U.S. Patent Damages After *Uniloc*: Problems of Proof, Persuasion and Procedure

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Quick Review: The Basics

- 35 U.S.C. § 284:
  - "…damages [1] adequate to compensate for the infringement, [2] but in no event less than a reasonable royalty for the use made of the invention by the infringer, [3] together with interest and costs as fixed by the court."
- Supreme Court (*Aro* (1964)):
  - "The question to be asked in determining damages is '… had the Infringer not infringed, what would [the] Patent Holder-Licensee have made?'"

Quick Review: The Basics

- Lost profits is the preferred measure of damages
  - Test is "reasonable, objective foreseeability" (*Rite-Hite* (1995))
  - Can be based on entire market value of infringing sales, convoyed sales, price erosion, etc.
- Lost profits from lost sales
  - *Panduit* four-factor test, "but-for" market share (*State Indus.* (1989))

Quick Review: The Basics

- Reasonable royalty:
  - The “floor” below which damages may not fall
  - “The royalty may be based upon an established royalty, if there is one, or if not, upon the supposed result of hypothetical negotiations between the plaintiff and defendant.” (*Rite-Hite* (1995))
  - Hypothetical negotiation is done
    - When the infringement began
    - Assuming validity and infringement

Pivotal Federal Circuit Decisions

- Focus shifts to “sound economic and factual predicates.”
  - *Crystal v. Tritech* (2001)
  - *Riles v. Shell Exploration* (2002)

Recent Federal Circuit Cases

- *Lucent v. Gateway* (2009)
- *ResQNet.com v. Lansa* (2010)
- *Wordtech v. INSC* (2010)
- *Uniloc v. Microsoft* (2011)

The Current Rules of the Road

- Touchstone is "economic evidence" of invention's "footprint in the marketplace."
- New "no-nos."
- Fed. Cir. has emphasized trial court's gatekeeper function and suggested the filing of motions *in limine* to challenge insufficient theories.
- ***But*** . . . we have little positive guidance about what is sufficient.

What is economic evidence?

- Evidence from an economist?
  - *Oracle v. Google* (No. C 10-03561 WHA) (N.D. Ca. 2011-2012)
    - (Docket nos. 230, 685, 785)
  - *Eolas v. Adobe* (E.D. Tex. 2012) (no published opinion) (motion in limine denied re Nash Bargaining Solution)

