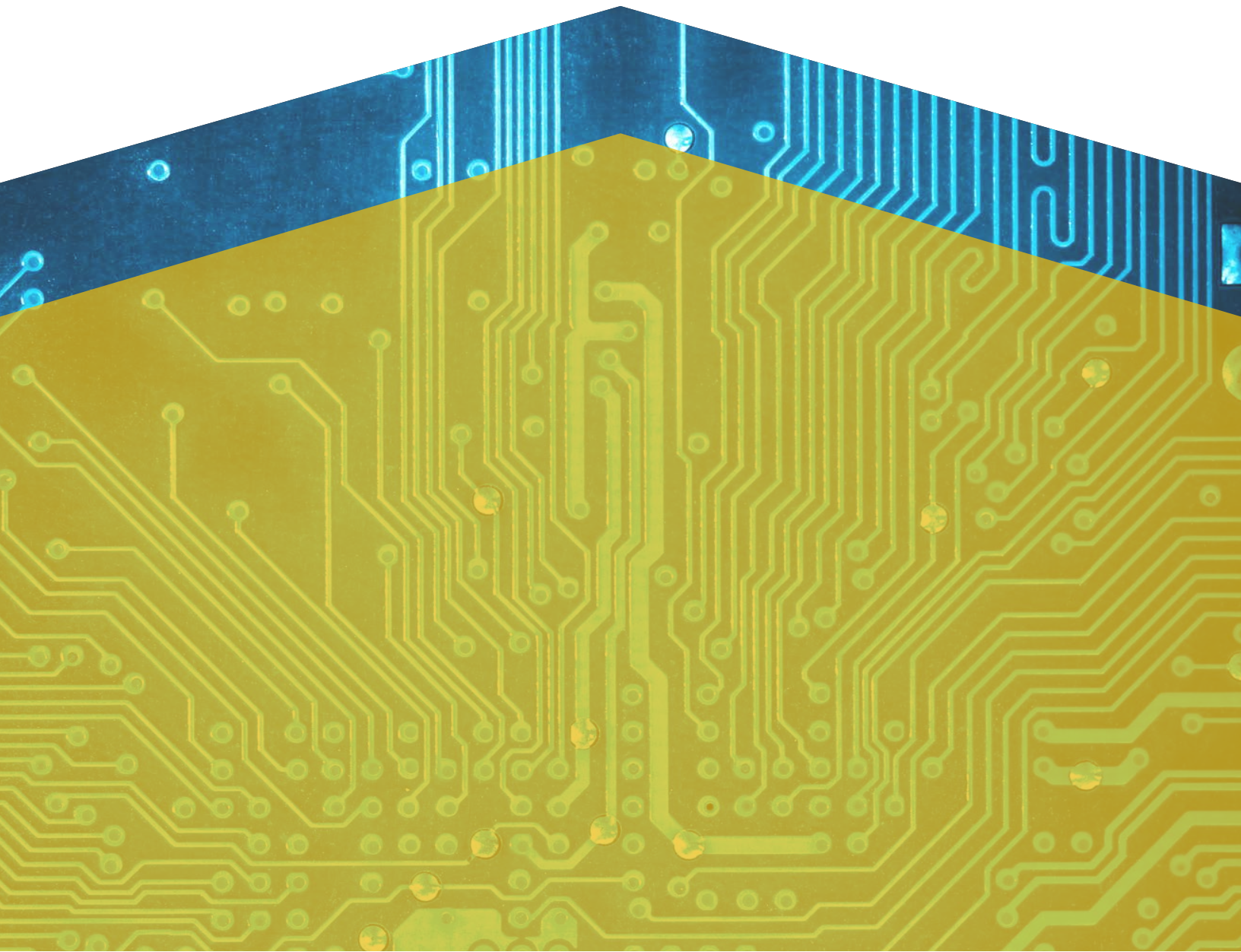


Patent Damages

Year In Review

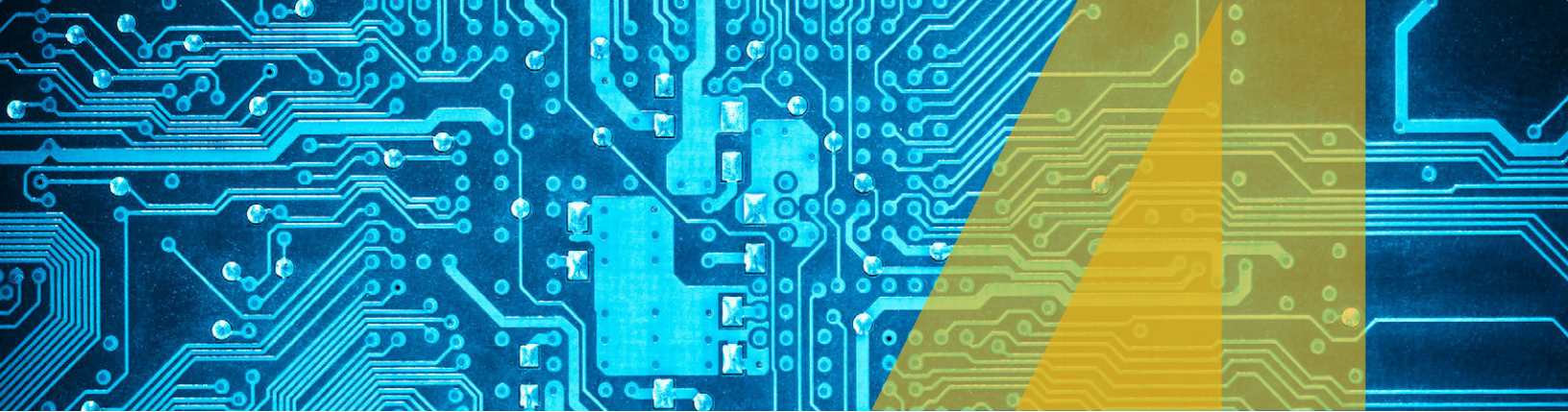
2016



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INTRODUCTION

The past year saw significant changes in the world of patent damages, as the US Supreme Court decided two cases addressing patent damages issues in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, and *Samsung v. Apple*. In both, the Supreme Court reversed Federal Circuit decisions, leading to a more permissive approach with respect to enhanced damages and a more restrictive approach with respect to design patent damages. In this year's issue, we discuss these decisions, and provide updates on Federal Circuit and district court decisions applying the continually evolving framework of apportionment and the use of comparable licenses in establishing a reasonable royalty.

In an increasingly rare win for patent owners, in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, the Supreme Court rejected the strict test for recovering enhanced damages set forth in the Federal Circuit's 2007 *Seagate* decision and replaced it with a more flexible standard that should prove to be easier for patent owners to meet. Relying extensively on the Court's recent *Octane* and *Highmark* decisions that created an easier standard to receive attorney fees in exceptional patent cases, the Supreme Court made proving an entitlement to enhanced damages easier in three separate, but related, ways. First, the Court eliminated *Seagate*'s objective recklessness prong and instead focused on a subjective basis for enhancing damages based on the infringer's conduct in the particular circumstances of the case as compared to that found in a typical patent case. Second, the Court eased the patent owner's burden of proof from the "clear and convincing evidence" standard and replaced it with the lower "preponderance of the evidence." Third, the Court implemented an "abuse of

discretion" standard of review, which makes it more difficult for the losing party (and infringers in particular) to reverse a finding of enhanced damages on appeal. On the other hand, while design patent owners were riding high after last year's Federal Circuit decision in *Apple v. Samsung* affirming a \$400 million damages award based on Samsung's total profits for Samsung Galaxy phones, the excitement was short lived as the Supreme Court quickly reversed the Federal Circuit's decision and remanded for further consideration. In doing so, the Supreme Court held that, in the case of a multicomponent product, the relevant "article of manufacture" from which profits are calculated need not always be the end product sold to the consumer. The Supreme Court did not expressly hold that an apportionment analysis must be conducted in assessing design patent damages under 35 U.S.C. § 289, but instead remanded to the Federal Circuit to determine the appropriate test for assessing the article of manufacture and whether the article of manufacture in this particular case should have been the phones themselves or a component of the phones.

Finally, with respect to apportionment and comparable license analyses, we have not observed a significant change in the rigorous gatekeeping approach that most courts have been applying as to the type of proof needed to properly assign a reasonable royalty rate to a multicomponent product. Nevertheless, while courts continue to strike damages analyses at a high rate, perhaps based on a recognition that the Federal Circuit's guidance has not been crystal clear, we saw over the past year a substantial number of courts giving patent owners a second chance to correct deficiencies in their damages reports.

ENHANCED DAMAGES

35 U.S.C. § 284 states that, in a case of patent infringement, courts “may increase the damages up to three times the amount found or assessed.” While treble damages are technically available to patent owners, they had become increasingly difficult to recover since the Federal Circuit’s decision in *In re Seagate Technology, LLC*.¹ In *Seagate*, the Federal Circuit established a strict two-part test for enhanced damages. First, the patent owner was required to show “that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *Halo Elect.*, 136 S. Ct. at 1928 (quoting *Seagate*, 497 F. 3d at 1371). Second, the patentee had to show that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.” *Id.* *Seagate* required that both steps be established by clear and convincing evidence.

The objective prong of the *Seagate* test presented a high bar for patent owners seeking enhanced damages due to willful infringement, because it required proving that a defendant presented noninfringement or invalidity defenses that were “objectively baseless.” Courts frequently found defenses not “objectively baseless” even where they were unsuccessful at trial or on summary judgment. In *Halo Electronics, Inc. v. Pulse Electronics, Inc.*,² and *Stryker Corp. v. Zimmer, Inc.*,³ the Federal Circuit applied the *Seagate* test in rejecting findings of willfulness and enhanced damages because the defendants had presented defenses that, while rejected by the jury, were not objectively baseless. In 2016, the Supreme Court took up these two decisions and in rejecting the *Seagate* test made enhanced damages more viable again.

HALO ELECTRONICS, INC. V. PULSE ELECTRONICS, INC., 579 U.S. ___, 136 S. CT. 1923 (2016), CASE NOS. 14-1513 AND 14-1520

In a unanimous ruling, the US Supreme Court rejected the Federal Circuit’s longstanding, strict test

for awarding enhanced damages in patent cases, and lowered the burden of proof for proving their applicability.

Writing for the Court, Justice Roberts rejected the *Seagate* test, calling it an “unduly rigid” test that “impermissibly encumbers the statutory grant of discretion to district courts.” *Id.* at 1932 (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. ___, 134 S. Ct. 1749, 1755 (2014)). In particular, the Court expressed concern that the *Seagate* test may “have the effect of insulating some of the worse patent infringers from any liability for enhanced damages.”

