DAMAGES: LICENSE COMPARABILITY AND THE ENTIRE MARKET VALUE RULE

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State Bar of Texas
9TH ANNUAL
ADVANCED PATENT LITIGATION COURSE
July 25-26, 2013
Albuquerque, NM

CHAPTER 13

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Amanda R. Johnson's practice focuses on complex litigation, with an emphasis on patent infringement disputes and damages analyses.

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Ms. Johnson's practice covers a wide array of technologies, including electronics, telecommunications, computer software and agricultural chemicals.

Ms. Johnson serves on the firm's Washington, D.C., pro bono and hiring committees, and is the chair of the IP Recruiting Committee, which is responsible for firmwide IP hiring.

While pursuing her J.D. at The George Washington University Law School, Ms. Johnson served as the senior projects editor of *The George Washington Law Review* and the president of the Mock Trial Board. She also was named a national quarterfinalist in the Association of Trial Lawyers of America Student Trial Advocacy Competition in 2003.

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Ms. Johnson's recent representations include:

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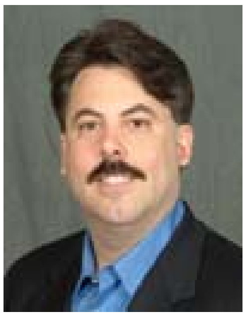
Alan is a Partner in the StoneTurn Group, a U.S.-based international forensic accounting, economics and valuation consultancy with partners located in Austin, Boston, Chicago, D.C., Houston, London, New York and San Francisco. Alan has served as an adjunct professor or faculty member at the University of Houston Law Center, South Texas College of Law and Baylor University, and has presented at conferences and in classes at Boston University, University of Houston, University of Texas, and Virginia Tech, among others. Alan has been retained as an expert and consultant by several dozen *Fortune 500* companies and nearly fifty *NLJ 250* law firms. Alan has testified about 100 times including at three dozen trials and arbitrations, including patent, trademark, copyright, trade secret, employment, contract, business tort, toxic tort, joint venture, franchise, investment fraud, minority shareholder, fiduciary, insurance coverage, debtor/creditor, merger and acquisition, purchase price, and international transaction disputes.



In addition to serving as an expert in litigation, Alan has served as an arbitrator and special master, negotiated and supported the negotiation of licenses both as an attorney and consultant for companies, inventors, as well as non-profits such as Cal Tech, Kansas State, the Research Foundation for the State University of New York, the University of Virginia, and the University of Texas, conducted royalty audits and valued technology. In addition to IP matters, Alan has performed accounting investigations, economic and market analyses, and provided financial due diligence transactional support.

In addition to being a CPA for 25 years, Alan is AV-rated by Martindale-Hubbell and is certified in patent valuation (CPVA), as well as in Financial Forensics (CFF) and Global Management Accounting (CGMA) by the American Institute of CPAs. Alan earned his undergraduate and graduate business and accounting degrees from Baylor University with high honors, and his law degree from SMU with honors where he was a Managing Editor of the law review and was a member of the Order of the Coif.

Prior to joining StoneTurn in 2005 and opening its Houston office, Alan practiced public accounting in the "Big 8" and the "Big 5", clerked for the Honorable J. Smith Henley of the U.S. Court of Appeals for the Eighth Circuit, practiced law at Weil, Gotshal & Manges, and was the National Practice Leader for Intellectual Property Litigation Services at Ernst & Young.

Alan devotes his public service time to educational causes including serving on the board of trustees for the Chinquapin School, Girls Incorporated, Theatre Under the Stars (Education & Outreach Committee), and in the community including the Houston Heights Association. Alan was recognized for public service by the Mayor and City Council of Houston with a day in his honor on December 3, 2006.

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DAMAGES: LICENSE COMPARABILITY AND THE ENTIRE MARKET VALUE RULE

Abstract: This chapter summarizes the legal principles of comparability and the entire market value rule relevant to the calculation of reasonable royalty damages and highlights recent developments in each area of law. Practice tips on the implications of and strategic considerations relevant to each doctrine also are provided.

I. INTRODUCTION

Recent Federal Circuit decisions demonstrate a trend toward limiting the discretion afforded to patent damages experts, requiring more detailed and concrete damages analyses from both patentees and accused infringers, and connecting such analyses to the particular facts of each case. In particular, threshold showings of factual comparability are now required before experts may rely on licensing agreements, and the circumstances in which patentees may invoke the entire market value rule are significantly more limited. Although the overall trend is clear, the precise requirements of each doctrine are still developing, and applications of each principle are highly factual, making it difficult to predict the outcome in any given case.