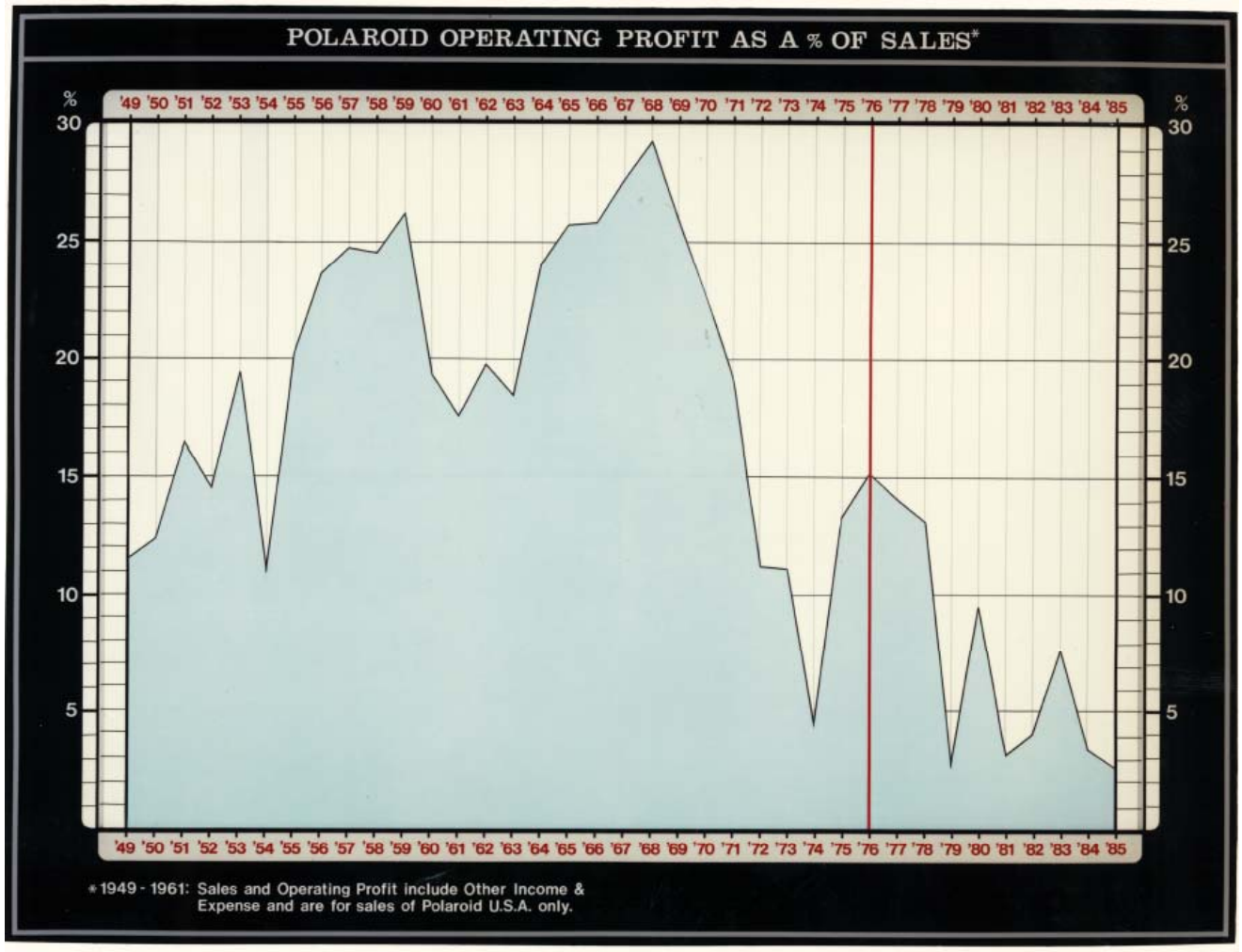
What is “economic evidence”?

- What can you measure or count?
- Isolating the patented/infringing components
  - *Cornell Univ. v. HP* (N.D.N.Y. 2009)
  - *Lucent v. Microsoft* (C.D. Cal 2011)
- What is the commercial significance of the patented invention?
  - Contemporaneous, pre-suit documents
  - Evidence created for trial (surveys, econometrics)
- Comparable licenses