The Court particularly criticized the requirement of a showing of objective recklessness in every case. “Such a threshold requirement excludes from discretionary punishment many of the most culpable offenders, such as the ‘wanton and malicious pirate’ who intentionally infringes another’s patent — with no doubts about its validity or any notion of a defense — for no purpose other than to steal the patentee’s business.” *Id.* (citing *Seymour*, 16 How., at 488). *Seagate* would not permit enhanced damages against such a pirate unless his conduct also was deemed objectively reckless. “In the context of such deliberate wrongdoing, however, it is not clear why an independent showing of objective recklessness — by clear and convincing evidence, no less — should be a prerequisite to enhanced damages.” Accordingly, the Court concluded that § 284 allows courts to exercise discretion in awarding enhanced damages “in a manner free from the inelastic constraints of the *Seagate* test.”

With respect to the burden of proof, the Court held that enhanced damages need not be proven by clear and convincing evidence, as the Federal Circuit had held, but only by a preponderance of the evidence. Further, such awards would be reviewed on appeal for abuse of discretion.

Nonetheless, the Court cautioned that “such punishment should generally be reserved for egregious cases typified by willful misconduct.” The Court

¹497 F.3d 1360 (Fed. Cir. 2007).

²769 F.3d 1371 (Fed. Cir. 2014).

³782 F.3d 649 (Fed. Cir. 2015).

explained that, “[a]s with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount.”

Since the Supreme Court’s ruling, the Federal Circuit has vacated and remanded several findings of willfulness that were based on the *Seagate* test, so that the trial courts may properly consider the *Halo* decision. See, e.g., *Innovention Toys, LLC v. MGA Entertainment, Inc.*, -- Fed. Appx. --, 2016 WL 4151240 (Fed. Cir. 2016); *WesternGeco L.L.C. v. ION Geophysical Corp.*, 837 F. 3d 1358 (Fed. Cir. 2016); *Alfred E. Mann Found. For Scientific Research v. Cochlear Corp.*, 841 F. 3d 1334 (Fed. Cir. 2016). The Federal Circuit and several district courts have since had the opportunity to consider enhanced damages issues in view of the *Halo* decision. We discuss some of those cases below.

WBIP, LLC V. KOHLER CO., 829 F. 3D 1317 (FED. CIR. 2016)

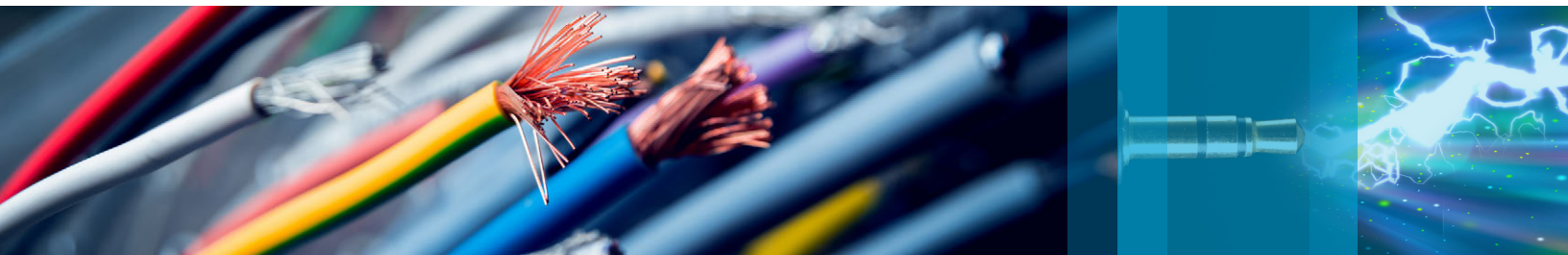
Thus far, this is the only case decided by the Federal Circuit under the new *Halo* standard without vacating and remanding the ruling for further consideration under *Halo* by the district court. This case involved marine generators used on houseboats to create electrical power for appliances. After a six-day trial, a jury found that Kohler infringed the patents, awarded damages and found willful infringement by clear and convincing evidence under the *Seagate* standard. On post-trial motions, the district court awarded enhanced damages of 50% under § 284.

On appeal, Kohler sought to reverse the finding of willful infringement for two reasons: (1) that its defenses were objectively reasonable and (2) that the plaintiff failed to present evidence that Kohler was aware of the patents in suit.

Applying the Supreme Court’s *Halo* decision, the Federal Circuit rejected both arguments. First, the court explained that *Halo* “expressly rejected the notion that objective recklessness must be found in every case involving enhanced damages for willful infringement.” The court further recognized the Supreme Court’s explanation that “the appropriate time frame for considering culpability” is “the infringer’s knowledge at the time of the challenged conduct.” Because Kohler acknowledged that it developed its defenses (objective reasonably or not) during litigation, they were irrelevant to the willfulness analysis; Kohler could not “insulate itself from liability for enhanced damages by creating an (ultimately unsuccessful) invalidity defense for trial after engaging in the culpable conduct of copying” the plaintiff’s technology before litigation.

Second, while the Federal Circuit acknowledged that “[k]nowledge of the patent alleged to be willfully infringed continues to be a prerequisite to enhanced damages,” it rejected Kohler’s second argument because substantial evidence supported the jury’s finding that Kohler had knowledge of the patents in suit at the time of infringement. That evidence included testimony that the plaintiff marked its products and that the plaintiff and defendant were the only companies in the market providing low-carbon-monoxide marine generators, and documentary evidence that Kohler was aware of the patents.

Accordingly, the Federal Circuit ruled that the district court properly exercised its discretion in enhancing damages by 50%.



CG TECHNOLOGY DEVELOPMENT, LLC V. BIG FISH GAMES, INC., CIVIL CASE NO. 2:16-CV-00857, 2016 WL 4521682 (D. NEV., AUG. 29, 2016)

This case presents an example of the effect of the *Halo* ruling even on pleading standards. Here, the defendant moved to dismiss the plaintiffs' assertions of willful infringement for failing to state a claim under *Halo*. The court granted the motion, explaining that the plaintiffs failed to state a claim "because they fail[ed] to allege any facts suggesting the Defendant's conduct is 'egregious ... beyond typical infringement.'" *CG Tech. Dev.*, 2016 WL 4521682, *14 (quoting *Halo*, 136 S. Ct. at 1935). Rather, the plaintiffs merely "state conclusory allegations that Defendant 'was made aware of the ... patents [and] ... [its] continued use of its infringement products constitutes willful and blatant infringement,'" and that "Defendant has acted and is continuing to act in the fact of an objectively high likelihood that its actions constitute infringement of a valid patent or with reckless disregard of that likelihood." *Id.* (quoting Complaint). Mere allegations that the defendant knew about the patent were insufficient to establish willfulness, and the allegations of recklessness were unsupported by factual allegations. Accordingly, the court dismissed the plaintiffs' willful infringement allegations.

DOMINION RESOURCES INC. V. ALSTOM GRID, INC., CIVIL CASE NO. 15-224, 2016 WL 5674713 (E.D. PA., OCTOBER 3, 2016)

In this matter, a jury found Alstom Grid liable for willful infringement of patents relating to computer software that helps manage and conserve voltage for electric utilities delivering power to homes, hospitals and businesses. The jury awarded Dominion Resources \$486,000 in reasonable royalty damages. After trial, Dominion Resources moved for enhanced damages.

The court granted the motion, awarding Dominion Resources \$972,000 in enhanced damages.

The court explained that the jury's finding of willful infringement was sufficient to show "willful misconduct" under *Halo*. The court further concluded that Alstom's conduct was sufficiently egregious to warrant enhanced damages because "it had direct notice from Dominion and Dominion's outside counsel" of the patent in suit, but nonetheless continued its infringing activities for more than a year. The court rejected Alstom's argument that, by the time it concluded its infringing conduct, it had a good faith defense to infringement and was already in litigation with Dominion. The court explained that "Alstom's argument goes against the letter and the spirit of *Halo* and tries to return to the *Seagate* test where a good faith litigation defense could defeat enhanced damages." *Halo* required that Alstom's conduct be assessed as of the time it began knowingly infringing (before litigation), not as of the date it stopped infringing (during litigation).

RADWARE, LTD. V. F5 NETWORKS, INC., CASE NO. 5:13-CV-02024, 2016 WL 4427490 (N.D. CAL., AUG. 22, 2016)

In an unusual twist, the district court used the *Halo* decision to negate a jury's finding of willful infringement. Here, the jury had found F5 Networks liable for willful infringement in a trial that predated the Supreme Court's *Halo* decision. On post-trial motions, the district court vacated the willfulness finding, holding that it did not meet the test set forth in *Halo*. In particular, it was undisputed that Radware never informed F5 Networks of the patents in suit before filing its lawsuit. Moreover, Radware submitted insufficient evidence of copying. Because knowledge of the patent alleged to be willfully infringed is significant to the willfulness analysis, and





Radware failed to present sufficient evidence that F5 Networks had that knowledge, the court vacated the finding of willfulness.

[SIMPLIVITY CORP. V. SPRINGPATH, INC., CASE NO. 4:15-13345, 2016 WL 5388951 *D. MASS., JULY 15, 2016](#)

In this matter, the court considered the impact of *Halo* in response to a motion to dismiss, arguing that a plaintiff may not seek enhanced damages if they failed to move for a preliminary injunction. The court found that *Halo* did not mandate the filing of a request for preliminary injunction as a prerequisite for an award of enhanced damages.

The court explained that *Halo* negated *Seagate's* “directive” that enhanced damages typically were not available absent a request for preliminary injunction. While the Supreme Court did not address the issue, its “broader context” suggested that preliminary injunction motions were not prerequisites to enhanced damages motions. The *Halo* court noted that § 284 “contains no explicit limit or condition” on enhanced damages, “suggesting that rigidly requiring willful infringement plaintiffs to move for a preliminary injunction — for that matter, rigidly imposed any prerequisite to recovery of enhanced damages — offends Congress’ broad grant of discretion to district courts in the same manner as *Seagate's* willfulness test.” (citations omitted).

