



PATENT DAMAGES UPDATE

ADVANCED PATENT LITIGATION 2012

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Reasonable Royalty Scrutiny EMVR & Apportionment

- Recent push to precisely quantify royalty base and rates
- Apportion damages to the infringed technology rather than basing on whole product (*Lucent v. Gateway*; *Mformation v. RIM*)
- No more “rules of thumb” (*Uniloc v. Microsoft*)
- Accurately reflect the specific circumstances of a hypothetical negotiation between the parties (*Oracle v. Google*)



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Reasonable Royalty Scrutiny

Reliability of Licenses & Expert Testimony

- Must accurately reflect circumstances of hypothetical negotiation between the parties
- Settlement licenses
 - Generally entered into under threat of litigation
 - Don't reflect what a willing licensor would do in an arm's length transaction
- Comparison of scope of rights granted
- Expert "checks" on royalty base and rate
 - EMVR and apportionment issues
 - Industry licensing standards
- Lump sum settlements not admissible to support per-product royalty theories



Reasonable Royalty Scrutiny

Discoverability and Admissibility of License Negotiations

- Eastern District of Texas
 - Case-by-case basis
 - Does settlement accurately reflect invention's value or was it strongly influenced by desire to avoid or end litigation?
 - Allowing discovery is the exception, not the rule
- *Clear with Computers v. Bergdorf Goodman* (Nov. 2010)
 - P sued multiple Ds; all but one settled out
 - Settlement amounts not correlated to companies' exposure
 - Some had secondary agreements requiring them to pay less than original settlement amount
 - Held: settlement communications would likely explain those inconsistencies



Reasonable Royalty Scrutiny

Discoverability and Admissibility of License Negotiations

- Federal Circuit
 - Settlement negotiations related to reasonable royalties and damages calculations are not protected
 - Party seeking to exclude licenses as unreliable may not also exclude negotiations that would prove/disprove that position
 - Door opened? – party may have to refer to something outside of the agreement to trigger discovery of negotiations
- *In re MSTG* (April 2012)
 - P sought to exclude licenses as unreliable because arose under threat of litigation and because were agreed to before major court decisions
 - P refused to produce relied upon negotiations
 - Held: P can't have its cake and eat it too



Reasonable Royalty Scrutiny

Discoverability and Admissibility of License Negotiations

- Non-practicing entity (NPE) status may be influential
 - Settlement agreements may likely be the only licenses
 - Increased relevance and decreased prejudice to NPE



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Enhanced Damages & Willfulness

- *In re Seagate* (Fed. Cir. 2007)
 - Willful infringement requires “objective recklessness”, not mere negligence
 - Did this case create a *per se* rule barring post-filing damages if patentee didn’t seek a timely preliminary injunction?
- *Global-Tech v. SEB* (U.S. 2011)
 - No *per se* rule barring post-filing damages for failure to seek timely preliminary injunction; fact-dependent
 - “Willful blindness” enough to find willful infringement
- *Bard v. Gore* (Fed. Cir. June 2012)
 - “Objective recklessness” standard is question of law and is reviewed *de novo*





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