This chapter outlines each principle and summarizes recent jurisprudence on each topic, with the goal of synthesizing the developments and identifying the key factors to consider in determining the best strategy for your case. First, Part II provides an overview of reasonable royalty damages, which is the context in which each issue typically arises. It is important to note, however, that these principles may also be relevant to certain lost profit analyses. Part III then focuses on the comparability requirements for relying on licensing agreements in analyzing reasonable royalty damages. Specifically, this section describes the requirements, summarizes recent applications of the rule and provides a list of factors that should be considered in each case before determining which licenses will be used. Part IV turns to the entire market value rule. This section summarizes the principle and recent applications of the rule, provides examples of the type and amount of proof required, and highlights new strategies recently tried by patentees as alternatives to invoking the rule. Finally, Part V discusses the interplay between these two doctrines and how district courts have reconciled the two principles.

II. OVERVIEW OF REASONABLE ROYALTY DAMAGES

Section 284 of the Patent Act provides that:

> Upon finding for the claimant the 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.

35 U.S.C. § 284 (2011). Although many methodologies may be used to determine an appropriate reasonable royalty, the hypothetical negotiation framework in particular has been expressly permitted by the Federal Circuit and is most commonly used. *See Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324-25 (Fed. Cir. 2009). This analysis is based on the district court opinion in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120-21 (S.D.N.Y. 1970), *modified & aff'd*, 446 F.2d 295 (2d Cir. 1971), *cert. denied*, 404 U.S. 870 (1971), wherein the district court "exercise[d] a discriminating judgment" to hypothesize what royalty the parties would have agreed to on the date of first infringement if they were a willing licensee and a willing licensor.

Though not an exclusive list, the court identified the following factors as being relevant to the analysis:

1. The royalties received by the [patent owner] for the licensing of the patent in suit, proving or tending to prove an established royalty;
2. The rates paid by the licensee for the use of other patents comparable to the patent in suit;
3. The nature and scope of the license, as exclusive or non-exclusive, or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold;
4. The licensor's established policy and marketing program to maintain its patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly;
5. The commercial relationship between the licensor and the licensee, such as whether they are competitors in the same territory in the same line of business, or whether they are inventor and promoter;
6. The effect of selling the patented specialty in promoting sales of other products of the licensee; that existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales;

7. The duration of the patent and the term of the license;
8. The established profitability of the product made under the patent; its commercial success; and its current popularity;
9. The utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results;
10. The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention;
11. The extent to which the infringer has made use of the invention, and any evidence probative of the value of that use;
12. The portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions;
13. The portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer;
14. The opinion testimony of qualified experts; and
15. The amount that a licensor (such as the [patent owner]) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount that a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit, and which amount would have been acceptable by a prudent patent owner who was willing to grant a license.

Georgia-Pacific Corp. v. United States Plywood Corp., 318 F. Supp. 1116, 1119-20 (S.D.N.Y. 1970), *modified & aff'd*, 446 F.2d 295 (2d Cir. 1971), *cert. denied*, 404 U.S. 870 (1971). The patentee bears the burden of proving the nature and amount of damages necessary to compensate for the infringement. *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1381 (Fed. Cir. 2003).

A reasonable royalty can take a variety of forms, including a lump sum payment, a running royalty based on a percentage of revenues, a running per unit royalty based on sales, or any combination of these structures. The Federal Circuit recently commented on the "significant" and "fundamental" differences between the various royalty structures. When a running royalty is adopted, the amount owed is tied to the extent of use of the claimed invention because royalties vary with sales and/or use. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1326 (Fed. Cir. 2009). In this regard, running royalties typically assign most of the risk to the licensor because the payments are not guaranteed. *Id*. Comparatively, lump sum royalties allocate risks differently by providing patentees with an immediate and guaranteed infusion of cash, while also allowing the licensee to cap its liability regardless of the extent of use. *Id*. Lump sum royalties have the added advantage of eliminating administrative burdens and future disputes relating to periodic payments and monitoring and reporting usage. *Id*. However, for the licensor, the lump sum approach carries the disadvantage of a required financial expenditure, regardless of the actual useful lifespan of the technology. *Id*. This concern is a particularly relevant consideration in industries where the technology is constantly evolving, improvements are frequent, and most inventions become obsolete in just a matter of years. On the other hand, the patentee runs the risk that the claimed technology is one of the rare inventions with an extended useful lifespan, and, thus, the actual market value may turn out to be greater than the lump sum amount. *Id*. That said, these "real world" rationales may be of limited use in the hypothetical negotiation scenario because the extent of accused infringement is known and the parties likely will select the royalty structure most favorable to their position, subject only to a few "real world" facts such as a party's consistent historical practice of using a particular royalty structure or actual negotiations between the parties around the time of the hypothetical negotiation.