[TRUSTEES OF BOSTON UNIV. V. EVERLIGHT ELECTRONICS CO., LTD., ___ F. SUPP. 3D ___, 2016 WL 3976617 \(D. MASS., JULY 22, 2016\)](#)

Following trial, a jury found that the defendants Everlight Electronics, Co., Ltd., and Epistar Corp.

willfully infringed Boston University’s patent relating to semiconductor technology. At trial, which was held before the Supreme Court issued its *Halo* decision, the district court gave the jury a willful infringement instruction based on *In re Seagate Tech., LLC*, 497 F. 3d 1360 (Fed. Cir. 2007). On a motion for judgment as a matter of law, the defendants argued that the willful infringement verdict should be vacated under a *Halo* analysis. The district court agreed to apply *Halo*, but refused to award enhanced damages.

The court noted that *Halo* “reflects a sea change with respect to *Seagate*,” noting that the Supreme Court “eliminated the ability of an infringer to avoid enhanced damages by relying on an objectively reasonable defense that was created by his ‘attorney’s ingenuity’ solely for litigation, and was not relied upon by the infringer at the time of infringement.” *Trustees of Boston Univ.*, 2016 WL 3976617, *2 (quoting *Halo*, 136 S. Ct. at 1933).

The court determined that, even under the standards set forth in *Halo*, enhanced damages were not appropriate under the facts of the case. In particular, when originally accused of infringement, the defendants obtained an opinion of counsel regarding noninfringement, which the court considered reasonable. Moreover, the defendants did not deliberately copy the invention, did not try to conceal their alleged infringement, reasonably investigated the scope of the patent and “form[ed] a good faith belief that their products did not infringe based on their view of the proper claim construction...” Accordingly, the court ruled that “the defendants’ conduct did not rise to the level of egregiousness meriting an award of enhanced damages.”



DESIGN DAMAGES

In last year's issue of our Patent Damages Year in Review, we highlighted the provision of the patent statute that permits a unique form of damages available with respect to design patents — namely that a design patent holder may elect, as an alternative to lost profits or a reasonable royalty, to recover the infringer's profits as a remedy. Specifically, under 35 U.S.C. § 289, one who “applies the patented design ... to any article of manufacture ... shall be liable to the owner to the extent of his total profit, ... but [the owner] shall not twice recover the profit made from the infringement.” This provision came to the forefront last year when the Federal Circuit affirmed a nine-figure damages award to Apple arising from Samsung's infringement of Apple design patents. Although many commentators (including us) believed that this decision could serve to strengthen the value of design patents and lead to an increase in both applications for design patents and assertions of design patents in litigation, the Supreme Court's decision in the appeal of the Federal Circuit's decision in *Apple v. Samsung* discussed last year quickly brought the design patent damages inquiry more in line with the inquiry for utility patents.

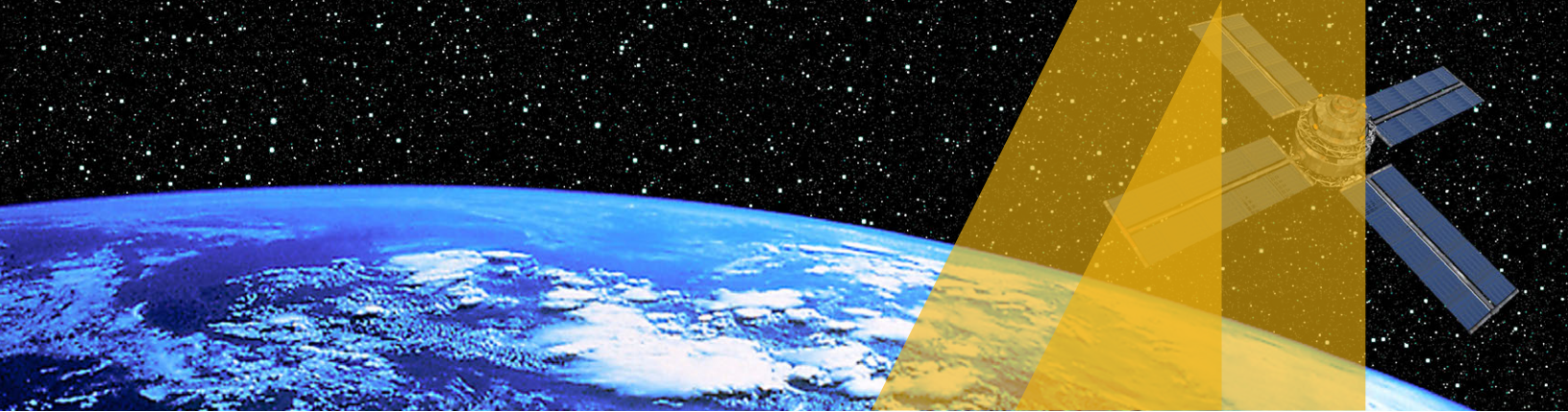
[SAMSUNG ELECTRONICS CO., LTD. V. APPLE INC., __ U.S. __, 2016 WL 7078449 \(S. CT. DEC. 6, 2016\)](#)

In a unanimous ruling, the US Supreme Court threw out a \$400 million award that Apple won against Samsung after a jury found Samsung liable for infringing Apple's design patents. The ruling reversed a Federal Circuit decision from last year, which required Samsung to pay Apple all of its profits from the Galaxy smartphones that a jury in 2012 found infringed those patents.

The lower court's ruling was based in the wording of the century-old design patent statute, 35 U.S.C. § 289, which states that a person who manufactures or sells “any article of manufacture to which [a patented] design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit.” The Federal Circuit held that an “article of manufacture” referred to the final product sold to consumers, which, in this case, meant Samsung's Galaxy smartphone. Thus, the Federal Circuit ruled that Samsung must pay Apple its “total profit” from those smartphones for its violation of three design patents that focused on the beveled, curved design of the phone and the design of its icons.

The Supreme Court disagreed, declaring that “the term ‘article of manufacture’ is broad enough to encompass both a product sold to a consumer as well as a component of that product.” The Court considered this reading of § 289 consistent with 35 U.S.C. § 171(a), which makes “new, original and ornamental design[s] for an article of manufacture” eligible for design patent protection. Section 171, of course, extends design patent protection to components of multicomponent products. Based on this reading of the statute, the Court deemed irrelevant the fact that some components are not separately offered for sale.

The Court, though, did not offer a test to determine whether a component of a multipart product or the final product itself is the “article of manufacture” from which profits should be paid. Thus, it did not resolve whether, for each of the design patents at issue in the case, the article of manufacture was the smartphone or a



component of the phone; it left this issue to the Federal Circuit on remand. Nor did the Court offer a test for determining damages when a component is at issue.

The ruling is certain to reduce the amount of damages that can be won under the statute for design patent infringement, and is likely to introduce apportionment to the design patent infringement damages analysis.

APPORTIONMENT

As we highlighted last year, a patent owner may recover only damages adequate to compensate for the infringement, and when the measure of damages sought is based upon a reasonable royalty, the doctrine of apportionment has taken center stage and continues to restrict the damages available to patent owners. Under the doctrine of apportionment, royalties can be based upon only the smallest saleable unit identified, and then must be further limited such that they reflect only the actual value of the patented technology. *Uniloc USA Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (holding that a patentee “must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features”).

In prior years, we noted that district courts in general had been placing a heavy and exacting burden on patent owners in proving their damages under a reasonable royalty analysis in light of the apportionment requirements set by the Federal Circuit. Last year, we highlighted four decisions from the Federal Circuit that appeared to have provided more clarity and relaxed the standard, providing patent owners with more flexibility in establishing the

value of the patented technology in future cases. But rather than lead to more uniformity in decisions from the district courts, these decisions have led to widely disparate approaches from the various district courts (even by judges within the same district), leading to unpredictable applications of the apportionment jurisprudence on a case-by-case basis. Perhaps recognizing the lack of clarity, one trend that appeared is that many courts appeared willing to provide patent owners with a second chance to amend damages expert disclosures in an effort to correct deficiencies in their analyses perceived by the district courts. We address certain of the more notable district court decisions on apportionment below.

***ART+COM INNOVATIONPOOL GMBH V. GOOGLE INC.*, 155 F. SUPP. 3D 489 (D. DEL. 2016)**

ART+COM sued Google and its Google Earth service for infringing US Patent No. RE44,550 (the ‘550 patent) relating to a software-implemented method for providing a “pictorial representation of space-related data, particularly geographical data of flat or physical objects.” Google sought to exclude both of the reasonable royalty theories presented by ART+COM’s damages expert.

Under a “Sessions Methodology,” ART+COM’s expert began his analysis for calculating a royalty base by relying on a 2010 document prepared by Google that outlined revenue projections for the “Geo” product segment, which included revenue from several interrelated product offerings, such as Google Earth and Google Maps. Those projects, though, contain indirect revenue from other services, such as Local Universal, IP Geo and AdWords Local. As a result, Google argued that ART+COM’s expert improperly violated the entire market value rule.

The court refused to exclude the expert's "Sessions Methodology" analysis for a number of reasons. Among other things, it noted that it was "unclear whether there is a 'smallest salable unit' at all" because Google does not sell any accused products and generates revenue through various, intermingling monetization methods."

Additionally, by reviewing the 2010 Google document, with its breakdown of products, and considering related business plans containing similar assessments, the damages expert extrapolated a value for Google Earth's total revenue contribution to the total revenue of the Geo segment: 13%. Google argued that the expert should have considered other relevant sources of revenue that, if considered, would have resulted in a lower apportioned amount. The court rejected this argument, noting that Google Earth also contributed to those additional revenue sources but that Google failed to produce information necessary to determine by how much Google Earth contributed to them. As a result, while the 13% figure may or may not be the most accurate apportionment for Google Earth's contributions to the Geo segment, any potential deficiencies in the analysis go to the weight and credibility of the evidence, not the soundness of the methodology. *ART+COM*, 155 F. Supp. 3d at 515 (citing *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015)).


While rejecting Google's motion to exclude ART+COM's first royalty theory, the court agreed to exclude the expert's second royalty theory, dubbed the "Activations Methodology." Under this theory, ART+COM's expert arrived at a per-user per-year royalty rate and multiplied it by 5.5 years, representing the "time period of a Google Earth user." The fatal flaw in his analysis was failing to explain the relevance of 5.5 years; he chose the number because it fell within the damages period, regardless of when an activation occurred. Because the expert's "5.5 year period is detached from the facts of the case," his "Activations Methodology" damages theory was excluded.

BLUE SPIKE, LLC V. HUAWAI TECH. CO., LTD, CIVIL ACTION NO. 6:13-CV-679, OCT. 14, 2016 ORDER (E.D. TEX., OCT. 14, 2016)

In this matter, the defendants sought to strike the plaintiff's damages expert because his method of apportionment purportedly was not reliable. The expert opined that the smallest saleable unit was the smartphone headset and then opined that two consumer surveys he conducted allowed him to reduce the royalty rate by a 10% factor. According to the expert, his surveys showed that consumers value "fingerprint scanning security" and "data security and privacy," two features related to the patent in suit. The surveys, though, did not specifically address the technology at issue: digital watermarking.