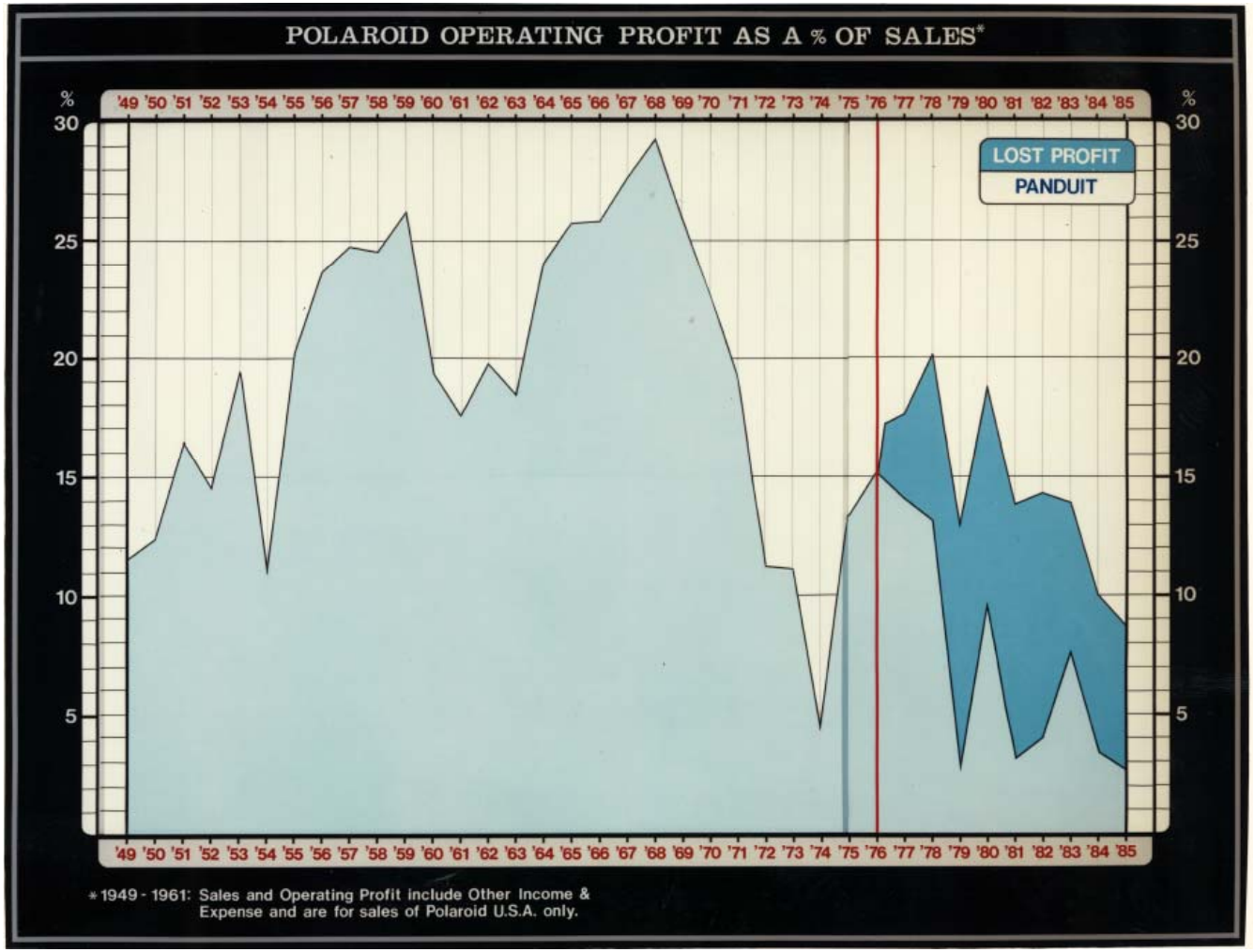
The issues at trial are different

- Economic evidence is the predicate, but the issues that get tried are:
  - How much did the patent owner lose?
  - What is fair? What did others pay for using the invention?