In practice, our experience in recent trials indicates that most plaintiffs still seek a running royalty based on actual accused sales, while many large defendants (especially in industries where products are often covered by many patents such as semiconductors, computers, and the like) prefer a lump sum approach. This makes sense from a plaintiff's perspective considering the Federal Circuit's focus in *Lucent* and other cases on actual (as opposed to potential) infringing use and the actual importance of the patent to the accused product. Plaintiffs likely would be apprehensive about seeking significant damages based primarily on potential or projected infringement (even assuming such data were available which it often is not), where actual accused infringement is known. Indeed, the most significant recent Federal Circuit decision where lump sum damages sought by a plaintiff were affirmed involved a relatively small award—$1 million, the lower end of range sought by plaintiff—and was based on plaintiff's use of a 10% rate applied to defendant's projections covering the damages period. *See Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1384-86 (Fed. Cir. 2001). Thus, the determination of which structure is appropriate in any given case largely depends on the particular factual scenario, available information, and the historical practices and negotiations of the parties.

III. THE COMPARABILITY REQUIREMENT

A. Summary of Key Federal Circuit Cases

1. Lucent Techs., Inc. v. Gateway, Inc.

In 2009, the Federal Circuit considered an appeal by Microsoft of the denial of post trial motions following a jury damages lump sum royalty award of more than $350 million for infringement of a single patent relating to a method for entering information into a field on a computer screen by selecting an option from a menu of information or otherwise using predefined tools to input the information. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1308 (Fed. Cir. 2009). Microsoft asserted, among other things, that the jury's award was not supported by substantial evidence. *Id.* at 1323-24. At trial, Lucent presented a hypothetical negotiation damages analysis that concluded that an 8% running royalty on the total sales revenue for infringing versions of Microsoft Outlook, Microsoft Money, and Windows Mobile, calculated to be $561.9 million, was appropriate. *Id.* at 1323. Microsoft's damages expert also used the hypothetical negotiation framework to conclude that Lucent was entitled to a one-time, lump sum royalty of $6.5 million. *Id.*

To determine if the jury's award was adequately supported, the Federal Circuit focused on the second *Georgia-Pacific* factor, which considers "the rates paid by the licensee for the use of other patents comparable to the patent in suit," and asks if "the licenses relied on by the patentee…are sufficiently comparable to the hypothetical license at issue." *Id.* at 1325-26. Lucent relied on eight licensing agreements, four of which purported to be lump sum royalties ranging from $80 million to $290 million. *Id.* at 1327-28. The court found these agreements to be insufficient, either because the license was "radically different from the hypothetical agreement under consideration" or the record evidence did not adequately describe the subject matter of the agreement. *Id.* The court also noted that one agreement was a "cross-license of a large patent portfolio." *Id.* at 1329. The four other licenses used running royalty structures (based on rate and per unit amounts), but were insufficient because there was no record evidence on how those technologies related to the patent-in-suit, whether the licensed technology was an essential or minor feature, or the types of products covered by the licenses. *Id.* at 1330-32. Thus, the court concluded that the licenses were fundamentally different than the hypothetical license at issue and further could not support the verdict because the "jury had almost no testimony with which to recalculate in a meaningful way the value of the running royalty agreements to arrive at the lump-sum damages award." *Id.* at 1330. The case was remanded for a new trial on damages. *Id.* at 1340.

2. ResQNet.com, Inc. v. Lansa, Inc.

The Federal Circuit next addressed the "comparability" requirement in *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 863 (2010), in determining whether there was substantial record evidence to support a royalty rate of 12.5% and the resulting damages award of $506,305. There, the court began by reiterating the need to "carefully tie proof of damages to the claimed invention's footprint in the marketplace," adding that "evidence unrelated to the claimed invention does not support compensation for infringement." *Id.* at 869 (citations omitted). The court then evaluated the comparability of the seven licenses relied on by ResQNet's damages expert at trial, concluding that five of the agreements did not even mention the patents-in-suit and had "no relationship to the claimed invention." *Id.* at 870. Instead, the agreements were re-branding or re-bundling licenses covering source code, training, maintenance, and marketing services, and upgrade offerings. *Id.* The court also observed that these agreements had unusually high royalty rates ranging from 25 to 40%. *Id.* As the dissent noted, however, there actually may have been a factual dispute or discrepancy regarding the precise scope of the re-branding and re-bundling licenses and their relationship to the patent-in-suit. *Id.* at 876-78. Nonetheless, for the majority, the "extremely high rates" and the expert's use of the agreement "to push the royalty rate up to double figures" appear to have been determinative factors in this case.[1] *Id.* at 870.

In contrast, the two final licenses in evidence were pure patent licenses resulting from litigation over the patents-in-suit. *Id.* at 870. One was a lump sum agreement for which there was insufficient information to compare it to the 12.5% royalty rate on which the damages verdict was based. *Id.* The last agreement, however, was a running royalty agreement with a rate substantially less than half of 12.5%, and the court observed that, in this case, it was "the most reliable license" available. *Id.* at 870, 872. Although it was possible that the litigation license reflected an artificially depressed royalty caused by industry-wide infringement or litigation, the court found it was "more clearly linked to

[1] ResQNet's expert claimed to have chosen a midpoint between these re-branding and re-bundling agreements and a settlement license carrying a significantly lower royalty rate. *Id.* at 870.

the economic demand for the claimed technology" than the re-branding and re-bundling licenses. *Id*. at 872-73. Thus, the damages award was vacated and the case remanded for a recalculation of damages. *Id*. at 873.