The court first concluded that "there is too great an analytical gap between the survey data and his apportionment factor of 10%, making his apportionment opinions excludable." Because the "essence of the apportionment requirement" is that a patentee "must do more than estimate what portion of the value of that product is attributable to the patented technology," the expert's failure to explain how the 10% factor "accounts specifically for the value of the patented feature, the digital watermarking technique," rendered his opinion unreliable. *Blue Spike, LLC*, Civil Action No. 6:13-cv-679, Oct. 14, 2016 Order at 5-6 (quoting *Virnetx, Inc. v. Cisco Sys, Inc.*, 767 F.3d 1308, 1327 (Fed. Cir. 2014)). The surveys' reflection that consumers value "data security" is insufficient because "this broad term undoubtedly incorporates consumers' value for other non-patented security features on a smartphone, such as fingerprint sensors and mobile authentication." *Id.* at 6 (citing *Virnetx*, 767 F. 3d at 1333). Because the expert failed to separate the patented feature from the unpatented features, he did not properly apportion and his opinions were excludable.

Second, the court held that the expert failed to explain how he reached the 10% factor, from a mathematical standpoint. Rather, the expert "merely states in a footnote that he combined survey results on 'security'



in the numerator and all other results in the denominator.” This did not constitute a “credible economic analysis” that supported his conclusions that, as a result, were excludable.

The court nonetheless allowed the plaintiff time to supplement the expert’s report in an effort to cure these deficiencies.

CHRIMAR SYS., INC. V. ADTRAN, INC., CIVIL ACTION NO. 6:15-CV-00618-JRG (E.D. TEX. NOV. 3, 2016)

Chrimar sued Adtran for infringing four patents that Chrimar asserted were standard essential patents (SEP) for Power over the Ethernet (PoE). Adtran sought to exclude Chrimar’s damages expert because (among other things) he allegedly failed to apportion the value of the standard from the unpatented features. Specifically, Adtran asserted that the expert’s reliance on there being no acceptable, noninfringing alternatives to the patents in suit before implementation of the PoE standards was misplaced. Chrimar responded that the expert merely relied on another expert’s opinion that no noninfringing alternatives existed at all and, thus, assigned no or low value to the standard.

Relying on the Federal Circuit’s rulings in *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1232 (Fed. Cir. 2014) and *CSIRO v. Cisco Systems, Inc.*, 809 F.3d 1295, 1305 (Fed. Cir. 2015), the court explained that, when apportioning damages for SEPs, the patented feature must be apportioned from all of the unpatented features reflected in the standards, and the royalty must be premised on the value of the patented feature, not any value added by the standard adoption of the patented technology. The court further held that the expert’s decision to apportion little value to the standard because of a purported lack of noninfringing

alternatives was improper because this analysis “fails to take into account that standardization did occur — regardless of whether other options were viable in the marketplace — rendering use of the allegedly compliant patented technology essential.” By eliminating this analysis through reliance on noninfringing alternatives, the court found that the expert failed to properly apportion the value of the standard in determining a reasonable royalty. The court allowed Chrimar to supplement the expert’s report with the proper analysis.

COMCAST CABLE COMMUNICATIONS, LLC V. SPRINT COMMUNICATIONS CO., LP, CIVIL ACTION NO. 12-859, 2016 WL 6876312 (E.D. PA., NOV. 21, 2016)

Comcast sued Sprint for infringing a patent relating to wireless messaging and, specifically, Sprint’s SMS and MMS messaging systems. Sprint sought to exclude Comcast’s damages expert, who opined that a reasonable royalty for the patent in suit was \$123,352,162. Sprint primarily objected to the expert’s apportionment analysis, which was based on “counting steps.” The court denied Sprint’s motion.

Specifically, to calculate a reasonable royalty, Comcast’s damages expert first calculated the profitability of Sprint’s accused SMS and MMS systems, and then referred to the report of Comcast’s technical expert, who “separated the overall process of each specific messaging call flow into steps” based on infringing and noninfringing steps. Using those steps, the damages expert apportioned the share of Comcast’s SMS and MMS profitability attributable to the allegedly infringing steps.

Sprint argued that this approach was not reliable because it amounted to a “mere counting of lines of code,” which the Federal Circuit held insufficient for

apportionment purposes. *Comcast Cable*, 2016 WL 6876312 at *8 (quoting *Lucent Tech., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1333 (Fed. Cir. 2009)). The court disagreed, noting that the *Lucent* court “does not state that counting lines of code is *per se* unreliable; rather, it recognizes that such simplistic apportionment alone is not probative of value.” Moreover, Comcast’s technical expert had “adequately supported and explained in detail the reasoning behind each part of his step-counting process” on which the damages expert relied. Thus, the court refused to exclude the testimony of Comcast’s damages expert.

CORE WIRELESS LICENSING S.A.R.L. V. LG ELECTRONICS., INC., CASE NO. 2:14-CV-911, 2016 WL 4440255 (E.D. TEX., AUG. 23, 2016)

Core Wireless sued LG for infringing two patents relating to interface techniques used to access various functions of a mobile device application. The accused products were LG wireless phones that implemented the Android operating system. A jury found LG liable and awarded Core Wireless \$3.5 million in damages. LG then moved for a new trial on damages, which the court granted.

At the retrial, Core based its damages analysis on the value of the Android operating system in LG’s accused products at the time of an April 2013 hypothetical negotiation. Core’s expert testified that he had “not seen any evidence” related to the cost of the Android operating system. Instead, he used a 2008 estimated value of the nonaccused Windows Mobile operating system as a substitute for determining the approximate value of the accused Android operating system. Based on his calculations regarding Windows Mobile, through which the expert determined that \$2.97 “is the marginal profit on the smallest salable unit,” the expert concluded that the correct royalty

rate would fall “somewhere between zero and \$2.97.” After establishing that range, he started from zero and “inched up” by two five-cent increments until he landed on what he asserted was “a reasonable number” or \$0.10 as an appropriate royalty rate for each infringing phone sold by LG. The expert then multiplied that royalty rate by LG’s sales of 35,219,051 allegedly infringing phones to arrive at approximately \$3.5 million in damages.

LG argued that the cost the expert assigned to the Windows Mobile operating system “was not an appropriate proxy for the free Android operating system used in the accused products,” and that the expert failed to properly apportion. The court agreed with LG on both counts, ordering a new trial on damages.

With respect to the expert’s reliance on the Windows Mobile operating system as a proxy for the cost of the accused Android operating system, the court explained that the expert failed to “tie his analysis” regarding a 2008 estimated cost of the Windows Mobile operating system to a 2013 hypothetical negotiation regarding the Android operating system. *Core Wireless Licensing*, 2016 WL 4440255 at *12 (citing *Laser Dynamics, Inc. v. Quanta Computer, Inc.*, 694 F. 3d 51, 76 (Fed. Cir. 2012)). The expert “failed to offer sufficient testimony explaining how the 2008 cost would compare, relate, or remain relevant to the 2013 negotiation.” Moreover, neither Core’s expert nor Core offered evidence that Windows Mobile was technologically or economically comparable to Android and failed to account for differences between the products. *Id.* at *13 (citing *VimnetX*, 767 F. 3d at 1330).

The court rejected the apportionment analysis of Core’s expert, likening it to the rejected 25% rule. *Id.* at *14 (citing *Uniloc USA, Inc. v. Microsoft Corp.*, 632

F.3d 1292, 1311–18 (Fed. Cir. 2011)). The court found that the expert failed to explain the basis for employing five-cent increments in calculating a royalty rate, other than noting that he had seen some unidentified license agreements employing a \$0.05/unit royalty rate. As a result, he “did not present adequate justification or evidence for adjusting the royalty rate by increments of five cents.” Moreover, his ultimate opinion of a \$0.10 royalty rate/unit exacerbated the problem because it was not “a logical opinion supported by evidence.” Accordingly, the court ordered a new trial on damages.

FINJAN, INC. V. SOPHOS, INC., CASE NO. 14-CV-01197, 2016 WL 4268659 (N.D. CAL., AUG. 15, 2016)

In this matter, Finjan sued Sophos for infringing six patents relating to technologies for computer and network security. Sophos moved to exclude Finjan’s damages expert on numerous grounds. Of particular interest, the court granted the motion with respect to the expert’s apportionment methodology.

The court excluded Finjan’s damages expert because she double or triple counted revenues attributable to certain features of the accused products. As an example, the court noted that the expert determined that two infringing features — threat engine and live protection — were covered by one patent, and attributed to them 28.6% of the royalty base as to that patent. She then attributed another 28.6% royalty base for those features to yet another patent in suit that purportedly covered the same features. In this way, the expert “counts the revenue attributable to certain features multiple times in calculating her royalty base such that her total apportionment calculation uses a royalty base that is over 100 percent of the

total value of several of the accused products.” Finjan tried to justify this method by arguing that the expert was merely attempting to calculate damages on a per patent basis, in case any of the patents was found invalid. The court rejected this justification, holding that the expert’s “method of counting the revenue attributable to certain features multiple times, when those features are covered by multiple patents, is not a reasonable method of counting the value added by the patented features.” Instead, the expert should have determined how much value each patent contributed to the accused product, even if the patents covered similar features. The expert’s methodology improperly “assume[d] that both patents add the full value of that feature to the” accused product; “this is not possible under patent law[.]” Thus, the court excluded the expert’s apportionment calculation.

GODADDY.COM LLC V. RPOST COMMUNICATIONS LIMITED, CASE NO. CV-14-00126, 2016 WL 2643003 (D. AZ., MAY 10, 2016)

In this case, GoDaddy challenged RPost’s damages expert’s apportionment analysis regarding two sets of patents: (1) the Feldbau Patent and (2) the Tomkow Patents, both of which purportedly read on GoDaddy’s Express Email Marketing System, Email Marketing products, and its MadMimi email marketing product (the Accused Products).