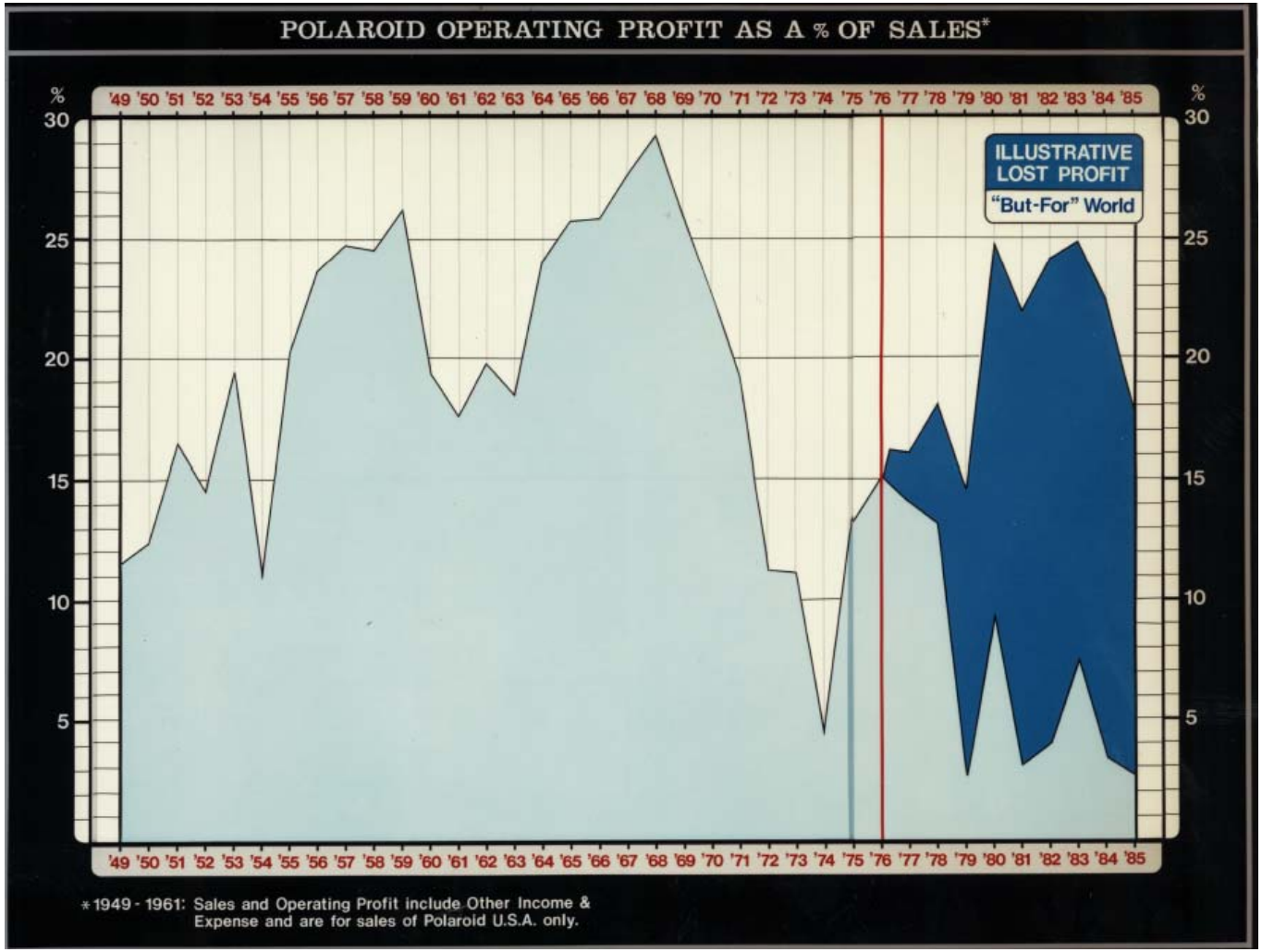
What makes the plaintiff whole?