3. Whitserve, LLC v. Computer Packages, Inc.

The Federal Circuit vacated a jury damages award of $8.3 million for similar reasons in *Whitserve, LLC v. Computer Packages, Inc*. 694 F.3d 10, 16, 25-27 (Fed. Cir. 2012), *cert. denied*, 133 S. Ct. 1291 (2013). Though the jury did not indicate the form of the royalty award, it roughly equated to the 16-19% royalty rate offered by Whitserve's damages expert at trial. *Id*. at 27. Thus, Whitserve argued that the amount was supported by substantial evidence, namely the opinion and testimony of its expert witness. *Id*. at 29. Rejecting this argument, the court identified several errors in the expert's analysis and concluded that those flaws rendered the evidence speculative and insufficient. *Id*. at 29-30.

First, Whitserve's expert based his royalty rate on a proposed license that was never finalized. The court did not create a *per se* rule, but noted that the evidentiary value of such proposals is "limited" due to the potential for misuse by the patentee—for example, "artificially inflat[ing] the royalty rate by making outrageous offers." *Id*. Here, the license was inconsistent with other evidence on which the expert relied and therefore could not be used to support the verdict. *Id*. at 30.

Next, the patentee pointed to two lump sum license agreements that allegedly were based on minimal infringing use and therefore suggested higher royalty rates were appropriate here. *Id*. Echoing the language in *Lucent*, the Federal Circuit reiterated the fundamental differences between lump sum and running royalties, noting that the two cannot be reliably compared by the jury without evidence "explaining how [each license] appl[ies] to the facts of the case" and "how those [lump sum] payments could be converted to a royalty rate." *Id*. The court was also influenced by the fact that the jury award was more than three times the average of the lump sum payments. *Id*. at 30-31.

4. LaserDynamics, Inc. v. Quanta Computer, Inc.

In *LaserDynamics, Inc. v. Quanta Computer, Inc.*, an infringement jury trial on a patent relating to a method of automatic optical disc discrimination in an optical disc drive ("ODD") resulted in a damages award totaling $52 million, an amount consistent with the expert opinion offered by LaserDynamics' damages expert. 694 F.3d 51, 56, 63 (Fed. Cir. 2012). Specifically, the patentee's expert opined that, in a hypothetical negotiation guided by the *Georgia-Pacific* factors, the parties would have agreed to a 2% running royalty on the total revenues generated on laptop computers containing the accused components. *Id*. at 60. The royalty rate opinion was based primarily on two patent licenses generally relating to the DVD industry and a royalty survey that was not limited to any particular industry, despite the existence of more than 16 lump sum licenses between LaserDynamics and other electronic companies for the patent-in-suit, none of which exceeded $1 million. *Id*. at 57-58, 60-61.

After the first trial, the district court set aside the award based on the improper invocation of the entire market value rule. *Id*. at 63. The district court also cautioned LaserDynamics that specific proof of comparability was required for all licensing evidence, adding:

> [i]t is not sufficient to state that both patents cover optical disk drive technology. Rather, the plaintiff must establish the functionality enabled by the patent-in-suit as well as the functionality purportedly covered by the licensed patent and compare their economic importance.

LaserDynamics, Inc. v. Quanta Computer, Inc., No. 2:06-CV-348-TJW-CE, 2011 WL 7563818, at *3 (E.D. Tex. Jan. 7, 2011).

A second trial on damages was held and resulted in a lump sum award of $8.5 million. *LaserDynamics*, 694 F.3d at 64-65. In this round, LaserDynamics' expert continued to rely on the DVD licenses and general survey evidence, but concluded that the appropriate damages amount was $10.5 million, which equated to a 6% running royalty on an average third-party selling price for ODDs incorporating the accused feature. *Id*.

On appeal, the Federal Circuit considered the comparability of the DVD licenses, the royalty survey, and a settlement license providing for a lump sum royalty of $6 million. *Id*. at 77-80. In doing so, the court further explained the legal standard for determining comparability:

> When relying on licenses to prove a reasonable royalty, alleging loose or vague comparability between different technologies or licenses does not suffice. For example, in *Lucent*, where the patentee had relied on various licenses in the same general computer field without proving a relationship to the patented technology or the accused infringing products, we insisted that the 'licenses relied upon by the patentee in proving damages [be] sufficiently comparable to the hypothetical license at issue in suit,' and noted that the

> patentee's failure to prove comparability 'weighs strongly against the jury's award' relying on the non-comparable licenses.

Id. at 79 (quoting *Lucent*, 580 F.3d at 1325, 1332). As to the DVD licenses and the survey data, the court found that such evidence "simply [has] no place in this case." *Id*. at 80 (quoting *ResQNet*, 594 F.3d at 871).

