorial use "is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation."<sup>138</sup> Notably, the Supreme Court did not address this chain of causation argument.<sup>139</sup> Although the Supreme Court's analysis initially seems sufficient, it largely revolved around the domestic language of § 271(f). According to the Court, because § 271(f) contains domestic language, extraterritorial concerns are inherently rebutted, even insofar as the damage award is concerned.<sup>140</sup> This approach renders the presumption a "craven watchdog," as feared by the *Morrison* court.<sup>141</sup>

In their amicus briefs for *WesternGeco*, several renowned patent law scholars wrote to the Court to express their extraterritoriality concerns.<sup>142</sup> First, they urged the Court to exhaustively consider the issue's

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134. *Id.* at 2142 (Gorsuch, J., dissenting) (discussing scenarios not contemplated by the majority that could stem from the holding).

135. Brief of IP Law Scholars, *supra* note 40; Brief of Amicus Curiae Houston Intellectual Property Law Association In Support of Neither Party, *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018) [hereinafter Brief of Houston IP Law Assoc.].

136. The purpose for enacting § 271(f) was to close the loophole exploited in *Deepsouth*. *WesternGeco*, 953 F. Supp. 2d at 749; *see also* Patent Law Amendment Act, Pub. L. No. 98-622, 98 Stat. 3383 (1984).

137. *WesternGeco LLC v. ION Geophysical Corp.*, 791 F.3d 1340, 1351 (Fed. Cir. 2015) (citing *Power Integrations, Inc. v. Fairchild Semiconductor Int'l., Inc.*, 711 F.3d 1348, 1371-72 (Fed. Cir. 2013)).

138. *Id.*

139. *WesternGeco*, 138 S. Ct. at 2144 n.3.

140. 35 U.S.C. § 271(f) (2018); *WesternGeco*, 138 S. Ct. 2129.

141. *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 266 (2010).

142. Brief of IP Law Scholars, *supra* note 40, at 10; Brief of Houston IP Law Assoc., *supra* note 135.

extraterritorial nature as to not offend notions of comity.<sup>143</sup> Moreover, these scholars rejected the idea that the § 271(f) analysis should serve as the sole filter, instead advising the Court to consider the comity concerns in both the § 271(f) and the § 284 context through two separate analyses.<sup>144</sup> Lastly, they advocated for the *RJR Nabisco* two-part test but anticipated that the Court would go beyond the test in its rigor.<sup>145</sup> The consensus envisioned a need for an analytically rigorous opinion that dissected the case's extraterritoriality.<sup>146</sup> Additionally, the scholars warned against applying the *RJR Nabisco* test "in a manner that is too capacious" and highlighted the risk of clashing with foreign jurisdictions' laws.<sup>147</sup> Appearing only marginally affected by these concerns, the Court placated some scholars' recommendations in part and ignored other recommendations altogether.<sup>148</sup> Despite landing on the correct conclusion, the Court's aversion to these ideas risks a holding that binds future courts to an improper analysis.

### III. RIGHT RESULT, WRONG REASON: ISSUES WITH *WESTERNGECO*

*WesternGeco* offered sympathetic facts that made a finding for foreign damages seem equitable.<sup>149</sup> Ultimately, the Supreme Court in *WesternGeco* faced a series of facts that easily justified the allowance of foreign lost profits.<sup>150</sup> First, the foreign conduct in *WesternGeco* occurred on the high seas.<sup>151</sup> This location made conflict of laws issues less salient because foreign sovereigns have a reduced interest in U.S. laws reaching

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143. Brief of IP Law Scholars, *supra* note 40, at 14–15. ("The Court should use [*WesternGeco*] as a vehicle to further elaborate on whether the presumption still has teeth even after the application of the *RJR Nabisco* framework.")

144. *Id.*

145. *Id.* at 15. ("Merely satisfying either step could still result in considerable extraterritorial reach . . ."). Some scholars suggested a proximate cause limitation to remedies, while others insisted that conflict of laws concepts should play a role. *See* Brief of Houston IP Law Assoc., *supra* note 135.

146. *See* Brief of IP Law Scholars, *supra* note 40; Brief of Houston IP Law Assoc., *supra* note 135.

147. Brief of IP Law Scholars, *supra* note 40.

148. This sentence refers to the Court's use of the *RJR Nabisco* test, although not fully, and the Court's failure to use causation as a damages limitation. *See* *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2144 n.3 (2018); Brief of IP Law Scholars, *supra* note 40.

149. *WesternGeco*, 138 S. Ct. 2129.

150. *Id.*

151. *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358, 1367 (Fed. Cir. 2016).

to the high seas as opposed to their own territory.<sup>152</sup> Second, although WesternGeco held the patent for the seismic technology, it only utilized the patent by offering its own surveying services.<sup>153</sup> Thus, when Ion's customers assembled the system abroad, they directly competed with WesternGeco's own surveying business.<sup>154</sup> This direct interference easily satisfied causation considerations that courts could otherwise use to limit foreign damages.<sup>155</sup> In other words, WesternGeco's damages did not result from some speculative, attenuated argument but arose from direct competition with the U.S. patent holder in a niche market.<sup>156</sup> The Court further justified its outcome by ignoring part one of the *RJR Nabisco* test, which addresses whether the conduct rebuts the presumption against extraterritoriality because of the potential far-reaching consequences of the damages provision.<sup>157</sup>

This fact pattern, therefore, furthers Judge Corcoran's twist on an old adage: "good facts make bad law."<sup>158</sup> The majority likely felt "that the extraterritoriality arguments militated against the relief it thought was adequate" under § 271(f)(2).<sup>159</sup> For this reason, the United States Supreme Court guaranteed the equitable outcome rather than initiating an in-depth extraterritoriality inquiry, which may have led to a countervailing result.<sup>160</sup> The Court missed an opportunity to transparently analyze the facts in a

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152. Although countries are highly interested in acts occurring within their territories, the high seas—an area not directly controlled by one country—does not logically pose the same territorial threat.

