Articles + Publications | May 10, 2024

Locke Lord QuickStudy: Federal Circuit Clarifies Liability of ?Foreign Revenue for U.S. Domestic Patent ?Infringement

Locke Lord LLP

WRITTEN BY

Charles S. Baker | Ryan E. Dornberger | Emma Bennett

RELATED OFFICES

Austin | Houston

In a ruling with significant implications for both plaintiffs and defendants in patent infringement disputes, the Federal Circuit recently clarified the law on using foreign revenue as a damages base for U.S. patent infringement. *Brumfield v. IBG LLC*, 97 F.4th 854 (Fed. Cir. 2024). The decision ultimately opens the door for awarding foreign damages in more cases.

Brief History

Liability for U.S. patent infringement based on foreign activity was first codified in 35 U.S.C. § 271(f) in 1984 following the Supreme Court's decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), which found that making components of a patented product in the United States and exporting them for final assembly and sale in a foreign country was not U.S. patent infringement because only the finished product was patented, not its components. Section 271(f) closed this "loophole" and created liability for this type of foreign activity, but courts struggled to measure damages—was it based on the value of the components made in the United States, the revenue earned on the sale of the product in foreign countries, or somewhere in between? Some of that confusion was answered in 2018 when the Supreme Court held that a patent owner may recover lost profits for U.S. patent infringement under section 271(f) based on foreign sales, despite arguments that it impermissibly expanded the jurisdiction of U.S. patent law to cover foreign activities. *WesternGeco LLC v. ION Geophysical Corp.,* 585 U.S. 407 (2018).

Federal Circuit Clarifies the Law

Following *WesternGeco*, most courts have still been reluctant to allow foreign sales to be used in the damages base for either (1) direct U.S. patent infringement under section 271(a) or (2) the typical calculation of patent damages, the reasonable royalty, which is often a per-unit amount multiplied by the total number of units sold. In *Brumfield v. IBG LLC*, for example, the Northern District of Illinois excluded expert testimony that calculated reasonable royalty damages based on foreign revenue for direct U.S. patent infringement under section 271(a). 97 F.4th at 866–67?. The asserted patents related to software for commodity trades and the jury awarded $6.6 million for domestic use of the software at a reasonable royalty of 10 cents per commodity futures sold. *Id.* at 867. Had

©2026 Troutman Pepper Locke

the jury been allowed to consider commodity futures sold by foreign users of the software, the total damages would have exceeded $960 million. *Id.*

On appeal, the Federal Circuit disagreed with the district court on the application of the law but ultimately upheld exclusion of the expert testimony. With respect to patent damages, the Federal Circuit held that foreign sales are allowable as a damages base for both direct infringement under section 271(a) and for damages calculated using a reasonable royalty. *Id.* at 875. Distinguishing the injury—i.e., the act of U.S. patent infringement—with the measure of damages required to redress that injury—e.g., a reasonable royalty on foreign revenue—the Federal Circuit followed the Supreme Court's analysis in *WesternGeco* to find that using foreign revenue as a damages base was not an extraterritorial application of U.S. patent law. *Id.* at 875–76. The Federal Circuit nonetheless concluded that the expert testimony was properly excluded because the expert failed to tie the alleged acts of infringement, on a claim-by-claim basis, with the foreign revenue—instead of tying the alleged foreign conduct to a particular claim, the expert instead generally testified that because the software was designed and developed in the United States, the foreign revenue was properly considered. *Id.* at 878–80. In short, the testimony was rejected because the expert "presented no focused, coherent explanation of the required causal connection to domestic infringement" and the foreign revenue. *Id.* at 880.

Final Thoughts

The impact of allowing foreign revenue as a base for reasonable royalties will not be lost on frequent patent infringement defendants. Reasonable royalties tend to be favored by plaintiffs because it represents the "floor" of patent damages. But after *Brumfield*, the district courts will be left to determine which patent claims allow foreign damages to be used as a proper base (likely a fact-intensive inquiry after analysis of particular claimed inventions) and to deal with the inevitable discovery disputes when companies are asked to open their books of foreign sales. With juries already awarding patent damages in excess of $1 billion, adding foreign sales to the reasonable royalty analysis may, in some cases, increase the amount of damages awarded by juries, settlement amounts, and litigation costs, including by expanding discovery into foreign sales and revenue.

RELATED INDUSTRIES + PRACTICES

- Intellectual Property
- Patent Litigation
- Patent Prosecution, Counseling + Portfolio Management

©2026 Troutman Pepper Locke