The court also concluded that the inappropriateness of LaserDynamics' reliance on these non-comparable licenses was magnified by the disregard of a significant number of actual licenses to the patent-in-suit. *Id.* at 79-81. Rejecting the argument that such licenses were not comparable because they were entered into before the hypothetical negotiation date, the court explained that the evidence did not demonstrate any meaningful economic change in that time period and that "[a]ctual licenses to the patented technology are highly probative" and "most clearly reflect the economic value of the patented technology in the marketplace." *Id.* at 79. This relevance extends not only to the amount, but also the "proper form of the royalty structure." *Id*. at 79-80. As a result, LaserDynamics' damages case was "untethered from the patented technology at issue and the many licenses thereto, and, as such, was arbitrary and speculative." *Id*. at 81.

Last, the court found that admitting the settlement license into evidence was legal error. *Id.* at 80. As noted above, except for the $6 million lump sum settlement agreement, none of the actual licenses to the patents-in-suit carried a royalty exceeding $1 million. *Id.* at 78, 80. Additionally, QCI presented evidence that the license was signed shortly before trial, after the licensee was repeatedly sanctioned by the district court and thus placed at a significant disadvantage going into the trial, and three years after the hypothetical negotiation date. *Id.* at 77-78. Noting that the amount was "six times larger than the next highest amount paid for a license," the court found that the license "reflects not the value of the claimed invention but the strong desire to avoid further litigation. *Id*. at 78. Thus, because the license was "in many ways not relevant to the hypothetical negotiation" and unduly prejudicial under Federal Rule of Evidence 403, the admission of the agreement into evidence was an abuse of discretion. *Id*. The court also clarified that its earlier decision in *ResQNet* was narrow, emphasizing that the court permitted reliance on settlement licenses only "under certain limited circumstances" where they were the most reliable evidence of a reasonable royalty. *Id*. at 77-78.

5. ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.

Most recently, the Federal Circuit upheld a district court decision to allow expert testimony on damages to go to the jury, even though the expert relied on two licenses of questionable comparability. *ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1333 (Fed. Cir. 2012). Specifically, Verizon challenged the patentees' reliance on a license that allegedly "did not involve the patents-in-suit and did not cover any of the technologies in the case" and another that covered the patents-in-suit as well as software services. *Id*. The court acknowledged that "Verizon points out various weaknesses in the damages assessment by ActiveVideo's expert," but it did not render the methodology unreliable. *Id*. Instead, the differences between the licenses at issue were questions of weight and "factual issues best addressed by cross examination and not by exclusion." *Id*. *See also SSL Servs., LLC v. Citrix Sys., Inc.*, No. 2:08-cv-158-JRG, 2013 WL 1680075, at *5 (E.D. Tex. April 17, 2013) (admitting re-branding and support service agreements because they involve the same parties, had some relevance to the technology covered by the patent-in-suit, evidenced the parties' licensing policies, and were "as close [sic] to comparable as we're going to get").

B. Distinguishing "Different" and Admissible From "Radically Different" and Inadmissible

As demonstrated above, determining whether a particular license is "radically different" and should be excluded is a fact-intensive analysis with few, if any, clear rules. Though not consistently applied in all cases, the following factors may be relevant when comparing actual licenses to the hypothetical license and should be considered by both patentees and accused infringers in deciding which real-life licenses are most relevant in a reasonable royalty analysis:

- Does the license have a relationship to the claimed invention? If so, how strong is that relationship (*i.e.*, in the same industry, for the same product, for a related technology, for the same technology, for the patent(s)-in-suit)?
- What is the subject matter and scope of the license?
- Does the license cover only a prior art or non-infringing alternative technology?
- Does the license convey rights to a more or less significant technology than the claimed invention (*i.e.*, essential component or feature versus minor component or feature)?
- Are rights beyond just a license to the patent(s)-in-suit conveyed in the agreement, *e.g.*, other patents, other IP, covenants not to sue, etc.? If so, is it possible to isolate the value of the patent(s)-in-suit?

- Is the license a portfolio license?
- Does the license involve other cross-consideration from the licensee besides just a royalty, *e.g.*, cross-licenses, milestone payments, equity investments, etc.?
- Does the license involve the same or similar parties as the hypothetical negotiation?
- Can the license be offered for an alternate purpose (such as to evidence licensing policies or price and market erosion)?
- Are marketing and other services included in the license? If so, do those services relate to the technology covered by the patent(s)-in-suit?
- Is the license exclusive or nonexclusive?
- Is the royalty structure in the license comparable to the royalty structure proposed in the hypothetical license, *e.g.*, lump sum, running royalty based on a percentage of sales, per unit running royalty, etc.? If so, is there a basis to compare the two amounts?
- Does the license pre- or postdate the hypothetical negotiation such that the technological and economic differences cannot be reconciled?
- Was the license a settlement license or otherwise skewed by litigation or widespread infringement that artificially inflated or depressed the royalty?
- Is the license a final agreement or a mere proposal?
- Is the license being used arbitrarily to drive up royalty rates?