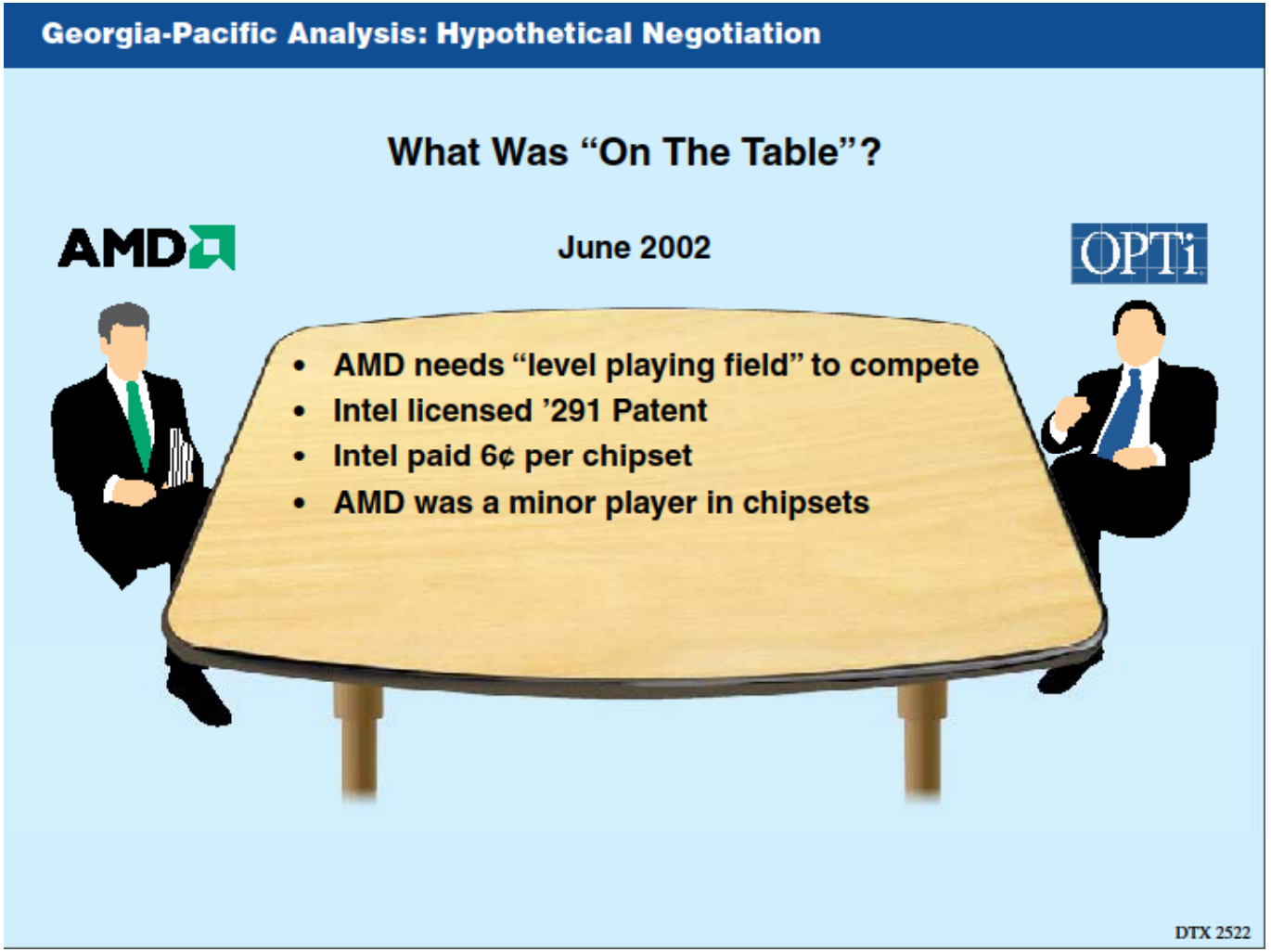
What makes the plaintiff whole?



What makes the plaintiff whole?



What did others pay?



