

CLIENT ALERT



Federal Circuit's *Brumfield* Decision Expands Potential for Patent Owners to Recover Foreign Damages

MARCH 27, 2024

Harris Brumfield, Trustee for Ascent Trust v. IBG LLC, Interactive Brokers LLC (Fed. Cir. Mar. 27, 2024)

WHAT YOU NEED TO KNOW

Patent holders may now receive reasonable royalties for foreign conduct under 35 U.S.C. § 271(a), provided they prove a causal relationship to an infringing domestic act. The level of proximate causation required to collect such foreign damages is more than “but for” causation, though the exact level remains an open issue.

PARTIES AND PROCEDURAL POSTURE

Trading Technologies International, Inc. (TT), whose successor is plaintiff-appellant Harris Brumfield, Trustee for Ascent Trust, sued IBG LLC and its subsidiary Interactive Brokers LLC (collectively “IBG”) for patent infringement.

Seeking over \$960 million in damages (a significant portion stemming from foreign use of the accused devices), TT sued in the Northern District of Illinois (N.D. Ill.) in 2010 for infringement of several TT-owned software patents, four of which are at issue in the present appeal. The district court held the asserted claims of two asserted patents invalid. A jury found the asserted claims of the other two patents infringed and not invalid, thereafter awarding \$6,610,985 in damages. TT’s successor appealed three rulings of the district court, one of which was the exclusion of TT’s damages theories related to foreign infringing activities.

RELEVANT LEGAL STANDARDS

FOREIGN DAMAGES

- Under *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407 (2018), the Supreme Court established the ability to recover lost-profits damages for foreign use of components supplied from the U.S. in contravention of 35 U.S.C. § 271(f)(2).
- However, the Federal Circuit previously held that lost-profits damages are not recoverable based on worldwide sales stemming from domestic infringement under 35 U.S.C. § 271(a), even where the foreign sales are the direct foreseeable result of the domestic infringement. *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013).

APPLICATION OF *WESTERNGECO*

- The N.D. Ill. Court declined to apply the *WesternGeco* framework to domestic infringement under 35 U.S.C. § 271(a) absent explicit post-*WesternGeco* guidance from the Federal Circuit.
- In 2018, a Delaware court presided over by then-U.S. District Judge Leonard Stark applied an expanded approach to *WesternGeco*, permitting the plaintiff to seek worldwide damages, but the approach was not reviewed by the Federal Circuit because the parties settled.
- Here, construing *WesternGeco* to cover section 271(f) cases only, U.S. District Judge Virginia M. Kendall instead applied the rule from the Federal Circuit's *Power Integrations* case, which did not permit added damages for foreign sales stemming from domestic infringement.
- The Federal Circuit's holding here abrogates its earlier *Power Integrations* decision and expands the application of *WesternGeco* to section 271(a).

ISSUES

1. Is petitioner entitled to foreign damages for infringement under 35 U.S.C. § 271(a) here?
2. If so, is petitioner entitled to reasonable royalty damages or lost profit damages?

HOLDING

1. A patent holder is entitled to reasonable royalty damages if the patent holder can show a causal relationship between foreign sales and domestic infringement under 35 U.S.C. § 271(a).
2. The required level of proximate cause is greater than “but for” causation, though the specific level remains an open issue.
3. Here, TT is not entitled to recover damages based on worldwide sales because it did not meet its burden to show the required causal relationship between the accused foreign sales/usage and the alleged domestic infringing act under 35 U.S.C. § 271(a) (“mak[ing]” the claimed computer-readable medium).

ANALYSIS

The *Brumfield* decision expands the potential for patent owners to recover foreign damages to an even greater extent than analysis under the *WesternGeco* framework, which permitted lost-profit damages under section 271(f). Specifically, *Brumfield* expands the scope of recovery for direct infringement under section 271(a).

While *WesternGeco* permitted patent holders to recover lost profits for foreign use, the *Brumfield* decision opens the door for patentees to collect reasonable royalty damages. The patent holder would need to prove a causal relationship between foreign damages and an infringing domestic act to collect such reasonable royalties, but the specific level of proximate causation required remains an open issue.

Additional likely impacts of the *Brumfield* decision include:

1. An increase in the number of discovery rulings permitting discovery of worldwide sales and global usage data.
2. Larger overall damages awards stemming from the inclusion of a significant foreign component being tacked onto the traditional domestic portion of a damages award.

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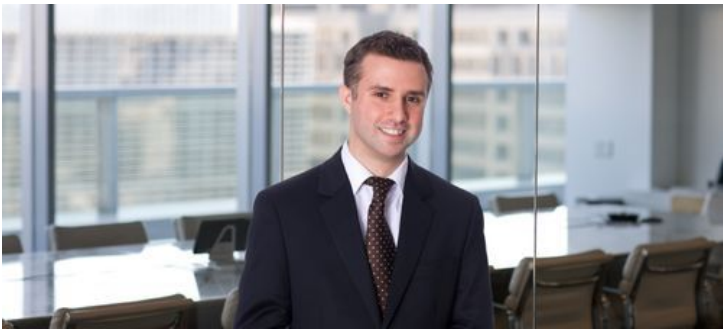
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