Of these factors, technological irrelevance and arbitrary use appear to be the factors that most consistently lead to a finding that a license is not comparable. *See ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869-70 (Fed. Cir. 2010); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1328-29 (Fed. Cir. 2009). Comparatively, the relative date of the license may be the least influential factor, though the Federal Circuit has upheld the exclusion of one license on that basis. *Compare LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 80-81 (Fed. Cir. 2012) *and VirnetX Inc. v. Apple Inc.*, No. 6:10-CV-417, 2013 WL 692652, at *15 (E.D. Tex. Feb. 26, 2013) *with ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1332-33 (Fed. Cir. 2012). In addition to evaluating each license in view of these factors, parties should also evaluate what evidence is available and relevant to each factor. For example, in most cases, it may be difficult to prove that a settlement license was actually skewed by pending litigation due to privilege issues. Although every settlement license likely carries some taint from the litigation, more specific proof may be required to exclude the agreement from ever being presented to a jury.

Moreover, though the above list of factors is useful, the most plausible explanation for the various holdings in this area is, where the damages analysis thoroughly considers and accounts for differences between the proffered licenses and the hypothetical license at issue, the jury has enough evidence to determine the degree of comparability and decide how to weigh the evidence. Where analysis of the proffered licenses is cursory or conclusory, or where key details, such as scope, nature of the licensed technology, and royalty form, are not presented, the jury lacks sufficient evidence to compare the licenses, and, thus, there is an appreciable risk of jury confusion.

For example, in *Finjan, Inc. v. Secure Computing Corp.*, the Federal Circuit implicitly distinguished *Lucent* and *ResQNet* by upholding a running royalty damages award based on a lump sum portfolio license. 626 F.3d 1197, 1211-12 (Fed. Cir. 2010). The key difference was that, in this case, Finjan's expert adequately "account[ed] for differences in the technologies and economic circumstances" of the portfolio license by explaining to the jury the differing relationships between the parties, the differences in royalty forms, and the additional value Finjan received under the portfolio license that was not relevant to the hypothetical license. *Id. See also Multimedia Patent Trust v. Apple Inc.,* No. 10-CV-2618-H (KSC), 2012 WL 5873711, at *7 (S.D. Cal. Nov. 20, 2012) (allowing reliance on "different" licenses where the expert "acknowledge[d] the differences" and "explain[ed] how these differences do or do not affect his reasonable royalty calculation"). In *Finjan*, the jury was allowed to determine the degree of comparability and the weight given to the license. 626 F.3d at 1212.

Comparatively, in *Wordtech Systems, Inc. v. Integrated Networks Solutions, Inc.*, the Federal Circuit reversed a small lump sum damages award where the evidence offered at trial consisted of two lump sum licenses and 11 running royalty licenses to some or all of the patents-in-suit. 609 F.3d 1308, 1319-22 (Fed. Cir. 2010). Although the jury verdict was roughly the average of the two lump sum agreements, the court nonetheless concluded that the verdict was not supported because there was no basis to compare the actual value of those licenses to the case at hand, and, thus, the "licenses offered the jury 'little more than a recitation of royalty numbers.'" *Id*. at 1320 (citations omitted).

This proposed reconciliation of the case law is also consistent with recent guidance from the Federal Circuit:

> We do not require that witnesses use any or all of the *Georgia-Pacific* factors when testifying about damages in patent cases. If they choose to use them, however, reciting each factor and making a conclusory remark about its impact on the damages calculation before moving on does not more than tell the jury what factors a damages analysis could take into consideration…Expert witnesses should concentrate on *fully* analyzing the *applicable* factors, not cursorily reciting all fifteen. And, while mathematical precision is not required, some explanation of both why and generally to what extent the particular factor impacts the royalty calculation is needed.
>
> …
>
> '[S]uperficial testimony' and the simple recitation of royalty numbers that happen to be in the ballpark of the jury's award will not support the jury's award when no analysis is offered to the jury which would allow them to evaluate the probative value of those numbers.

Whitserve, LLC v. Computer Packages, Inc., 694 F.3d 10, 31-32 (2012) (citations omitted) (emphasis in original), *cert denied*, 133 S. Ct. 1291 (2013). These passages indicate that the comparability requirement may be driven, in part, by the desire for more concrete and detailed damages analyses that are specifically tailored to the particular facts of each case. Thus, although there are no categorical rules in determining comparability, patentees and accused infringers should be mindful of the need to conduct a thorough analysis and explanation of those licenses that each side believes are most relevant and advantageous. Of course, this can present difficulties primarily for plaintiffs in jurisdictions where trial presentations are strictly time limited. In addition, consideration should be given to third-party discovery where the number of infringing sales covered by a particular license is likely to be a key issue or where a lump sum license must be analogized to a running royalty, or vice versa.