153. *WesternGeco LLC v. ION Geophysical Corp.*, 791 F.3d 1340 (Fed. Cir. 2015).

154. *Id.* See *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-CV-05501-SI, 2018 WL 3472168 at \*24 (N.D. Cal. July 19, 2018) ("WesternGeco proved that it had lost 10 specific survey contracts due to ION's infringement.").

155. See Brief of Houston IP Law Assoc., *supra* note 135.

156. *WesternGeco*, 791 F.3d at 1340. The Court in *WesternGeco* did not attempt to delineate causation, and in fact omitted any notions of causation altogether. See generally *id.* This argument relies on equity and the fact that these facts really make it seem like *WesternGeco* deserved foreign damages. *Id.*

157. Under this logic, U.S. law could be applied in any given case with no reference to the presumption against extraterritoriality, thereby abrogating the presumption altogether. *WesternGeco*, 138 S. Ct. at 2136 ("addressing step one would require resolving difficult questions that do not change the outcome of the case, but could have far-reaching effects in future cases").

158. *State v. Huerta*, 855 P.2d 776, 781 (Ariz. 1993) (Corcoran, J., dissenting).

159. 260 INTELLECTUAL PROPERTY COUNSELOR NL 2, Westlaw (Aug. 2018 Update).

160. *WesternGeco*, 138 S. Ct. at 2129.

manner that supported the award in the instant case while simultaneously satisfying an in-depth comity and conflicts analysis.<sup>161</sup>

Several shortcomings plagued the majority opinion.<sup>162</sup> Although *WesternGeco* utilized the *RJR Nabisco* two-part test, the majority refused to embrace the more intensive analysis anticipated by the same scholars who suggested the test.<sup>163</sup> Additionally, the Court seemingly underplayed the extraterritorial nature of the facts, relying solely on statutory construction while underemphasizing the overall context in which the statute was written.<sup>164</sup> In response to *WesternGeco*, commentators criticized the holding's overly simplistic view of these controversial extraterritoriality issues.<sup>165</sup> Joining in the commentators' criticism, Justice Gorsuch departed from the majority's holding and wrote a dissent voicing his dissatisfaction.

#### *A. Justice Gorsuch's WesternGeco Dissent*

In his dissent, Justice Gorsuch, joined by Justice Breyer, expressed worry with the majority's holding.<sup>166</sup> Recognizing the comity concerns, Justice Gorsuch felt the majority's view too expansively included all § 284 damages as a result of a § 271(f) infringement and reiterated that “[a] U.S. patent provides a lawful monopoly over the manufacture, use and sale of an

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161. See LA. CIV. CODE art. 3515 (2019); *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993); *Holbrook*, *supra* note 16, at 1749 (suggesting courts need to provide more extensive reasoning).

162. See generally *WesternGeco*, 138 S. Ct. 2129.

163. *Id.*; Brief of IP Law Scholars, *supra* note 40.

164. *WesternGeco*, 138 S. Ct. 2129. The phrase “overall context” refers to the general idea that our law goes only to our borders; any extension of laws beyond our borders requires congressional permission and, even then, requires a careful analysis to ensure that the situation at bar is the type of situation to which Congress intended to extend our laws. *WesternGeco*, 138 S. Ct. at 2143 (Gorsuch, J., dissenting) (“Although its opinion focuses almost entirely on why the presumption against extraterritoriality applicable to all statutes does not forbid the damages sought here, the Court asserts in a few cursory sentences that the Patent Act by its terms allows recovery for foreign uses in cases like this.”).

165. 260 INTELLECTUAL PROPERTY COUNSELOR NL 2, Westlaw (Aug. 2018 Update). The holding in *WesternGeco*, although widely anticipated, “circumvent[ed] some controversial extraterritoriality issues . . . [W]hile the decision probably will have a big impact, the justices were careful to limit the holding by circumventing some controversial extraterritorial issues.” *Id.*

166. See generally *WesternGeco*, 138 S. Ct. at 2139 (Gorsuch, J., dissenting).

invention *within this country only*.”<sup>167</sup> Justice Gorsuch further characterized WesternGeco’s recovery as a false monopoly.<sup>168</sup> WesternGeco invoked domestic patent protection to effectively enforce a monopoly abroad for WesternGeco’s surveying business.<sup>169</sup> According to Justice Gorsuch, this case impermissibly extended the monopoly of a U.S. patent holder to include foreign markets.<sup>170</sup>

Impermissible patent-protection overreach poses the risk of retaliation by foreign sovereigns.<sup>171</sup> By forcefully applying United States law to foreign conduct and awarding a patent holder foreign profits, the Court risks “invit[ing] other countries to use their own patent laws and courts to assert control over our economy.”<sup>172</sup> In the wake of *WesternGeco*, scholars echoed this concern by concentrating on the holding’s potential encouragement of foreign countermeasures and exacerbation of existing international trade tensions.<sup>173</sup> Furthermore, Justice Gorsuch pointed out

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167. *Id.* at 2143 (emphasis added). This reasoning also comports with the extraterritorial approach to copyright law. *See* *Los Angeles News Service v. Reuters Television Int’l. Ltd.*, 340 F.3d 926, 927, 931–932 (2003) (“[N]o liability could arise under the Copyright Act for acts of infringement that occurred outside of the United States, . . . unless it falls underneath a narrow exception for the recovery of the infringer’s profits.”). *But see* *Update Art, Inc. v. Modiin Publ’g Ltd.*, 843 F.2d 67, 73 (2d. Cir. 1988) (awarding damages based on foreign infringement because the “predicate act of direct infringement occurred”).

