

Remedies For Patent Infringement In The United States

Ronald M. Whyte
United States District Judge

Statutory Authority:

35 U.S.C. § 283

- Court may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.
- An injunction should issue only when (1) the plaintiff has suffered an irreparable injury; (2) remedies at law, such as monetary damages, are inadequate to compensate for that injury; (3) a remedy in equity is warranted considering the balance of the hardships between the plaintiff and defendant; and (4) the public interest would not be disserved by a permanent injunction. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

Statutory Authority:

35 U.S.C. § 284

- Court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
 - may be “no ... less than a reasonable royalty”
 - are set by jury if either party requests
 - court may increase the damages up to three times the amount found or assessed
 - expert testimony may be considered in the determination of damages or of what royalty would be reasonable under the circumstances.

Two Basic Theories of Damages

Theory 1: Lost Profits

- **Loss of Sales:**

- The amount of money the patent owner lost due to the infringement. Lost profits from sales are the classic and most common type of lost profits damages. Lost sales constitute sales that the patent owner failed to make due to the infringement, as well as sales the infringer made that the patent owner would have made but for the infringement.

- **Price Erosion Damages:**

- Loss suffered because the patent owner was forced to lower its prices or offer discounts to meet the infringer's competition and where the patent owner was unable to raise its prices due to the infringement.

- **Collateral Sales:**

- Lost profits on sales of unpatented collateral products if patent holder would have sold the collateral products but for the infringement. The unpatented collateral product and the competitive product together must be analogous to components of a single assembly or parts of a complete machine, or, in other words, they must constitute a single functional unit.

Theory 2: Reasonable Royalty

- **No Single Accepted Method for Determining:**
 - No single accepted method exists for how a court must determine “reasonable royalty” damages. Reasonable royalty compensation for patent infringement contemplates a hypothetical negotiation between the patentee and the infringer at a time before the infringement began; critically, the hypothetical negotiation presumes that the patentee is a willing licensor and the alleged infringer is a willing licensee, with both parties assuming the patent was valid, enforceable, and infringed.

Theory 2: Reasonable Royalty

- **Most Commonly Used Approach for Determining Reasonable Royalty Damages:**
 - *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1121 (S.D.N.Y. 1970), *mod. and aff'd*, 446 F.2d 295 (2nd Cir. 1971) lists 15 factors that should be considered in determining a reasonable royalty and has been exploited by experts and resulting in widely divergent opinions. The Federal Circuit does not endorse *Georgia-Pacific* as setting forth a test for royalty calculations, but only as a list of admissible factors informing a reliable economic analysis.
- **Past Licenses:**
 - Most typical evidence of reasonable royalty rate is that charged in past licenses to the infringing or comparable technology. The courts have recognized that a reasonable royalty analysis necessarily involves an element of approximation and uncertainty. Uncertainty is resolved against the infringer where the infringer's actions have caused the evidentiary imprecision.

Court's Efforts to Curtail Unreasonably High Jury Awards

- **Broad discretion** to trial judge to exclude expert testimony that is not based upon sound economic proof. *See, e.g., DSU Medical Corp. v. JMS Co., Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006).
- **Limited application of “entire market value rule.”** Only if it can be shown that patented feature drives demand for the entire multi-component product may patentee be awarded damages as a percentage of revenues or profits attributable to entire product under “entire market value rule.” It is a narrow exception to general rule that where small elements of multi-component products are accused of infringement, reasonable royalty damages should be based on smallest salable patent-practicing unit, rather than entire product. *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51,67-68 (Fed. Cir. 2012); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318-1321 (Fed. Cir. 2011).

Court's Efforts to Curtail Unreasonably High Jury Awards

- **Relationship of prior licenses** to establish reasonable royalty. There must be a basis in fact to associate the royalty rates used in prior licenses to the particular hypothetical negotiation at issue. *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010).
- **25% rule of thumb cannot be used in determining royalty for infringement.** Evidence relying on the commonly cited “25 percent rule of thumb,” which was a tool used to approximate the reasonable royalty rate the manufacturer of patented product would be willing to offer to pay to the patentee during a hypothetical negotiation is no longer admissible. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1317 (Fed. Cir. 2011).
- **Litigation driven licenses generally not admissible** to establish reasonable royalty damages. *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51,77-78 (Fed. Cir. 2012). Potential exception to inadmissibility rule if settlement license is the most reliable license in the record. *ResQNet.com, Inc.*, 594 Fed. 3d at 870-72.

Comments on Whether Prospects of Remedies for Infringement Promote or Hinder Innovation in the Software Industry?