IV. THE ENTIRE MARKET VALUE RULE

A. Summary of Key Federal Circuit Cases

1. Lucent Techs., Inc. v. Gateway, Inc.

In *Lucent*, the Federal Circuit also considered Microsoft's argument that Lucent's damages expert, and therefore the jury award, improperly relied on the entire market value rule. Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1336 (Fed. Cir. 2009). Noting that it would be legal error if the jury did rely on overall product values in calculating the award, the court reiterated that invocation of the entire market value rule requires the patentee to prove that "the patent-related feature is the 'basis for customer demand.'" *Id*. (citations omitted). If this standard is not met, the patentee must present "reliable and tangible" evidence "tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features." *Id*. at 1337 (citations omitted). Here, the rule could not be used to support the jury verdict because of a lack of evidence showing that the accused date-picker feature was "the basis—or even a substantial basis—of the consumer demand for Outlook," the tool was merely a minor feature in a large software program, and there was no evidence that any consumer ever purchased Outlook because of the accused functionality. *Id*. at 1337-38. Additionally, after being precluded from using overall computer revenues as the royalty base, Lucent's damages expert set the royalty base as the price of the software program but increased the royalty rate from 1% to 8%. *Id*. at 1338. Though suggested that this relativity may be acceptable in some cases, the court found that, here, it was not appropriate because there was no evidence to support the 8% rate and there was no reliable "account[ing] for the proportion of the base represented by the infringing component or feature." *Id*. at 1338-39.[2]

2. Uniloc USA, Inc. v. Microsoft Corp.

In addition to rejecting the 25% Rule of Thumb as a proposed methodology for calculating reasonable royalties, in *Uniloc USA, Inc. v. Microsoft Corp.*, the Federal Circuit also considered two analytical tools that seemingly attempted to circumvent the requirements of the entire market value rule. 632 F.3d 1292, 1315, 1318-19, 1321 (Fed. Cir. 2011).

[2] On remand, a new jury trial on damages resulted in a $70 million lump-sum damages award for Lucent, despite Lucent's admission that the entire market value rule was not satisfied. *Lucent Techs., Inc. v. Microsoft Corp.*, 837 F. Supp. 2d 1107, 1110, 1117 (S.D. Cal. 2011). The district court subsequently granted in part Microsoft's motion for judgment as a matter of law and reduced the award to $26.3 million. *Id.* at 1127. Specifically, the court concluded that Lucent's expert failed to properly apportion the revenue generated by Microsoft Office to reflect the value of Outlook within the bundle and, therefore, overstated the eligible royalty base. *Id.* at 1119-22. The court also held that consumer surveys regarding use, reasons for purchase, and time-savings associated with the date-picker feature were admissible to demonstrate the relative value of the accused feature within Outlook. *Id.* at 1122-24. The case subsequently settled.

At trial, Uniloc's damages expert opined that $2.50 per unit royalty was appropriate and testified that the amount was reasonable because it represented 2.9% of the $19.8 billion in total revenue generated by the accused versions of Microsoft Office and Microsoft Windows. *Id*. at 1311, 1318. In this case, there was no dispute that the accused Product Activation technology (a registration program for deterring illegal copying of software) did not drive demand and that the entire market value rule did not apply. *Id*. at 1318-19. Nonetheless, Uniloc relied on the following language from *Lucent* to argue that, if the royalty rate is sufficiently small, the entire market value of a product may be used as the royalty base:

> Simply put, the base used in a running royalty calculation can always be the value of the entire commercial embodiment, as long as the magnitude of the rate is within an acceptable range.

Id. at 1319-20 (quoting *Lucent*, 580 F.3d at 1338-39). The Federal Circuit rejected this argument, stating that the passage from *Lucent* was taken out of context and had to be read in view of the language reiterating the requirement of proving that the patented invention is the basis for consumer demand. *Uniloc*, 632 F.3d at 1319-20.

Uniloc also attempted to justify the reference to overall product revenues because they were used only as a "reasonableness check" and not as the expert's actual damages calculation. *Id*. at 1318. The Federal Circuit also rejected this argument, stating that "the fact that the entire market value was brought in as only a 'check' is of no moment" because "[t]he disclosure that a company has made $19 billion dollars in revenue…cannot help by skew the damages horizon for the jury. *Id*. at 1320-21.[3] Thus, the jury award could not stand, and the district court's grant of a new trial on damages was affirmed. *Id*. at 1321.