With respect to the Feldbau Patent, RPost’s damages expert opined that RPost’s predecessor would have agreed to a 2.5% running royalty of the Accused Products’ net revenues. A fundamental flaw in his analysis, though, was his conclusion that the Accused Products were the smallest saleable unit. Indeed,



RPost unequivocally asserted that only certain technological components of the Accused Products infringe the Tomkow and Feldbau Patents. Evidence supported this conclusion, as “numerous non-infringing features are integrated into the Accused Products, such as message creation, transmission, contacts management ...,” which the expert failed to consider. Relying on the Federal Circuit’s *VirnetX* decision for the proposition that a smallest saleable unit with both infringing and noninfringing features may be used as the basis for a reasonable royalty rate only if the product bears a “sufficiently close relation to the claimed functionality,” the court excluded the expert’s opinion. *GoDaddy.com*, 2016 WL 2643003 at *7 (citing *VirnetX*, 767 F. 3d at 1329).

With respect to the Tomkow Patents, RPost’s damages expert opined that 15% of the Accused Products’ net revenue was a reasonable royalty rate because the products are composed of four main elements and the Tomkow Patents are the “core” of one element. The court rejected the opinion because, in part, the RPost failed to present any evidence that the Accused Products were the smallest saleable unit. Moreover, the expert did not explain how he apportioned for noninfringing features. Instead, it “appear[ed] that [the expert] plucked 15% out of thin air.” *Id.* at *9 (citing *LaserDynamics*, 694 F. 3d at 69). Nonetheless, the court allowed RPost an opportunity for the expert to submit a supplemental report.

MARS, INC. V. TRURX LLC, CASE NO. 6:13-CV-526, 2016 WL 4034790 (E.D. TEX., APRIL 18, 2016)

Mars sued the defendants for infringing two patents relating to the use of essential oils in breath-freshening

pet food compositions. Mars and True Science sold competing pet food products, and Mars alleged that True Science’s MINTIES® line of pet food products infringed its patents. True Science presented a damages expert who sought to opine regarding lost profits and a reasonable royalty. On Mars’s motion, the court agreed that the expert’s testimony should be excluded in certain respects.

With respect to lost profits, Mars sought to exclude the testimony of True Science’s damages expert because his opinions purportedly relied on an incorrect assumption that Mars was required, under the first factor of the lost profits test in *Panduit Corp. v. Stahlin Bros. Fibre Works*, 575 F.2d 1152, 1156 (6th Cir. 1978), to apportion demand between the patented and unpatented features of the accused products in an effort to show that the patent-related feature was the basis for customer demand. The court agreed with Mars that apportionment was not required in this case because the patent in suit was “directed to an entire pet food composition,” rather than a component of the composition (an essential oil formulation). The court held that Mars did not need to apportion demand: “In situations such as this — where the asserted patents cover the allegedly infringing products as a whole — the first Panduit factor ‘does not require any allocation of consumer demand among the various limitations recited in a patent claim.’” *Mars, Inc.*, 2016 WL 4034790 at *2 (quoting *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1330 (Fed. Cir. 2009)). Rather, Mars need only show that “demand existed for the ‘patented product,’ i.e., a product that is ‘covered by the patent in suit[.]’” *Id.* (quoting *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567





F.3d 1314, 1330 (Fed. Cir. 2009)). Thus, the court precluded the expert from testifying on this issue.

NORTEK AIR SOLUTIONS, LLC V. ENERGY LAB CORP., CASE NO. 14-CV-02919 (N.D. CAL., JULY 15, 2016)

Nortek asserted that Energy Lab infringed several patents relating to air handling systems that meet the heating, ventilation and air conditioning (HVAC) requirements of commercial, industrial and institutional buildings. Energy Lab sought to exclude Nortek's damages expert on reasonable royalty in part because he purportedly failed to apportion the value of the patented features from the unpatented features in the accused products.

Nortek's damages expert relied on the value of the air handling system as a whole, rather than smaller components of it, because "the asserted claims are directed to the entire air handling unit rather than any individual features." Thus, Nortek argued, the air handling system was the smallest saleable unit and an appropriate royalty base. It further argued that the damages expert was not required to apportion because the royalty rate would be the same, regardless of how many patents Energy Lab was found to infringe, and because the patented features nonetheless drove demand for the accused products.

The court found fault in this methodology, excluding the expert's opinion. First, the court faulted the expert's conclusion that the patented features drove demand, which was premised on Nortek's highlighting of the patented features in its marketing material. The court explained that "the fact that a company chooses to advertise its products in a certain way says nothing about why a customer chooses to purchase a particular product." Second, the court held that the fact that a


comparable license related to the air handling system was not sufficient reason to apply the entire market value rule absent evidence that the patented feature drove demand for the product. Thus, the court excluded the expert.

PERDIEMCO, LLC V. GEOTAB INC., CASE NOS. 2:15-CV-727, 2:15-CV-726, 2016 WL 6611488 (E.D. TEX., NOV. 9, 2016)

In this matter relating to vehicle tracking devices and their technology, Geotab sought to exclude Perdiem's damages expert in part because of his purported failure to properly apportion, applying an unapportioned royalty to an unapportioned royalty base. The court denied Geotab's request.

The court first explained that the royalty base need not be apportioned. Rather, apportionment may be conducted in several ways, including by apportioning the royalty base, apportioning the royalty rate "so as to discount the value of a product's non-patented features," or a combination of both. *PerdiemCo*, 2016 WL 6611488 at *2 (citing *Ericsson*, 773 F.3d at 1226). "Accordingly, apportionment may occur in the royalty base, royalty rate, or anywhere in between so long as 'the ultimate reasonable royalty award [is] based on the incremental value that the patented invention adds to the end product.'" *Id.* (quoting *Ericsson*, 773 F.3d at 1226).

Moreover, the parties did not dispute that the smallest saleable unit was a "base plan subscription" that contained patented and nonpatented features. The base plan subscription was priced at \$10.38, and Perdiem asserted that its damages expert properly apportioned in reaching a royalty rate of \$0.40 per subscription per month.



Specifically, Perdiem’s damages expert’s apportionment analysis weighed three approaches to calculating a reasonable royalty: (1) a “Comparable License Approach” that yielded a \$0.11–\$0.44 range using licenses pertaining to the rate paid for fleet management software of GPS tracking software; (2) a “Design Around Approach” that yielded a range of \$1.85–\$3.70 per subscription per month by examining “the costs that the infringer would have incurred to generate the benefits of the patent, as closely as possible, without practicing the patent” and “evaluat[ing] the cost of avoiding infringement by adopting the next best, non-infringing, alternative”; and (3) a *Georgia-Pacific* analysis.

The court accepted the expert’s methodology, explaining that “[w]hile it is true that [the expert] McLean does not disclose how he weighs or combines these metrics to arrive at his final royalty, estimating a reasonable royalty and apportionment is never an exact science. At some level an expert must be allowed to rely on and use his or her judgment, provided the opinion is supported by facts and data.” Thus, the court was “not willing to say that [the expert’s] tripartite approach fails to apportion damages to cover only the allegedly patented features, or that his opinion is not supported by facts and data.”

POWER INTEGRATIONS, INC. V. FAIRCHILD SEMICONDUCTOR INTERNATIONAL, INC., CASE NO. 09-CV-05235, 2016 WL 4446991 (N.D. CAL. AUG. 24, 2016)

Power Integration (PI) sued its competitor, Fairchild Semiconductor, for infringing several patents related to power supply controller chips. After trial, a jury found Fairchild liable for infringement and awarded PI \$105 million in damages based on a reasonable royalty.

Fairchild then sought a new trial on damages in light of the Federal Circuit’s subsequent decision in *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir. 2014) regarding apportionment.

The court agreed with Fairchild, ruling that PI’s damages expert had failed to apportion damages. Nonetheless, the court allowed PI to proceed on an alternative damages theory focused on the entire market value rule (EMVR). Following a retrial on damages, the jury awarded PI the damages recommended by its damages expert of \$139.8 million. Fairchild then moved for judgment as a matter of law because of PI’s reliance on the EMVR.

The court found that PI submitted sufficient evidence that the patented features of its patents drove customer demand for power supply controller chips and, thus, the case fell within the EMVR exception. One of the patents in suit, for example, focused on the reduction of power consumption and improving efficiency of power supply controller chips. PI’s witnesses testified that customers in the market considered that feature essential and that it was the only technology on the market sufficient to meet federal regulations. PI further presented evidence that its most significant customers demanded the frequency reduction features provided by that patent, and that sales of chips with the technology outpaced sales of other chips. The court found this evidence sufficient for application of the EMVR because “the accused products are not multipurpose laptop computers or any other type of multipurpose product, but, rather, chips with a single purpose, which the [patented] feature plays a significant role in achieving.” Because the accused products “have a single purpose, regulating the amount of energy delivered to a

charging device, which purpose is directly served by the patented technology's function of increasing the efficiency of such delivery, it is not unreasonable for the jury to have found the patented feature here constitutes the basis for consumer demand for the accused products." *Power Integrations*, 2016 WL 4446991 at *5 (citing *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51 (Fed. Cir. 2012)). Additionally, even though there was evidence that some unpatented features had some value, Fairchild failed to present evidence that those features drove customer demand for the products. Moreover, precedent did not require that a patent holder "relying on EMVR must show the patented feature creates the basis for every individual customer's purchase."

Fairchild also disputed that the accused power supply controller chips were a "single functioning unit," as required for application of the EMVR by *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995). Fairchild argued that they could not be a single functioning unit because the patent covered only one operational mode of the chips. The court rejected this argument, too, explaining that the question was not how many operational modes the patent covered, but whether "the unpatented components ... function together with the patented component in some manner so as to produce a desired end product or result." *Id.* at *6 (citing *Rite-Hite*, 56 F.3d at 1550, 1551).

VISTEON GLOBAL TECH., INC. V. GARMIN INT'L, INC., CASE NO. 10-CV-10578, 2016 WL 5956325 (E.D. MICH., OCT. 14, 2016)

In this matter, Visteon sued Garmin for infringing several navigation-related patents. In support of its reasonable royalty position, Visteon presented two damages experts, one who conducted surveys to assess consumer interest in the patented technology ("the survey expert") and another who opined on the appropriate reasonable royalty ("reasonable royalty expert").

Garmin asserted three flaws in the survey expert's survey methods, which Garmin argued resulted in inflated values for the accused features. Specifically, Garmin asserted that the survey expert (1) focused on features that were broader than the patented

functionalities, (2) failed to include "reasonable distracter features" in his description of the products, thus focusing survey respondents too acutely on the patented features and (3) improperly extrapolated "economic values" from his work. Garmin also asserted three flaws in the reasonable royalty expert's analysis, arguing that (1) his reliance on the survey expert's economic values failed to apportion revenue to the patented features, (2) he failed to properly apply the *Georgia-Pacific* analysis and (3) he failed to explain the methodology he applied to his final royalty calculation.