168. *WesternGeco*, 138 S. Ct. at 2139 (Gorsuch, J., dissenting).

169. *Id.* at 2142 (“Under WesternGeco’s approach, however, the patent owner could recover any profits it lost to that foreign competition . . . effectively giving the patent owner a monopoly over foreign markets through its U.S. patent.”).

170. *Id.* (“Because an infringement must occur within the United States, that means a plaintiff can recover damages for the making, using, or selling of its invention within the United States, but not for the making, using, or selling of its invention elsewhere.”). This overreach impermissibly permits “U.S. patent owners to use American courts to extend their monopolies to foreign markets.” *Id.*

171. *Id.* (“That, in turn, would invite other countries to use their own patent laws and courts to assert control over our economy. Nothing in the terms of the Patent Act supports that result and much militates against it.”).

172. *Id.*

173. 260 INTELLECTUAL PROPERTY COUNSELOR NL 2, Westlaw (Aug. 2018 Update). (“Dr. Dariush Adli, an attorney and founder of Adli Law Group in Los Angeles, who also was not involved in the case, agreed the decision likely will prompt complaints and countermeasures from other countries.”) (“Michele Van Patten Frank, an attorney at Venable’s Washington office, said other countries could see the decision as an opportunity for U.S. patent holders to expand into foreign markets, and they could retaliate. ‘It is not often that a Supreme Court patent law decision has the potential to exacerbate international trade dispute tensions,’ she said.”).

the majority's anomalous implications: "It would allow greater recovery when a defendant exports a component of an invention in violation of § 271(f)(2) than when a defendant exports the entire invention in violation of § 271(f)." <sup>174</sup> Section 271(a) protects against use of the infringing device within the United States; § 271(f) does not contain the same territorial limitation. <sup>175</sup> The Court's allowance of foreign lost profits in *WesternGeco*, therefore, permits a patent holder to recover foreign lost profits in the instance where foreign use of the infringing device contains just a component from the United States per § 271(a). <sup>176</sup> Conversely, if the same manufacturer wholly produced the same infringing device within the United States, the use of that infringing device abroad would not result in recovery of the foreign lost profits because the cause of action derives from § 271(a), which only protects against use within the United States. <sup>177</sup> This anomaly deserves pointed attention to reconcile these results.

Directly addressing the possible retaliation by offended countries, Justice Gorsuch posited: "If our courts award compensation to U.S. patent owners for foreign uses where our patents don't run, what happens when foreign courts return the favor?" <sup>178</sup> In sum, Justice Gorsuch cautioned against the majority's awarding of foreign damages under § 284 in redressing infringement under § 271(f). <sup>179</sup> Justice Gorsuch essentially argued that foreign damages should not be available in the patent law context, lest the Court "end[] up assuming that patent damages run (literally) to the ends of the earth." <sup>180</sup> This argument, however, likely cuts too far in the opposite direction. <sup>181</sup> Certainly, Justice Gorsuch accurately noted the majority's lack of analytic rigor, <sup>182</sup> but to say that the majority reached the wrong conclusion overlooks a key element of patent protection: shielding the patent holder from clear acts of infringement. <sup>183</sup>

Despite knowledge of the extraterritorial concerns and access to respected scholars' extraterritorial analyses, <sup>184</sup> the Court nevertheless

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174. *WesternGeco*, 138 S. Ct. at 2142.

175. See 35 U.S.C. § 271(f) (2018); *id.* § 271(a).

176. 35 U.S.C. § 271(f); *id.* § 271(a).

177. 35 U.S.C. § 271(a).

178. *WesternGeco*, 138 S. Ct. at 2143 (Gorsuch, J., dissenting).

179. *Id.*

180. *Id.*

181. See *id.*

182. See *id.*

183. *Id.* at 2139 (majority opinion).

184. See *id.*; Brief of Houston IP Law Assoc., *supra* note 135; Brief of IP Law Scholars, *supra* note 40.



narrowly construed extraterritoriality.<sup>185</sup> Moreover, if the Court intended to make a narrow decision to avoid a wide-reaching precedent, a full-blown factual analysis would have better accomplished that goal, instead of the superficial analysis in the opinion.<sup>186</sup> By focusing on enumerated factors, rather than statutory construction, the court could have altered the 271(f) analysis to give future courts flexibility in determining the most equitable result on a case-by-case basis.<sup>187</sup> This fact-sensitive approach would have avoided the current rigidity of *WesternGeco*, thereby allowing lower courts to stray from the holding in certain situations.<sup>188</sup>

### B. *WesternGeco's Impact*

The effects of the *WesternGeco* approach to extraterritorial damages have already begun to materialize.<sup>189</sup> Mere weeks after the Supreme Court decided *WesternGeco*, Power Integrations, Inc.<sup>190</sup>—to whom the appellate court denied extraterritorial damages on a § 271(a) claim partly based on the Federal Circuit's holding in *WesternGeco*<sup>191</sup>—argued that the Supreme Court's reversal regarding extraterritorial damages in *WesternGeco* necessitated their own extraterritorial damages award.<sup>192</sup> The appellate court agreed.<sup>193</sup> In a memorandum order, the court explained that, even though the alleged infringing conduct differed from that in *WesternGeco*,<sup>194</sup> the parties made no convincing argument for treating the infringement differently.<sup>195</sup>

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185. *WesternGeco*, 138 S. Ct. 2129; Holbrook, *supra* note 16.