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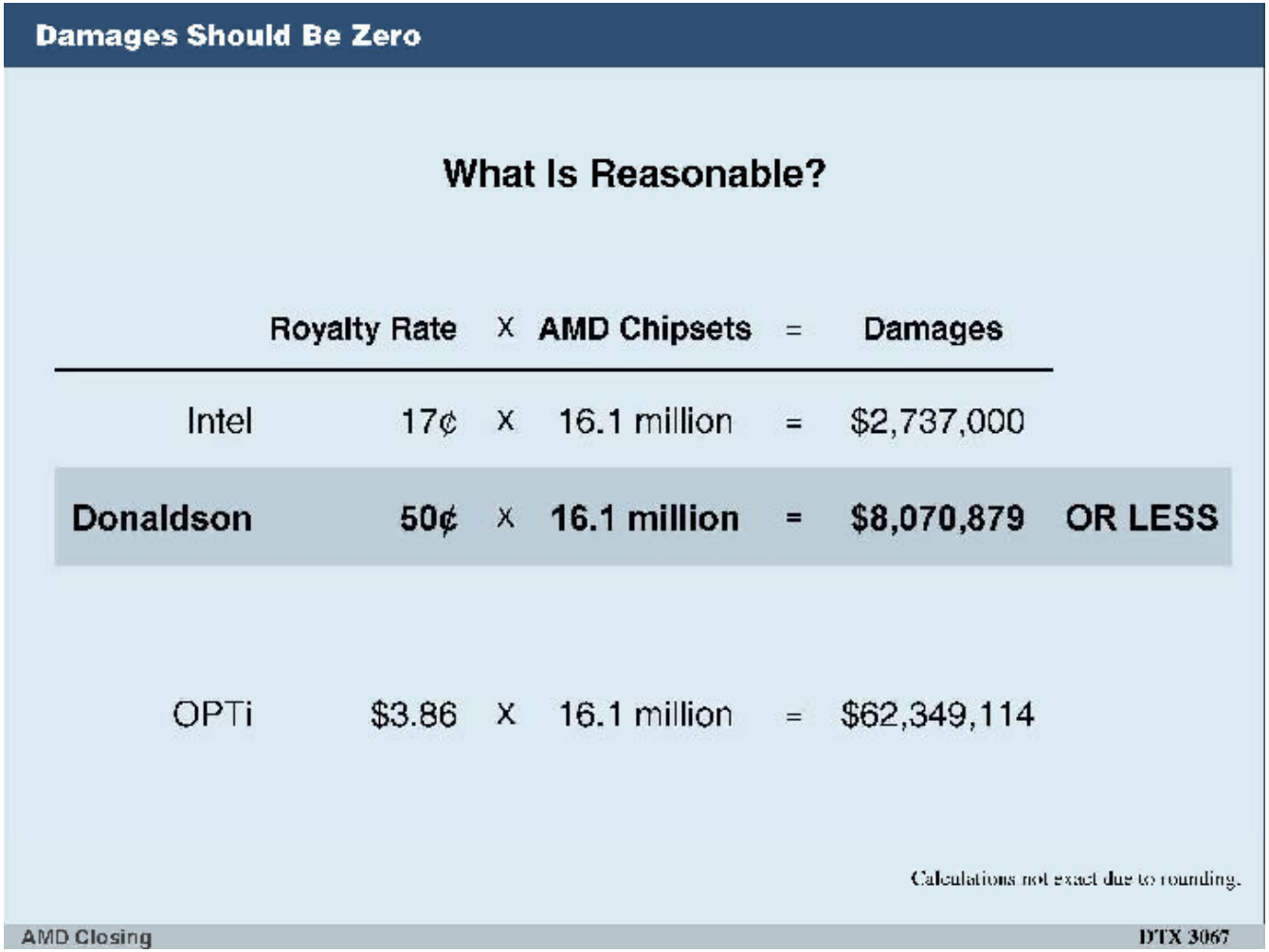

Daubert motions

- *Daubert* motions are a coarse filter
- In close cases, *Daubert* favors admission of testimony and cross-examination
- Risk of improperly excluding evidence: new trial

i4i v. Microsoft (2009):

- "As the Supreme Court explained in *Daubert*, '[v]igorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence.' Microsoft had these opportunities, and ably availed itself of them. Microsoft presented expert testimony and attacked the benchmark, survey, and calculation's reasonableness on cross-examination."

Daubert motions

- Illustrative decisions:
  - *IP Innovation v. Red Hat* (E.D. Tex. 2010)
  - *Inventio AG v. Otis Elevator* (S.D.N.Y. 2011)
  - *Lighting Ballas Control v. Philips Elec.* (N.D. Tex. 2011)
  - *Boston Scientific v. Cordis* (D. Del. 2011)
  - *Dataquill v. High Tech Computer* (S.D.Ca. 2011)

JMOL Motions

- Illustrative decisions:
  - *Lucent v. Microsoft* (S.D. Ca. 2011)
  - *Mirror Worlds v. Apple* (E.D. Tex. 2011)
  - *Energy Transportation Group v. Sonic Innovations* (D. Del. 2011)
  - *Sanofi-Aventis v. Glenmark Pharm.* (D.N.J. 2011)

Other Procedural Options

- Court-appointed expert (Rule 706, F.R.E)
  - Oracle v. Google (N.D. Ca. 2011)

- Required early disclosure of damages theories
  - Requires judicial intervention
  - Requires parties willing to listen to the Court and to each other