

PATENT DAMAGES
FEBRUARY 2009

PROF. PAUL M. JANICKE
UNIVERSITY OF HOUSTON LAW
CENTER

THE CONTEXT

- 2700 PATENT SUITS FILED PER YEAR
- 86% SETTLE BEFORE TRIAL
- 8% SUMMARY JUDGMENTS [USUALLY FOR ACCUSED INFRINGER]
- 1% SETTLE AT JURY TRIAL
- 3% JUDGMENTS ON JURY VERDICT [≈50 VERDICTS PER YR. – 3/4 FOR THE PATENTEE]
- 2% JUDGMENTS ON BENCH TRIALS

- **MANY OF THE 50 JURY-BASED JUDGMENTS ARE SETTLED WHILE ON APPEAL**
- **FED CIR HEARS ONLY HALF OF THE 400 PATENT APPEALS LODGED EACH YEAR**
- **OF THE 200 DECIDED BY PANELS:**
 - **MOST ARE REMANDED [DAMAGES ARE SET ASIDE, DUE TO ERRORS ON MERITS]**
 - **MANY OTHER DISPOSITIONS ARE BASED ON NON-PATENT-MERITS ISSUES**
 - **ONLY ABOUT 90 ARE REALLY WIN/LOSE**

RESULT:

- **THERE ISN'T MUCH FED CIR LAW ON DAMAGES**

DAMAGE AWARDS

[POSTED ON patstats.org]

- **WE COLLECT AT THE JURY LEVEL**
 - **FINAL JUDGMENTS ARE OFTEN HIGHER DUE TO INTEREST AND ENHANCEMENT**
 - **FINAL JUDGMENTS ARE SOMETIMES LOWER DUE TO REMITTITURS**
- **WE UPDATE EVERY 2-3 MONTHS, SINCE 1/1/2005, LISTING CASE NAMES AND COURTS**



VERDICTS ARE MODEST

- PATENTEES WIN ABOUT 75% OF VERDICTS
- COUNTING ONLY THE WINS, THE MEDIAN RECOVERY IS ABOUT \$5-6M
- IF THE LOST CASES (ZEROES) ARE COUNTED IN, THE MEDIAN IS LESS THAN \$2M



- DISTRICT-BY-DISTRICT LOOK:
 - NOT MUCH BETTER

- YEAR-TO-YEAR TREND: MODEST



THE RULES OF LAW ARE PRETTY SIMPLE

- **FOR LOST PROFITS: “SON OF PANDUIT”**
 - **CAUSALITY AND AMOUNT ARE ALL THAT IS NEEDED**
 - **SPLIT AWARDS (PROFITS FOR SOME INFRINGING SALES, REAS. ROY. FOR OTHERS, LOST ROYALTY REVENUE FOR OTHERS) ARE COMMON**

- **FOR REASONABLE ROYALTIES [THE GREAT MAJORITY OF DAMAGE BASES TODAY]:**
 - **THE *GEORGIA-PACIFIC* GRAB BAG**
 - **UNSETTLING TO MANY**
 - **COULD CAUSE RUNAWAY JURIES**
 - **NO CONTROLS ON HOW THE LOGIC SHOULD GO**

TIME TO ABANDON THE *GEORGIA-PACIFIC* GRAB-BAG

- **NEVER INTENDED FOR JURY CARTE-BLANCHE**
- **RULE SHOULD BE SIMPLY: PORTION OF THE VALUE ADDED**
 - **AS COMPARED TO NEXT-BEST ALTERNATIVE**
 - **THE JUDGE SHOULD SUPERVISE THE AWARD**

WHERE ARE WE IN DAMAGES DOCTRINE?

- THE THREE MAJOR “FED CIR” CASES ON REASONABLE ROYALTY:
 - *TWM v. DURA* 789 F. 2d 895 (Fed. Cir. 1986)
 - COLLATERAL ITEMS DESERVE CONSIDERATION, IN THE RATE
 - *RITE HITE v. KELLEY* 56 F.3d 1538, 1549 (Fed. Cir. en banc 1995)
 - [UNFORTUNATE EXTENSION OF ENTIRE MARKET VALUE RULE TO R.R. BASE]

- ***CORNELL UNIV. v. HEWLETT-
PACKARD*** 2008 U.S. Dist. Lexis 41848 and 41914 (N.D.N.Y.,
Judge Rader sitting by designation, May 2008)
 - ENTIRE MARKET VALUE RULE CAN
APPLY TO R.R. OR LOST PROFITS
 - CLAIM-RECITED FEATURE MUST BE
“THE” BASIS FOR DEMAND
 - BUT THIS DOES NOT CONSTRAIN THE
R.R. RATE
 - PATENTEE NEED NOT BE SELLING THE
WHOLE SYSTEM TO INVOKE THE ENTIRE
MARKET VALUE RULE

ENTIRE MARKET VALUE RULE:

- **A STRANGE RULE IN ANY EVENT**
 - **WHY DO WE STRAIN SO MUCH ABOUT THE BASE, WHILE LEAVING THE RATE OPEN FOR JURY SETTING?**
 - **THE JURY CAN USE A HIGHER RATE IF IT SEEMS FAIR, THEREBY NULLIFYING A RESTRICTION ON THE BASE**

ENTIRE MARKET VALUE RULE:

- IS ARTIFICIAL
- IS A RULE WHOSE TIME SHOULD BE *GONE*
- VALUE ADDED IS ALL WE NEED, WITH JUDICIAL SUPERVISION

WHY THE FLAP IN CONGRESS?

- SOFTWARE COMPANIES DON'T TRUST JURIES TO SET THE RELATIVE VALUES PER *GEORGIA-PACIFIC* GRAB-BAG
- COULD BE A BLOW-OUT (SOMETIMES HAS BEEN)

BUT . . .

- **PATENT DAMAGES AWARDS ARE MODEST**
- **ON AVERAGE, THEY DON'T JUSTIFY THE EXPENSE AND INTRUSION OF PATENT LITIGATION**
- **THE INJUNCTION MIGHT JUSTIFY IT**
 - **70% GRANT RATE AFTER *eBAY***

- **WHERE REASONABLE ROYALTY DAMAGES ARE SET, THE VALUE-ADDED RULE SHOULD BE THE ONLY RULE**