186. A fact-intensive analysis allows courts to decide a case in a given way but leaves room for subsequent courts to reach a different outcome on a slightly different set of facts, as equity necessitates.

187. 260 INTELLECTUAL PROPERTY COUNSELOR NL 2, Westlaw (Aug. 2018 Update).

188. *See supra* note 186.

189. *See generally* Power Integrations, Inc. v. Fairchild Semiconductor Corp., No. CV 04-1371-LPS, 2018 WL 4804685 (D. Del. Oct. 4, 2018).

190. *See* discussion *supra* Part II.

191. *See WesternGeco*, 837 F.3d 1358, 1367 (Fed. Cir. 2016).

192. *See generally* Power Integrations, 2018 WL 4804685.

193. *See generally id.*

194. In *WesternGeco*, the underlying infringement arose from § 271(f). *See WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018). In *Power Integrations*, the underlying infringement arose from § 271(a). *See Power Integrations*, 2018 WL 4804685.

195. *Power Integrations*, 2018 WL 4804685, at \*1 (“[N]o persuasive reason to conclude that the interpretation of § 284 should differ here from what was available in *WesternGeco II* just because the type of infringing conduct alleged is different.”).

Thus, despite the underlying infringement originating from § 271(a)—a provision wholly disconnected from the loophole closed in *Deepsouth*'s wake—the *Power Integrations* court understood the *WesternGeco* holding to implicitly overrule its own, thereby mandating the court to expand the scope of the available damages on remand.<sup>196</sup>

The *Power Integrations* memorandum order is case-in-point why the Supreme Court's oversimplification of extraterritorial damages could lead to U.S. patent law overreach.<sup>197</sup> The Court's failure to limit the holding to *WesternGeco*'s facts has already led to further overreach as patent holders begin to enjoy the pecuniary surplusage associated with the availability of extraterritorial damages.<sup>198</sup> As courts continue to address these extraterritorial patent cases, *WesternGeco* impedes their ability to steer away from foreign damages in more egregious cases that heighten the retaliatory risk. Lastly, even on more justifiable facts, U.S. courts' awarding of offensive extraterritorial damages, thereby extending the reach of U.S. patent law, risks everything from condemnation of the international community at a minimum to systematic retaliatory overreach by offended nations.<sup>199</sup>

In sum, the Court in *WesternGeco*, despite knowledge of these extraterritorial concerns and access to well-thought analyses, merely glossed over extraterritoriality, dismissing the proposed analyses.<sup>200</sup> Furthermore, the Court looked favorably upon the idea that a rigorous infringement analysis regarding § 271(f) should serve to safeguard against extraterritoriality, and, once a court determines liability, § 284 should award all damages therefor.<sup>201</sup> This view is in opposition to the ideas that: (1) the

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196. "It logically follows that when the Supreme Court expressly overruled *WesternGeco I* it also implicitly overruled *Power Integrations*." *Id.* at \*1–2. "*WesternGeco II* is a 'contrary and applicable' decision, so the Court must comply with the Supreme Court's holding in *WesternGeco II*." *Id.* (internal citations omitted).

197. *See generally id.*

198. *Id.*

199. For an example of U.S. law overreach that resulted in retaliatory actions, see Seung Wha Chang, *Extraterritorial Applications of U.S. Antitrust Laws to Other Pacific Countries: Proposed Bilateral Agreements for Resolving International Conflicts Within the Pacific Community*, 16 HASTINGS INT'L & COMP. L. REV. 295, 296 (1983) ("One of the most serious [results of an extraterritorial application of U.S. law] was marked by retaliatory legislation initiated by several foreign countries.").

200. *See WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018); Brief of Houston IP Law Assoc., *supra* note 135; Brief of IP Law Scholars, *supra* note 40.

201. *See generally WesternGeco*, 138 S. Ct. 2129.

§ 284 extraterritorial inquiry regarding foreign damages should involve in-depth analysis independent from the § 271(f) analysis, and (2) U.S. patent law only applies domestically.<sup>202</sup> The majority misapplied § 284 by suggesting that *all* damages flow upon infringement of any kind.<sup>203</sup> On the other hand, Justice Gorsuch's dissent conflated §§ 271(a) and 271(f) by suggesting that only domestic damages flow upon infringement of any kind.<sup>204</sup> Both of these views, however, miss the mark. This binary application of § 284—where either all damages flow or no damages flow, depending on whether the court finds infringement under § 271(f)—allows courts to abrogate their full responsibility, including consideration of repercussions of their holdings.<sup>205</sup> Lacking analytic rigor, the Court in *WesternGeco* hid behind the *RJR Nabisco* test that it claimed “clearly reaches the extraterritorial conduct at issue in this case,” likely to enact the result it felt most equitably redressed the situation.<sup>206</sup> This approach lacks proper nuance.<sup>207</sup> Under a conflicts or factor test, *WesternGeco* still could

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202. Brief of Houston IP Law Assoc., *supra* note 135 (“Admittedly, patent law is far more territorial than other areas of intellectual property.”).

203. See *WesternGeco*, 138 S. Ct. 2129.

204. See *WesternGeco*, 138 S. Ct. at 2143 (Gorsuch, J., dissenting); Brief for Respondent, *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129.

205. As presently articulated, the *RJR Nabisco* test appears to operate like a switch—the statute either has extraterritorial reach or it does not. See Holbrook, *supra* note 16, at 1785 (“All of the above analysis treats the issue of the territorial limits on patent damages as binary: either damages will be permitted or not.”; see also *Los Angeles News Service v. Reuters Television Int’l Unlimited*, 149 F.3d 987, 992 (9th Cir. 1998):

Nor would a copyright holder be entitled to recover extraterritorial damages unless the damages flowed from extraterritorial exploitation of an infringing act that occurred in the United States. In *Subafilms*, the court reasoned that liability based solely on the authorization of infringing acts “would produce the untenable anomaly, inconsistent with the general principles of third party liability, that a party could be held liable as an infringer for violating the ‘authorization’ right when the party that it authorized could not be considered an infringer under the Copyright Act.”