The survey expert conducted a choice-based conjoint (CBC) consumer survey in an effort to determine the value consumers placed on the patented technology. Conjoint analysis is a type of market research that "at the most general level, conceptualizes products as bundles of attributes, treating price as an attribute ... [and] determine 'values' for each attribute." *Visteon Global Tech.*, 2016 WL 5956325 at *2 (quoting *TV Interactive Data Corp. v. Sony Corp.*, 929 F. Supp. 2d 1006, 1020 (N.D. Cal. 2013)). A conjoint survey typically asks participants to compare various product profiles to determine a relative value that they place on each particular feature.

Visteon's survey expert chose six features to define the GPS product profiles and, based on survey takers' responses, he used the multinomial logit model employing Hierarchical Bayes estimates — a well-established statistical analysis — to set a consumer value (or "partworth") to each product attribute. The survey results indicated that the mean partworth relating to the patented features were greater than that of noninfringing alternatives for those features. Using the partworths on price and other factors, the survey expert estimated an economic value for the patented features, leading him to conclude that survey participants would pay between \$10.41 and \$14.48 for each patented feature.

Nonetheless, the survey expert denied that those amounts were real-world prices that consumers would pay for the patented features, and admitted that he did not determine a value for any nonpatented features. Visteon explained that its reasonable royalty expert, applying the *Georgia-Pacific* standards, combined



the survey expert's economic value opinions with information about producer costs and competition to opine on a reasonable royalty of \$4.94 per unit.

The court struck the testimony of both the survey expert and the reasonable royalty expert because neither performed a proper apportionment analysis. Neither determined the price consumers would pay for the infringing features and did not find the portion of Garmin's revenue from selling the accused devices that was attributable to the patented features. Rather, the reasonable royalty expert's conclusion, "drawn from" the report of the survey expert, was "exactly the type of speculative opinion, completely untethered from any quantitative market evidence, that fails to meet *Daubert* standards in this context."

The court rejected Visteon's argument that the survey expert's partworth analysis was "the basis for apportioning the individual royalties to the individual patents," explaining that "[t]his is not the 'apportionment' required by Federal Circuit law." The court explained that, "[w]ithout an understanding of how valuable the four patented features are to demand for the accused devices, i.e. without a calculation of the patented features' 'footprint in the marketplace,' it is impossible for a jury to determine the profit that could actually be attributed to Garmin's use of the patented features." *Id.* at *17 (quoting *VirnetX*, 767 F.3d at 1326).

COMPARABLE LICENSES

In performing a reasonable royalty analysis, patent damages experts often rely upon other license agreements either to determine an appropriate royalty rate or as a check against another form of reasonable

royalty methodology. When assessing other license agreements for use in a damages analysis, courts require that the licenses be both technologically and economically comparable. With respect to technological comparability, the agreements used in the analysis must relate to patents that incorporate the same technology or are substantially similar to the technology claimed in the patents in suit. With respect to economic comparability, the expert must account for a variety of economic factors including whether the parties to the "comparable" agreements had similar bargaining power to the parties in the litigation, whether the agreements were arms-length negotiations or litigation settlement agreements, and whether the terms were similar to those to which the parties would have agreed.

Needless to say, both of these comparability inquiries are highly fact dependent and, like the apportionment inquiry discussed previously, tend to lead to a significant disparity as to how the various district courts deal with motions to exclude expert testimony based on comparable licenses.

ART+COM INNOVATIONPOOL GMBH V. GOOGLE INC., 155 F. SUPP. 3D 489 (D. DEL. 2016)

As noted in the discussion of this case in the Apportionment section above, ART+COM sued Google and its Google Earth service for infringing US Patent No. RE44,550 (the '550 patent) relating to a software-implemented method for providing a "pictorial representation of space-related data, particularly geographical data of flat or physical objects."

ART+COM sought to exclude Google's damages expert on a reasonable royalty because he relied on five license agreements but failed to establish that they were economically comparability to the

hypothetical negotiation at issue in the instant case. The court agreed, ruling that the expert “fail[ed] to undertake any analysis of the underlying litigation that led to the settlement” and, thus, his conclusion was not based on “sound economic and factual predicates.” *ART+COM*, 155 F. Supp. 3d at 511-12 (citing *Riles v. Shell Exploration & Prod. Co.*, 298 F.3d 1302, 1311 (Fed. Cir. 2002)). “Without adequately accounting for the differences in economic circumstances between the past settlement licenses and the hypothetical negotiation, the license agreements cannot be considered economically comparable.” *Id.* at 512 (citing *Finjan*, 626 F.3d at 1211).

COMCAST CABLE COMMUNICATIONS, LLC V. SPRINT COMMUNICATIONS CO., LP, CIVIL ACTION NO. 12-859, 2016 WL 6876312 (E.D. PA., NOV. 21, 2016)

As noted in the Apportionment section, Comcast sued Sprint for infringing a patent relating to wireless messaging and, specifically, Sprint’s SMS and MMS messaging systems. Comcast sought to exclude Sprint’s damages expert, who opined that a reasonable royalty would be in the range of \$300,000–\$1.5 million. To reach that conclusion, he relied primarily on an agreement entered into between Nokia and Comcast, under which Comcast purchased the patent in suit and 35 other patents. He sought to corroborate his analysis with a “forward citation analysis” and other agreements. Comcast faulted both his reliance on a forward citation analysis and what it deemed to be noncomparable agreements. The court denied Comcast’s motion.

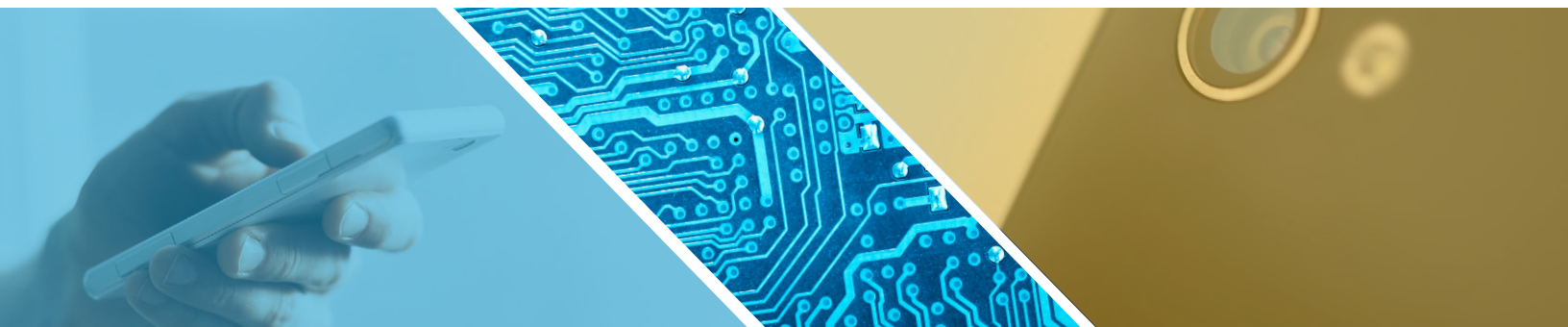
With respect to the forward citation analysis, the court explained that this was a “method of estimating the value of a particular patent based on the number of

times the patent is cited by later patents.” Sprint’s damages expert compiled a pool of patents that were technologically comparable to the patent in suit, based on International Patent Classification (IPC) system labels, and that had been published six months before or after the patent in suit. He then determined how many times each was cited in later patents and, using this data, determined the “percentile ranking” of the patent in suit, i.e., “the percentage of categorically similar patents that had less forward citations” than the patent in suit.

The expert also performed this analysis on each US patent included in the agreement between Nokia and Comcast, including the patent in suit, and determined the percentile ranking of each of those patents relative to each other.

With this forward citation analysis, the expert concluded that the patent in suit represented 2.5% of the total value of the patents covered by the Nokia-Comcast agreement. He then multiplied that 2.5% by the \$600,000 price of the Nokia-Comcast agreement to estimate the value of the patent in suit at \$15,000. He used this value to “corroborate” his overall opinion on the value of the reasonable royalty for the patent in suit.

The court rejected Comcast’s argument that the forward citation analysis should be excluded altogether as unreliable, noting that it “has been recognized in the academic literature as reliable since the 1990s.” (citations omitted). It further rejected Comcast’s argument that the damages expert’s analysis was unreliable because he failed to consider forward citations to patent applications and international counterparts, rather than merely published patents,



explaining that the expert's methodology was "supported by the academic literature." Among other things, the court noted that the expert "tied his analysis to the facts in this case by adjusting the forward citation method to account for the age and category of the [patent in suit] and the other patents covered by the Nokia-Comcast Agreement." Accordingly, the court refused to exclude the expert's testimony regarding his forward citation analysis.

Sprint's damages expert also relied on two sets of agreements: one agreement between Sprint and Celltrace, and several Comcast patent licensing agreements. The Sprint-Celltrace agreement granted Sprint a perpetual license to three patents owned by Celltrace in exchange for a lump-sum payment of \$1.5 million. One of the patents in that agreement shared an IPC code with the patent in suit, suggesting that they were "technologically similar." Using a forward citation analysis in an effort to value each of the three patents that were part of the Sprint-Celltrace agreement, the expert approximated that the portion of the agreement attributable to the patent similar to the patent in suit was \$1,000,000, which the expert said corroborated his opinion that a hypothetical negotiation for a license would result in a range of \$300,000 to \$1.5 million.

Comcast criticized the expert's use of the Sprint-Celltrace agreement because Sprint failed to establish that it was the most reliable license in the record. The court rejected this argument, explaining that the agreement need not be the "most reliable," but must not be the "least reliable" license and the record must not be replete with more reliable agreements. *Comcast Cable*, 2016 WL 6876312 at *6 (citing *LaserDynamics*,

694 F.3d at 77-78). Moreover, there were numerous similarities between the Sprint-Celltrace agreement and the hypothetical negotiation at issue — "the patents are technologically comparable; that Agreement involved a lump-sum payment, and Sprint has a preference for such payments; and both involve a non-exclusive license agreement" — and the expert adequately accounted for differences.

With respect to the Comcast agreements, Sprint's expert relied upon them because they showed a history of Comcast's engaging in lump-sum licensing. The court found this approach appropriate, noting that the Federal Circuit has recognized that "the patentee's usual licensing approach should be considered in assessing a reasonable royalty." *Id.* at *7 (quoting *Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.*, 862 F.2d 1564, 1568 (Fed. Cir. 1988)). Accordingly, the court rejected Comcast's bid to exclude Sprint's damages expert.

