



District Court Permits Recovery of Worldwide Damages for Direct Infringement in Decision Certified for Interlocutory Appeal

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In *WesternGeco*, the defendant made components of infringing products in the United States, then shipped them outside of the U.S. for assembly. As such, the defendant did not directly infringe within the U.S. The defendant's practice, however, violated a specific and not-often-cited indirect infringement provision, 35 U.S.C. § 271(f)(2), which allows for infringement liability based, in part, on activities occurring outside of the U.S. Under these facts, the Supreme Court awarded lost profit damages, under 35 U.S.C. § 284, resulting from sales that occurred outside of the U.S. after shipping the products extraterritorially. Although the Supreme Court based its decision, in part, on the specific infringement provision concerning actions performed outside of the U.S., it did not foreclose application of its reasoning to infringement generally.

Unlike the products in *WesternGeco*, the accused products in *Power Integrations* were fully assembled within the U.S. and, as a result, directly infringed under 35 U.S.C. § 271(a) before they were shipped extraterritorially for sale (some of the products were also sold in the U.S.). Thus, the question at issue in *Power Integrations* was whether the court should apply the Supreme Court's ruling in *WesternGeco* broadly to allow for a recovery of lost-profit damages based on worldwide sales of products resulting from direct infringement within the U.S. under 35 U.S.C. § 271(a). The court held that it should, even though—unlike the language of 35 U.S.C. § 271(f)—the language of 35 U.S.C. § 271(a) does not explicitly concern extraterritorial actions.

The *Power Integrations* litigation overlapped with the Supreme Court's decision in *WesternGeco*. Thus, a brief discussion of that litigation history helps to frame the procedural context of the Court's decision. Before the *WesternGeco* decision, in *Power Integrations*, the plaintiff sought lost-profit damages based on the defendant's direct infringement in the U.S. During trial, the numbers underlying plaintiff's damages expert's opinions included defendant's worldwide sales. The parties stipulated to infringement, and the jury awarded the plaintiff \$34 million in damages. After the trial, however, Judge Stark found that the jury's decision was improper because it was based on worldwide sales, which violated policies against applying U.S. law extraterritorially. For this reason, the court reduced the award to \$6 million, reflecting only those sales made within the U.S.

Power Integrations appealed, but the Federal Circuit affirmed the district court's reasoning with respect to worldwide sales, ruling "the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement." See *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1371-72 (Fed. Cir. 2013). Nevertheless, the court disagreed with the specific amount of damages awarded based on U.S. sales and remanded for a jury trial to determine that amount. See *Id.* at 1374.

After remand to the district court, the Supreme Court's decision in *WesternGeco* issued, and Judge Stark asked the parties to submit briefings on whether the decision implicitly overruled the Federal Circuit's earlier decision in *Power Integrations*, affirming that lost profits based on direct infringement within the U.S. should be limited to sales made within the U.S. After briefing, Judge Stark issued the instant decision, finding that such damages should not be so limited. Judge Stark reasoned that "the patent damages statute, § 284, has equal applicability to the direct infringement allegations pending here, as governed by § 271(a), as it did to the supplying a component infringement claims at issue in *WesternGeco II*, which were governed by § 271(f)(2)" because "Section 271(a) 'vindicates domestic interests' no less than Section 271(f)."

Given the atypical procedural history, Judge Stark certified the decision for interlocutory appeal. Thus, the parties will likely soon find themselves before the Federal Circuit again for further clarity on this issue.

Practice Tip: Companies that manufacture patented products within the U.S. for sale outside of the U.S. should pay close attention to the Federal Circuit's treatment of this decision, and current and prospective plaintiffs should consider seeking worldwide damages based on Judge Stark's rationale. The upside of basing damages on worldwide sales can be significant. In this case, including worldwide sales would potentially increase a damages award by 82 percent.

Power Integrations, Inc. v. Fairchild Semiconductor International, Inc., et al., Case No. Civil Action No. 04-1371-LPS (D. Del. October 4, 2018).

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