*Id.* (citing *Subafilms, Ltd. v. MGM-Pathe Commc’ns Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994)) (suggesting the binary application of infringement and damages in the copyright context); see also *Update Art, Inc. v. Modiin Publ’g, Ltd.*, 843 F.2d 67 (2d Cir. 1988).

206. Brief of Houston IP Law Assoc., *supra* note 135, at \*3; see also 260 INTELLECTUAL PROPERTY COUNSELOR NL 2, Westlaw (Aug. 2018 Update).

207. See generally Holbrook, *supra* note 16, at 1749 (arguing for a more nuanced approach).

have prevailed, and the Court would have set a favorable precedent that would have urged fact-sensitive analyses in future cases.<sup>208</sup>

#### IV. PROPOSED CONFLICT OF LAWS APPROACH AND FOREIGN RELATIONS LAW FACTOR TEST

An ideal solution to this issue must address several countervailing notions and policy considerations. First, the solution must consider a patent holder's rights and interests by forcefully protecting § 271(f), thereby keeping the *Deepsouth* loophole tightly shut as Congress intended.<sup>209</sup> Second, the solution must remain flexible, such that courts consistently support the most equitable remedy on a case-by-case basis, while simultaneously maintaining a semblance of predictability to mitigate litigation costs and allow businesses to properly analyze risk and adequately value patents.<sup>210</sup> A conflict of laws test or, alternatively, a factor test would best reconcile these principles.

##### *A. Conflict of Laws Analysis*

If neither Congress nor the executive branch elucidates a solution, courts have a duty to decide the case at bar. Since Congressional action remains sluggish, courts must take immediate action to preserve the status quo. To that end, a conflict of laws test, although sacrificing certainty, forces courts to fully explain the reasoning behind their holdings, providing an actionable solution to the *WesternGeco* problem.

Several scholars have posed conflict of laws tests in the extraterritorial patent damages context that address the issue in slightly different ways.<sup>211</sup> The conflict of laws approach rests on the notion that if Congress intended extraterritorial applications of a given statute, it would have addressed the

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208. See generally *WesternGeco*, 138 S. Ct. 2129.

209. 35 U.S.C. § 271(f) (2018); *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972).

210. Timothy R. Holbrook, *Extraterritoriality in U.S. Patent Law*, 49 WM & MARY L. REV. 2119, 2168 (2008) (“The uncertainty . . . would be detrimental to the business community, which dislikes risk and prefers certainty in planning.”).

211. See *id.* at 2168.

conflict of laws issue.<sup>212</sup> Moreover, if U.S. patent law abrogates the laws of foreign nations, it cannot apply.<sup>213</sup>

One of these conflict-based approaches only permits the extraterritorial enforcement of a patent when the alleged infringing acts would be considered infringement in the foreign country.<sup>214</sup> On the one hand, this conflict analysis mitigates egregiousness in enforcing a domestic patent abroad by ensuring that the offended nation's laws also would have upheld the finding of infringement.<sup>215</sup> This approach, however, contains many drawbacks.<sup>216</sup> Namely, it would be difficult for courts to both assess possible domestic infringement and then to apply foreign law to determine whether the activity in question infringes the patent.<sup>217</sup> This method would greatly increase litigation costs because the already-lengthy patent litigation process would become even more arduous as experts, lawyers, and judges must navigate an unfamiliar patent system.<sup>218</sup> Additionally, this approach would significantly reduce predictability of foreign damages, negatively affecting the ability to assess business risks.<sup>219</sup> Unpredictability in business not only makes it difficult to properly value patent assets but also inserts more uncertainty in manufacturing decisions.<sup>220</sup> Presumably, concerns with this conflict-based approach deterred the Court from adopting this method.<sup>221</sup> Accordingly, an appropriate conflict-based test must provide courts with a more digestible analytical burden, which would help aid predictability and reduce litigation costs for companies to better operate in the global market.<sup>222</sup>

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212. *Equal Emp't Opportunity Comm'n v. Arabian Am. Oil Co.*, 499 U.S. 244, 256 (1991) (“[It is] reasonable to conclude that had Congress intended [the provision] to apply overseas, it would have addressed the subject of conflicts with foreign laws and procedures.”).

213. *See* Holbrook, *supra* note 210, at 2120.

214. *See id.* at 2166.

215. *See id.* at 2168.

216. *See id.*

217. *See id.*

218. *See id.*

219. *See id.*

220. Patrick J. Borchers, *Louisiana's Conflicts Codification: Some Empirical Observations Regarding Decisional Predictability*, 60 LA. L. REV. 1061, 1069 (2000) (“[M]odern common law approaches to conflicts problems are vulnerable to criticism on the grounds that they provide insufficient decisional predictability and all of the attendant costs that come with a lack of predictability.”); *see also supra* Part II.

221. *See* Holbrook, *supra* note 210, at 2168.