[FLEXUSPINE, INC. V. GLOBUS MEDICAL, INC., CASE NO. 6:15-CV-201, 2016 WL 4161887 \(E.D. TEX., AUG. 5, 2016\)](#)

Globus sought to exclude Flexuspine's damages expert for several reasons. First, Globus argued that his reliance on a jury verdict in a case between DePuy-Synthes (Synthes) and Globus, in which Globus was found liable for patent infringement and ordered to pay a 15% royalty on past sales, was misplaced because the expert failed to establish that it was technologically comparable to the instant case, failed to connect the verdict to the value of Flexuspine's patents and would be prejudicial to Globus.



The court agreed with Globus, explaining that a jury verdict “is even further removed from a hypothetical negotiation” than a settlement license agreement. Moreover, the expert failed to sufficiently explain the technological and economic comparability of that jury verdict to the instant case; in particular, the Synthes jury verdict “involved technology that lacks an essential feature of the patents-in-suit.” Because Flexuspine failed to “demonstrate[] the jury verdict at issue here will aid the trier of fact in recreating a hypothetical negotiation between a willing licensor and willing licensee in this case,” the expert testimony was excluded.

PERDIEMCO, LLC V. GEOTAB INC., CASE NOS. 2:15-CV-727, 2:15-CV-726, 2016 WL 6611488 (E.D. TEX., NOV. 9, 2016)

In this matter, PerDiem sought to exclude Geotab’s damages expert because he purportedly derived his damages amount through a single settlement agreement that PerDiem made with Telogis, a party that PerDiem previously accused of infringing the patents in suit. The court allowed the testimony, explaining that litigation-induced licenses are not per se inadmissible. *PerdiemCo*, 2016 WL 6611488 at *4 (citing *Res-Q-Net.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 872 (Fed. Cir. 2010)). Rather, while admissible, such licenses must be scrutinized because they may be influenced by the existence of litigation.

The court held that the license on which the expert relied “crosse[d] the threshold of admissibility” for several reasons, including that all of PerDiem’s licenses for the patents in suit were litigation induced and, thus, were the most comparable licenses available. Moreover, the damages expert’s report included a detailed discussion of how the agreement

was similar and different from a hypothetical license and, thus, the jury had sufficient information to consider its relevance. *Id.* (citing *Finjan, Inc. v. Blue Coat Sys., Inc.*, 2015 WL 4129193, at *5 (N.D. Cal. June 8, 2015)). Finally, the expert sufficiently explained why he relied on the particular license, rather than others, and any deficiency in that explanation went to the weight of the evidence, rather than its admissibility.

MAZ ENCRYPTION TECHNOLOGIES LLC V. BLACKBERRY CORP., CASE NO. 13-304, 2016 WL 4490706 (D. DEL., AUG. 25, 2016)

MAZ Encryption Technologies LLC sued Blackberry Corporation for infringing a patent relating to encryption and decryption. Blackberry moved to exclude MAZ’s damages expert because he reached his baseline estimate of damages by relying on a previous, litigation-induced license agreement.

The court agreed, explaining that “the settlement agreement had to be translated into a damages number that the same parties would have arrived at just before infringement began had they, instead, assumed that the patent was infringed and valid.” As a result, MAZ’s expert estimated a discount factor the parties used when negotiating the agreement by reasoning that, if “‘Settlement Value=Likelihood of Liability* Expected Damages,’ then ‘Expected Damages=Settlement Value/ Likelihood of Liability.’” He then estimated the likelihood of liability at 40% based solely on a study that found that “patent holders tend to prevail approximately 40% of the time” in the District of Delaware.

The court likened this approach to reliance on the rejected 25% rule because the methodology did “not say anything about a particular technology, industry,

or party.” *MAZ Encryption Tech.*, 2016 WL 4490706 *2 (quoting *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1317 (Fed. Cir. 2011)). Accordingly, it excluded the expert’s testimony.

MARS, INC. V. TRURX LLC, CASE NO. 6:13-CV-526, 2016 WL 4034790 (E.D. TEX., APRIL 18, 2016)

As explained in the case analysis in the Apportionment section above, Mars sued the defendants for infringing two patents relating to the use of essential oils in breath-freshening pet food compositions. Mars and True Science sold competing pet food products, and Mars alleged that True Science’s MINTIES® line of pet food products infringed its patents. The court excluded both parties’ damages experts.

With respect to a reasonable royalty, Mars sought to exclude the testimony of True Science’s damages expert because he purportedly relied on two licenses that were not comparable. The first license did not involve either the plaintiff or the defendants. The court noted that the second *Georgia-Pacific* factor looked to “[t]he rates paid by the licensee for the use of other patents comparable to the patents-in-suit.” *Mars, Inc.*, 2016 WL 4034790 at *4 (quoting *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D. N.Y. 1970)). The court found that, because True Science — “the relevant licensee under this factor” — was not a party to the first license, that license was not relevant to the hypothetical negotiation.

The second license was entered into between a division of Mars and a university. True Science’s damages expert focused on it in support of the first *Georgia-Pacific* factor: “[t]he royalties received by the patentee for the licensing of the patent-in-suit, proving

or tending to prove an established royalty.” *Id.* (quoting *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D. N.Y. 1970)). The court excluded this testimony, too, because, under that license, Mars was the licensee, not the licensor. Accordingly, testimony relating to it was excluded.

True Science also moved to exclude the testimony of Mars’s damages expert to the extent he relied on a previous litigation verdict. The court agreed that his testimony should be excluded, as he “wholly failed to address whether the [previous] Litigation verdict is comparable to the hypothetical license in this case.” The expert failed to discuss the technology at issue in the previous litigation, and failed to account for the differing economic circumstances between the previous and the current litigation. Because the expert “did not establish that the [previous] Litigation verdict is comparable to the hypothetical license here before using it to support his reasonable royalty opinion, his testimony on that issue must be excluded.” *Id.* (quoting *Worldtech Sys., Inc. v. Integrated Network Sols.*, 609 F.3d 1308, 1320 (Fed. Cir. 2010)).

MOBILEMEDIA IDEAS, LLC V. APPLE INC., __ F. SUPP. 3D __, CIV. NO. 10-258, 2016 WL 3958723 (D. DEL., JULY 21, 2016)

MobileMedia sued Apple for infringing several patents. Apple sought to exclude MobileMedia’s damages expert from relying on several license agreements in support of his reasonable royalty opinion. The court denied Apple’s motion.

Specifically, the expert presented a hypothetical negotiation and calculated a reasonable royalty rate based on certain license agreements and the

economics of patent portfolios. He explained that “the patented features at issue in this matter improve the overall user experience and ease of use of the accused Apple products.” He then selected certain Apple patents that previously were litigated and that cover features contributing to a device’s “ease of use” and used the reasonable royalty rates claimed by Apple for those features “in an incremental benefit analysis” to test his own calculated royalty rates.

Apple argued that there was no evidence that those litigation-induced licenses were technologically or

economically comparable to the patents in suit. Apple also argued that the circumstances of the royalty rate calculations in the previous litigations were substantially different than those in the instant case.

The court rejected Apple’s argument, holding that the damages expert’s analysis was “sufficiently detailed.” The expert “offer[ed] reasons for his patent selection and acknowledge[d] and adjust[ed] the royalty rates for the differing circumstances of the prior litigation.” Thus, the court refused to exclude his opinion.



CONCLUSION

The Supreme Court dominated the patent damages realm this year with an unusual two opinions addressing damages issues. The *Halo* decision rejected the Federal Circuit's strict test set forth in *Seagate* for finding willful infringement and enhanced damages, relaxing the standard and providing what has become an increasingly rare win for patent owners. In the *Samsung v. Apple* appeal, the Supreme Court vacated the \$400 million award to Apple based on Samsung's total profits related to the entire accused product, finding that the article of manufacture under 35 U.S.C. § 289 is not necessarily the product as sold. The Supreme Court remanded to the Federal Circuit for further consideration. Meanwhile, while the Federal Circuit provided little additional guidance on issues of reasonable royalties, apportionment and comparable licenses, the district courts continued to struggle to find a consistent approach, leading to unpredictable results for both plaintiffs and defendants.

In the coming year, one of the most closely watched cases will be the Federal Circuit's handling of the *Apple v. Samsung* case on remand following the Supreme Court's decision on design patent damages. We expect the Federal Circuit to set forth a new test for identifying the article of manufacture that more closely follows the apportionment analysis used for multicomponent products in utility patent cases. We also expect to see a renewed focus on willful infringement and enhanced damages as the district courts and Federal Circuit begin to apply the Supreme Court's *Halo* decision. It will be worth watching to see if defendants begin to adjust their strategies accordingly and return to pre-*Seagate* strategies such as opinion of counsel letters that had fallen out of favor post-*Seagate*.



MAYA M. ECKSTEIN

Partner

MAYA'S PRACTICE FOCUSES ON PATENT AND INTELLECTUAL PROPERTY LITIGATION.

Practices

Intellectual Property
Patent Prosecution and
Litigation
Patent Litigation
Licensing and Technology
Transfer
Trade Secrets Counseling and
Litigation
Appellate
3D Printing

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Education

JD, Syracuse University
College of Law, magna cum
laude, Associate Notes and
Comments Editor, *Syracuse
Law Review*, Order of the
Coif, 1995

BS, Kent State University,
cum laude, 1991

Bar Admissions

District of Columbia
New York
Virginia

Languages

Hebrew

As head of the firm's Intellectual Property Practice Group and 3D Printing Practice, Maya advises companies and organizations on how to protect their valuable intellectual property rights and address the new legal questions raised by 3D printing. She represents plaintiffs and defendants in intellectual property disputes and has significant experience planning, coordinating and executing the defense of complex litigation involving multiple defendants and jurisdictions. When allegations of infringement arise, or when clients believe that their patent, trade secret or other IP rights have been infringed, Maya collaborates with clients to analyze the situation, assess the extent of potential infringement or damages, and to develop and implement an effective response. In addition to litigation, and when appropriate, Maya investigates and recommends alternative approaches to dispute resolution, including settlements and negotiation of licenses.

Maya represents clients from numerous industries, with an emphasis on the technology sector, including 3D printing. She has litigated cases involving hearing aid technology, cable television technology, electronic payment technology and other technologies. Maya also has achieved client victories in product liability, class action and slavery reparations litigation, and regularly represents parents on a pro bono basis in international child abduction cases.