222. *See id.*

### *I. Louisiana's Conflict of Laws Approach*

The unique nature of Louisiana's conflict of laws approach makes it ripe for courts' use in analyzing a transnational patent issue.<sup>223</sup> Louisiana's basic conflict of laws approach essentially focuses on which sovereign has a greater interest in controlling the alleged conduct.<sup>224</sup> Article 3515 of the Louisiana Civil Code further adopts an inherent holistic economic approach in which courts consider policies in light of the relationship between the states and the overall needs of the interstate system.<sup>225</sup> In doing so, Louisiana Civil Code article 3515 strikes a balance between "legal certainty and flexibility: more certainty than any other state of the United States and more flexibility than any European conflicts system."<sup>226</sup> Accordingly, article 3515 provides an ideal solution to foreign damages in patent law;<sup>227</sup> its certainty allows businesses to confidently value their assets and make informed manufacturing decisions, while its flexibility aids courts in determining the most equitable remedy on a case-by-case basis.<sup>228</sup>

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223. LA. CIV. CODE art. 3515 (2018):

Except as otherwise provided in this Book, an issue in a case having contacts with other states is governed by the law of the state whose policies would be most seriously impaired if its law were not applied to that issue. That state is determined by evaluating the strength and pertinence of the relevant policies of all involved states in the light of: (1) the relationship of each state to the parties and the dispute; and (2) the policies and needs of the interstate and international systems, including the policies of upholding the justified expectations of parties and of minimizing the adverse consequences that might follow from subjecting a party to the law of more than one state.

224. *Id.*; Robert A. Sedler, *The Louisiana Codification and Tort Rules of Choice of Law*, 60 LA. L. REV. 1330 (2000).

225. LA. CIV. CODE art. 3515; Sedler *supra* note 224, at n.28.

226. Symeon C. Symeonides, *The Conflicts Book of the Louisiana Civil Code: Civilian, American, or Original?*, 83 TUL. L. REV. 1041, 1058 (2009).

227. LA. CIV. CODE art. 3515.

228. These are the types of policy balancing necessary in the foreign lost profits context; Louisiana's conflict of laws approach "attempts to attain an appropriate balance between specificity and generality and between certainty and flexibility." Symeonides, *supra* note 226, at 1065.

## 2. Application of Article 3515 in *WesternGeco*

As applied to *WesternGeco*, article 3515 would support the award of foreign profits.<sup>229</sup> Under article 3515, the law of the sovereign with the greatest policy interest in governing the issue controls.<sup>230</sup> Considering the location of the extraterritorial activity—on the high seas<sup>231</sup>—the United States’ interest in protecting the U.S. patent holder outweighs any other country’s interest in applying its own patent laws.<sup>232</sup> Accordingly, in this case, the United States’ law should apply to its fullest effect—under the article 3515 approach, courts should treat the conduct as if it occurred within the United States. Removing the territoriality issue, this domestic-like application of § 284 allows *WesternGeco* to fully recover.

Counterfactually, the result would change if, for example, the infringing act under § 271(f) had occurred in China. Considering the trade tensions between the United States and China,<sup>233</sup> China’s interest in restricting U.S. patent law likely outweighs the United States’ interest in

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229. See *WesternGeco v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018). Note, the proposed application differs slightly from Louisiana’s application because in article 3515, the general conflicts provision only applies in the absence of a more specific conflicts rule.

230. LA. CIV. CODE art. 3515.

231. *WesternGeco v. ION Geophysical Corp.*, 791 F.3d 1340, at 1352 (“[T]he dissent expresses concern that our ruling today might effectively prevent *WesternGeco* from recovering lost profits at all, as the surveys were conducted on the high seas and were outside of the territorial reach of any patent jurisdiction in the world. This may or may not be the case.”). The current understanding regarding traditional patent infringement under § 271(a) suggests that the location of the infringement is not where the activity occurs, but where the contracts are entered into. See *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246 (Fed. Cir. 2000); *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010). Accordingly, the location of the extraterritorial activity in *WesternGeco* may not be the high seas, but perhaps where the future sale will occur, where the contract was entered, or alternatively, where the profits were made. This Comment does not address this distinction but, rather, takes the simpler approach that the pertinent location is where the infringing acts occur, not where the parties transact.

232. See generally *WesternGeco*, 791 F.3d at 1360 (“Outside the territorial sea are the high seas, which are international waters not subject to the dominion of any single nation.”) (citing *United States v. Louisiana*, 394 U.S. 11, 23 (1969)).

233. Jim Zarroli, *Trump Says Tariffs Are Needed to Protect Vital Industries, But Are They?*, NPR (March 12, 2018, 5:44 PM), <http://www.npr.org/2018/03/12/592886128/trump-says-tariffs-are-needed-to-protect-vital-industries-but-are-they> [<https://perma.cc/G8ET-WDPY>].

full remuneration to the patent holder.<sup>234</sup> This situation would likely result in recovery of reasonable royalties—the minimum amount recoverable under § 284—and militates against the recovery of excess foreign damages, including foreign lost profits.<sup>235</sup> As illustrated, article 3515 provides a flexible approach that courts can adapt to fit the situation.

### *B. Factor Test*

A conflict of laws approach is not the only available route: a foreign relations law factor test—as applied by Justice Scalia in a landmark antitrust case<sup>236</sup>—provides courts with an alternative actionable solution that similarly supplies courts with a framework in which to more fully explain their holdings.

#### *1. The Late Justice Scalia's Take*

Remaining primarily governed by domestic law, U.S. antitrust law frequently addresses the intersection of monopolistic commerce and territoriality on an international scale. In *Hartford Fire Insurance v. California*, a 1993 antitrust case, the Court addressed an insurance dispute involving several domestic insurers and London-based reinsurers.<sup>237</sup> Grounded in the Sherman Antitrust Act,<sup>238</sup> the Court's approach addressed the clash between foreign and domestic laws, ultimately holding a foreign company liable in the United States for foreign conduct.<sup>239</sup> Similar to § 271, the Sherman Act “applies to foreign conduct that was meant to produce and did in fact produce some substantial effect in the United States.”<sup>240</sup> Thus, although antitrust law relies on an effects test to determine domestic liability, patent law's approach is more geographic insofar as a company is liable if a portion of the manufacturing occurs

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234. This logic is in light of the recent intellectual property tension between the United States and China, by which China faces allegations of facilitating intellectual property theft from the United States. Accordingly, China has a strong interest in keeping United States laws away from its intellectual property.

235. 35 U.S.C. § 284 (2018).

236. See generally *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 764 (1993).

237. *Id.*

238. 15 U.S.C. § 1–7 (2018). The Sherman Anti-Trust Act was enacted in 1890 to limit business transactions that result in anti-competitive, monopolistic practices. See *id.*

239. *Hartford Fire*, 509 U.S. at 765 (citing *Société Nationale Industrielle Aérospatiale v. United States D. S.D. Iowa*, 482 U.S. 522, 555 (1987)).

240. *Id.* at 796.



within the United States.<sup>241</sup> Nevertheless, both fields frequently implicate extraterritorial considerations.<sup>242</sup>

In the antitrust context, the Court in *Hartford Fire* held that the Sherman Act's application did not conflict with principles of international comity because it was possible to comply with the laws of both countries.<sup>243</sup> Justice Scalia, dissenting, more thoroughly evaluated the comity implications,<sup>244</sup> promoting lasting considerations in the antitrust context with his extraterritoriality reasoning.<sup>245</sup> Justice Scalia referred to this extraterritoriality aspect—whether the Court should be meddling in these foreign affairs—as “legislative jurisdiction.”<sup>246</sup> The analysis Justice Scalia employed began with the two canons of statutory construction.<sup>247</sup> The first canon considers the presumption against extraterritoriality.<sup>248</sup> The Sherman Act frequently addresses extraterritorial conduct, therefore frequently overcoming the presumption, but Justice Scalia's inquiry did not stop there.<sup>249</sup> Similarly, patent laws should not cease the inquiry at this preliminary step.<sup>250</sup> Even if the facts warrant overcoming the presumption, courts should continue analyzing factors to ensure fair play with foreign nations.<sup>251</sup>

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241. *Id.* See generally 35 U.S.C. § 284 (2018).

242. Brief of IP Law Scholars, *supra* note 40.

243. *Hartford Fire*, 509 U.S. at 799.

244. *Id.* at 812.

245. See *United States v. Nippon Paper Indus. Co.*, 109 F.3d 1 (1st Cir. 1997). “[A]ntitrust prosecution could not be based on wholly extraterritorial conduct.” *Id.* at 2.

246. *Hartford Fire*, 509 U.S. at 813 (quoting *EEOC v. Arabian American Oil Co.*, 499 U.S. 244, 253 (1991)). “Legislative jurisdiction” specifically refers to “the authority of a state to make its law applicable to persons or activities,” as distinguished from the more familiar “jurisdiction to adjudicate.” *Id.*

247. *Id.* at 814.

248. *Id.*

249. *Id.* (“[I]t is now well established that the Sherman Act applies extraterritorially.”) *Id.* (citations omitted).

250. *Holbrook*, *supra* note 16, at 1749. Moreover, patent law is not as quick to overcome the presumption as antitrust law.

251. For an illustration of a court's in-depth application of the *Hartford Fire* factors in an intellectual property case, see *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 972–76 (9th Cir. 2016). Therein, the Ninth Circuit addressed the extraterritorial nature of a trademark dispute arising from a Canadian citizen's acts that occurred mostly in Canada and partly in the United States. In determining that the defendant's activities established a sufficient nexus to apply U.S. laws, the court diligently analyzed each *Hartford Fire* factor.

Justice Scalia then addressed the second canon of statutory construction in *Hartford Fire*: “[A]n act of congress ought never to be construed to violate the law of nations if any other possible construction remains.”<sup>252</sup> This “wholly independent” canon further filters whether U.S. courts are improperly impeding foreign sovereigns’ substantive laws by continuing the extraterritoriality inquiry beyond the presumption.<sup>253</sup>

After extensive discussion regarding the two canons of statutory construction, Justice Scalia then turned to the Restatement (Third) of Foreign Relations Law’s reasonableness test to continue his analysis of the comity implications.<sup>254</sup> The Restatement’s reasonableness test relies on an eight-factor analysis to determine the reasonableness of the extraterritorial application of a domestic law, which includes, for example, “the link of the activity to the territory of the regulating state.”<sup>255</sup> In analyzing these factors, Justice Scalia determined that U.S. courts could not exercise legislative jurisdiction and enact consequences on the defendant absent a clear signal from Congress.<sup>256</sup> Despite coming from an antitrust case, these

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252. *Hartford Fire*, 509 U.S. at 814–15 (Scalia, J., dissenting) (quoting *Murray v. Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804)).

253. *Id.*

254. *Id.* at 818; RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 403(2) (AM. LAW INST. 1987).

255. RESTATEMENT OF FOREIGN RELATIONS LAW § 403(2):

- (a) the link of the activity to the territory of the regulating state, *i.e.*, the extent to which the activity takes place within the territory, or has substantial, direct, and foreseeable effect upon or in the territory;
- (b) the connections, such as nationality, residence, or economic activity, between the regulating state and the person principally responsible for the activity to be regulated, or between that state and those whom the regulation is designed to protect;
- (c) the character of the activity to be regulated, the importance of regulation to the regulating state, the extent to which other states regulate such activities, and the degree to which the desirability of such regulation is generally accepted;
- (d) the existence of justified expectations that might be protected or hurt by the regulation;
- (e) the importance of the regulation to the international political, legal, or economic system;
- (f) the extent to which the regulation is consistent with the traditions of the international system.