In 2001, she served as a Judicial Clerk for the Honorable Roger L. Gregory of the U.S. Court of Appeals for the Fourth Circuit. Over the course of her legal career, Maya has received numerous honors from various organizations and publications, including the American Inns of Court, the Virginia State Bar, *Chambers USA*, *Benchmark Litigation*, *Virginia Business Magazine*, *Virginia Super Lawyers*, *The Best Lawyers in America (IP)*, and *Inside Business*.

RELEVANT EXPERIENCE

- Lead counsel for defendant in litigation involving secure online transactions. The case is currently pending.
- Lead counsel for defendant in litigation involving smartphone app technology. The case is currently pending.
- Lead counsel for defendant in litigation involving POS technology. The case is currently pending.
- Lead counsel for defendant in litigation involving website searching technology. The case is currently pending.
- Lead counsel for defendant in federal court and ITC litigation involving UBS thumb drive technology. The federal court case remains pending; the ITC case resolved favorably.
- Lead counsel for defendants in litigation involving ownership of patents covering wireless email technology. The case is currently pending.
- Lead counsel for defendant in patent infringement litigation involving technology relating to parking systems. The case is currently pending.
- Lead counsel for defendant in patent infringement litigation involving package tracking technology. The case settled favorably.
- Trial counsel for patent holder in *Energy Transportation Group, Inc. v. Sonic Innovations, Inc. et al.* Civ. Act. No. 05-422(GMS) involving hearing aid technology. The jury returned a verdict for client ETG, finding willful patent infringement and awarding damages of \$31 million against two defendants. The Federal Circuit affirmed the jury's verdict and the trial court's post-trial rulings. (2012)
- Trial counsel for patent holder in infringement litigation involving cable television technology. After obtaining successful ruling in week-long trial on licensing issues, case was favorably settled with multi-million dollar license. (2011)
- Lead counsel for patent holder in infringement litigation relating to document security technology. The case was favorably settled. (2011)
- Lead counsel for defendant in patent infringement litigation involving utility and design patents. The case was favorably settled. (2010)
- Lead counsel in ICC arbitration involving dispute over patent license agreement. The case was favorably settled. (2010).
- Lead counsel for defendants in patent infringement litigation involving above-ground storage tanks. Case was favorably settled with no-cost license for defendants. (2009)
- Counsel for Fortune 500 company in trademark infringement litigation against competitor. Case was favorably settled. (2008)
- Lead counsel for defendant Interactive Communications International, Inc. in *TGIP, Inc. v. AT&T Corp. et al.* (E.D. Tex.). After obtaining summary judgment of non-infringement on majority of products at issue, settlement reached resulting in dismissal before trial. (2007)
- Trial counsel for patent owner ePlus in *ePlus, Inc. v. SAP*, Civil Action No. 3:05cv281 (E.D. Va.) in infringement litigation involving electronic procurement systems. Case was favorably settled while awaiting the court's decision following a four-week trial. (2006)
- Counsel for patent owner in infringement litigation to prevent defendant companies from using technology related to wireless email. Case was favorably settled after receiving jury verdict of infringement and validity. (2006)
- Significant experience with software and business method patent litigation.
- Counsels clients on legal issues related to use of open source software.

MEMBERSHIPS

- Thomas Jefferson Intellectual Property American Inn of Court

PUBLICATIONS

- Co-author, Open source opens many licensing issues for 3D printing, *Embedded Computing Design*, June 27, 2016
- Author, 3D Printing Issues Across Practices, *Bloomberg BNA Electronic Commerce & Law Report*, May 17, 2016
- Co-author, The FDA seeks to regulate 3D-printed medical devices, *InsideCounsel*, May 17, 2016
- Co-author, 3D Printing and Its Uncertain Products Liability Landscape, *IndustryWeek*, May 9, 2016
- Author, 3D Printing Raises New Legal Questions, *IndustryWeek*, April 5, 2016
- Co-author, 2015 Patent Damages Year In Review, *IP Frontline*, April 1, 2016
- Co-author, How will the FDA regulate 3D printing?, *InsideCounsel*, March 9, 2016
- Co-author, The uncertain products liability landscape of 3D printing, *InsideCounsel*, February 26, 2016
- Author, Let's look closer at 3D printing and IP issues, *InsideCounsel*, February 9, 2016
- Author, The intriguing new legal questions raised by 3D printing, *InsideCounsel*, February 4, 2016
- Author/Editor, 2015 Patent Damages Year in Review, February 1, 2016
- Editor, 2014 Patent Damages Year In Review, 2014
- Co-author, 2013 Eastern District of Virginia Intellectual Property Year In Review, July 2014
- Co-editor, 2013 Patent Damages Year In Review, May 15, 2014
- Co-author, Don't Let Your Right To Inter Partes Review Slip Away, *Law360*, August 29, 2012
- Co-author, The Expert of My Enemy Is My Expert: Conflicts of Interests Amongst Expert Witnesses, *Litigation News, Virginia State Bar*, Summer 2012
- Co-author, The (Unintended) Consequences of the AIA Joinder Provision, AIPLA Spring Conference, May 10, 2012

- Co-author, Business Methods After Bilski, *Law360*, June 5, 2009
- Co-author, Joint Patent Infringement, American Intellectual Property Law Association Spring Conference, May 13, 2009
- Author, Patent Reform Act proposes new ways to grant and test patents, *Virginia Lawyers Weekly*, May 28, 2007
- Co-author, Multiple Defendant Patent Infringement Cases: Complexities, Complications and Advantages, May 15, 2007
- Co-author, Multiple Defendant Patent Infringement Cases: Complexities, Complications and Advantages, May 15, 2007
- Co-author, Multiple Defendant Patent Infringement Cases: Complexities, Complications and Advantages (PowerPoint), May 15, 2007

EVENTS

- Litigating Against Non-Practicing Entities: Strategies for Success, December 5, 2012
- Presenter, The (Unintended) Consequences of the AIA Joinder Provision, AIPLA Spring Conference, May 10, 2012
- Presenter, Overcoming Client Development Challenges for Women Lawyers, American Intellectual Property Law Association Webinar, February 28, 2012
- Presenter, Procedural Issues in Civil Litigation in the Richmond Division of the Rocket Docket, Federal Bar Association, September 29, 2010
- Speaker, Joint Patent Infringement -- It's Argued, But Does It Really Exist?, American Intellectual Property Law Association Spring Conference, May 13, 2009
- Presenter, Procedural Pitfalls in Complex Litigation, Second Annual Advanced Business Litigation Institute, Virginia CLE and Virginia Law Foundation, April 2, 2009

AWARDS & RECOGNITION

- Selected as one of 2015's Women Leaders in the Law by ALM
- *Managing Intellectual Property* IP Star, 2014-2015
- *The Best Lawyers In America*, Intellectual Property Law, 2009, 2011-2017
- *The Best Lawyers in America*, Patent Litigation, 2009, 2011 - 2017
- *Managing Intellectual Property*, Top 250 Women in IP, 2013
- *Benchmark Litigation* Top 250 Women in Litigation, 2012
- Martindale-Hubbell 2014 Top-Rated Lawyers in Intellectual Property Law
- AV® Peer Review Rated in Martindale-Hubbell
- Leader in the Law, Intellectual Property, Virginia, *Chambers USA*, 2009-2015
- 2015 Class of "Influential Women of Virginia", *Virginia Lawyers Weekly*
- *Virginia Super Lawyers*, 2007-2016
- Top 50 Women *Virginia Super Lawyers*, 2016
- "Up and Comers," *Chambers USA*, 2008
- "Future Litigation Star," *Benchmark Litigation Guide*, 3rd ed., 4th ed., 5th ed.



MICHAEL A. OAKES

Partner

Michael Oakes handles complex civil disputes, with a focus on patent litigation and other intellectual property and technology-related matters before federal district courts and before the US International Trade Commission. He has experience with patents in a variety of fields, including semiconductors and electronics, software, computer networking and Internet technology, biotechnology and pharmaceuticals, medical devices, automotive and nuclear manufacturing technology.

Michael also advises clients on data security and privacy issues. He is experienced in handling the investigative and legal response to network intrusions and data breach events and has represented clients in class action litigation and regulatory investigations involving claims arising out of these incidents. He also advises clients on liability issues related to the use of technology and the Internet, including issues related to cloud computing, online sweepstakes and related marketing programs.

Michael is admitted to practice in the US Court of Appeals for the Federal Circuit and the 4th Circuit, and the US District Courts for the Eastern District of Texas, Eastern District of Virginia and the Western District of Michigan. He is also registered to practice before the US Patent and Trademark Office.

Practices

Business Litigation
Cyber Investigation and
Privacy Litigation
Life Sciences Industry
Energy Sector Security
Team
Consumer Products
Advertising and Marketing
Litigation
Advertising and Marketing
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Counseling

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Education

JD, Duke University School of
Law, cum laude, 2001

BA, Biology, University of
Virginia, 1996

Bar Admissions

District of Columbia
Virginia
US Patent and Trademark
Office

RELEVANT EXPERIENCE

- Represented a leading Internet company in a jury trial in the Southern District of Texas relating to claims that the company infringed three streaming media patents. Case settled favorably during trial.
- Represented an automotive manufacturer in the Southern District of Texas against claims that its manufacturing processes infringed a high speed laser welding patent. Plaintiff's claims were dismissed on summary judgment following a favorable claim construction ruling.
- Represented a major electronics company in a four-week jury trial in New Jersey District Court relating to claims that the company infringed three semiconductor memory patents. The defense verdict was highlighted in *The National Law Journal's* 2007 Defense Hot List.
- Represented a manufacturer seeking an injunction against a competitor arising out of trade secret misappropriation and patent infringement claims in the Western District of Virginia. Case settled favorably after motion for preliminary injunction was granted.
- Represented a major international bank and payment processor victimized by network security breach and theft from ATM network during investigation and subsequent litigation.
- Represented an international retail chain following a network intrusion. Coordinated internal investigation, represented company in obtaining dismissal of multiple class action lawsuits, and represented company in response to FTC inquiry into data security practices.
- Advised multiple clients on legal issues arising out of credit card skimming incidents.
- Represented several companies in assessing risks associated with moving to cloud computing environments.

PUBLICATIONS

- Co-author, 2015 Patent Damages Year In Review, *IP Frontline*, April 1, 2016
- Editor, 2015 Patent Damages Year in Review, February 1, 2016
- Editor, 2014 Patent Damages Year In Review, 2014
- 2013 Patent Damages Year In Review, May 15, 2014