256. *Hartford Fire*, 509 U.S. at 819 (Scalia, J., dissenting). Justice Scalia determined that it would be “unimaginable that an assertion of legislative jurisdiction by the United States would be considered reasonable, and therefore it is inappropriate to assume, in the absence of statutory indication to the contrary, that Congress has made such an assertion.” *Id.*

factors have wider applicability, as evidenced by their use in subject matter outside of antitrust law—including intellectual property.<sup>257</sup>

## 2. Reconciling Antitrust and Patent Law

Justice Scalia's dissent illustrates the pitfalls of relying solely on the presumption against extraterritoriality.<sup>258</sup> Despite concluding that the facts in *Hartford Fire* overcame the presumption, Justice Scalia, after rigorously applying the second canon of statutory construction<sup>259</sup> and the Restatement's reasonableness test, concluded that the statute in question was unreasonable and therefore should not apply.<sup>260</sup>

Courts ought to apply a similar meticulousness in the patent law context.<sup>261</sup> In the patent damages context, the following adapted foreign relations law factors should encourage meaningful discussion by U.S. courts: (1) the extent to which financial harm occurred in a given jurisdiction—specifically, where the harmful acts occurred and where the involved parties contracted;<sup>262</sup> (2) whether the infringing party has a substantial connection to the United States; (3) the degree to which the given situation impacts United States' policy interests;<sup>263</sup> (4) the reasonable expectations of the injured party; and (5) the overall impact the holding will have on an international scale.<sup>264</sup> Although it is impossible to account for all possible repercussions of an extraterritoriality holding, an extensive analysis resembling Justice Scalia's approach in *Hartford Fire* would mitigate the risk of eliciting an adverse response from another country due to a court's lost foreign profits judgment in a § 271(f) case.<sup>265</sup>

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257. See *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 972–76 (9th Cir. 2016).

258. See *Hartford Fire*, 509 U.S. at 819 (Scalia, J., dissenting).

259. *Id.* at 814–815 (citing *Murray v. Schooner Charming Betsy*, 26 U.S. (Cranch) 64, 118 (1804)) (“[A]n act of congress ought never to be construed to violate the law of nations if any other possible construction remains.”).

260. *Id.* at 819.

261. See *Holbrook*, *supra* note 16, at 1749.

262. This factor encourages the court to consider the current understanding regarding traditional patent infringement under § 271(a), which suggests that the location of the infringement is not where the activity occurs, but where the contracts are entered into. See *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246 (Fed. Cir. 2000); *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010).

263. This factor is specifically based on Louisiana Civil Code article 3515(1) and factor (c) of the Restatement of Foreign Relations Law § 403(2).

264. This factor is specifically based on Louisiana Civil Code article 3515(2) and the Restatement of Foreign Relations Law § 403(2) factors (e)–(f).

265. See *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993).

A more careful consideration would reduce the potential of jeopardizing the United States' international standing and prevent possible trade distortions as a result.<sup>266</sup> For these reasons, courts in the future should utilize either the exact factors espoused in *Hartford Fire*<sup>267</sup> or some variation of these factors better fitted for a patent law application.

#### CONCLUSION

In future § 271(f) cases, considering the low probability of Congressional action in this arena, courts should heed scholars' warnings and fully consider the policy considerations of extraterritorial damages with full protection of the U.S. patent on one hand, while restricting U.S. overreach on the other. A conflict-based analysis significantly reduces the risk that U.S. courts might jeopardize the United States' international standing concerning intellectual property.<sup>268</sup> In limiting recovery of these foreign damages, U.S. courts will dampen the clout of opportunistic companies looking to exploit U.S. law, like *Deepsouth*, by tightly closing the loophole exposed in 1972.<sup>269</sup> Lastly, the conflict-based approach provides the courts with proper direction by forcing them to contemplate pertinent extraterritorial considerations in their analyses.<sup>270</sup>

Likewise, the proposed Louisiana conflict of laws solution provides a similar, albeit less clear, balancing test where courts specifically contemplate a risk-benefit analysis in each case by determining which country has the greatest interest in the extraterritorial situation.<sup>271</sup> Finally, the *Hartford Fire* factors force courts to exhaustively consider the facts of each case to adequately address all viewpoints.<sup>272</sup>

Although *WesternGeco* initially appears to be an obscure case in a niche area of the law, the extraterritorial implications of the § 271(f) carve-out have potential far-reaching consequences. This Comment proposes two different approaches. First, courts should apply Louisiana Civil Code article

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266. See Amy Landers, *U.S. Patent Extraterritoriality Within the International Context*, 36 REV. LITIG. BRIEF 28, 34 (2016).

267. For an extensive illustration in which the Ninth Circuit fully analyzed the *Hartford Fire* factors, see *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 972–76 (9th Cir. 2016).

268. See *supra* Part IV.

269. See *generally* *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972).

270. The courts' inconsistent application of the presumption effectively destroys the presumption's efficacy. See *generally* *Holbrook*, *supra* note 16, at 1749.

271. LA. CIV. CODE art. 3515 (2018).

272. See *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 800 (1993) (Scalia, J., dissenting).

3515 in § 271(f) cases to determine the extent of damages in light of the presumption against extraterritoriality. Alternatively, courts should adopt factors, such as those used in *Hartford Fire*, to determine whether the defendant's activities present a sufficient nexus to the United States to justify awarding foreign lost profits. Both of these solutions force courts to fully espouse their reasoning and allow for a greater degree of factual sensitivity. Consequently, this analysis affords courts more case-to-case flexibility. Flexibility avoids the notion of a sweeping precedent to which courts must adhere. Additionally, flexibility allows courts to shape their holdings with the consequences of the results in mind, allowing courts to strike the appropriate balance between full remuneration to the patent-holder and containing the reach of U.S. patent law.