3. <u>LaserDynamics, Inc. v. Quanta Computer, Inc.</u>

The Federal Circuit again addressed the scope and application of the entire market value rule in *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 66-70 (Fed. Cir. 2012), the facts of which were discussed in Part III. First, LaserDynamics cross-appealed the district court's finding that the rule was improperly invoked in the first trial and grant of a new trial. *Id.* at 65-66. In its order, the district court found that the patentee presented no evidence that the claimed invention drove demand and, "[a]t best," demonstrated that "almost all computers sold in the retail market include optical disc drives and that customers would be hesitant to purchase computers without an optical disc drive." *LaserDynamics, Inc. v. Quanta Computer, Inc.*, No. 2:06-CV-348-TJW-CE, 2010 WL 2331311, at *3 (E.D. Tex. June 9, 2010), *aff'd*, 694 F.3d 51 (Fed. Cir. 2012).

Recognizing the complexities of isolating the value of a single component in modern, multifunction products, the Federal Circuit acknowledged that apportioning value between patented and nonpatented components "can be an exceedingly difficult and error-prone task." *LaserDynamics*, 694 F.3d at 66. Then, relying on the district court's findings, the Federal Circuit agreed that LaserDynamics' expert had improperly applied the entire market value rule, noting that "[w]hether called 'product value apportionment' or anything else, the fact remains that the royalty was expressly calculated as a percentage of the entire market value of a laptop computer rather than a patent-practicing ODD alone." *Id*. at 68. The court added that proving the following is insufficient:

- The patented feature is "valuable, important, or even essential;"
- A product without the patented feature is commercially unviable;
- Consumers do not want products lacking the patented technology.

Id. Instead, a "higher degree of proof"—specifically that the patented feature "is what motivate[d] consumers to buy" a particular product—"must exist to support an entire market value rule theory." *Id*.

The court also reaffirmed the ruling in *Uniloc* that the entire market value rule cannot be circumvented by applying a very small, reduced royalty rate to the broader revenue source, *id*. at 67-68, and indicated that, as long as an appropriately narrow base is selected, the dispute over pricing of that base is a question of fact for the jury, *id*. at 78-79.[4]

[3] The Federal Circuit recently limited this holding in *Uniloc* by declining to hold that *any* reference to an infringer's total sales is unfairly prejudicial and taints the jury verdict such that a new trial is required. *See Synqor, Inc. v. Artesyn Techs., Inc.*, 709 F.3d 1365, 1383 (Fed. Cir. 2013). The court found that the district court did not abuse its discretion by admitting evidence of defendants' $20 billion in product sales where the figure was not used to justify a damages calculation but rather was offered only to prove that the price elasticity of demand would be high. *Id.*

[4] On the latter issue, the Federal Circuit reached a similar result in *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10 (Fed. Cir. 2012), *cert denied*, 133 S. Ct. 1291 (2013). There, the court rejected an argument that a damages expert's estimate of the average service fee used as the royalty base inappropriately reflected business-wide revenues and swept in noninfringing

B. Proving "the Basis for Consumer Demand"

As the cases discussed above demonstrate, patentees seeking to rely on the entire market value of a multicomponent product face an incredibly high evidentiary hurdle. Indeed, given the increasing complexity of modern-day products, particularly in the electrical and mechanical spaces, it seems unlikely that any one component could ever be shown to be ***the*** basis for consumer demand. Although the precise requirements of this standard are still evolving, several recent cases indicate that, despite the strong language in *Lucent*, *Uniloc*, and *LaserDynamics*, courts may nonetheless be willing to allow the issue to go to the jury if the patented feature is important and substantially contributes to the value of the product as a whole.

For example, in the lost profits context, the Federal Circuit upheld a jury award based on the entire market value of VCR sales where the patented feature allowed for "smaller, cheaper, faster, and more reliable" VCRs, all of which were shown to be the basis for consumer demand. *Funai Elec. Co. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1375-76 (Fed. Cir. 2010). Specifically, the patentee offered evidence demonstrating that each of the patents-in-suit either "shrank the size of VCRs," "reduced costs and increased reliability," or "enabled use of a high-performance motor that reduced rewind speeds for VCR cassette tapes." *Id*. Additionally, Funai demonstrated that there were no noninfringing alternatives available on the market. *Id*. at 1376.

Similarly, in *Marine Polymer Technologies Inc. v. HemCon, Inc.*, the patentee properly invoked the entire market value rule by introducing "substantial evidence" of the accused features' importance and significance for consumer demand. 672 F.3d 1350, 1360 (Fed. Cir. 2012). One example of this evidence was testimony from multiple witnesses, including HemCon's president, that the accused technology was "'critical' to the core hemostatic function of the accused products." *Id*.

Though the damages award was ultimately overturned because the rule was not met for all accused products, in *Mirror Worlds, LLC v. Apple Inc.*, the district court similarly indicated that the entire market value rule had been met as to one product based on "consumer surveys and emails indicating customer demand." 784 F. Supp. 2d 703, 726 (E.D. Tex. 2011). Specifically, the patentee's damages expert relied on (i) emails giving positive feedback on the feature; (ii) emails identifying the accused functionality as a key feature; and (iii) a survey indicating that 23% of consumers selected the accused functionality as the "[m]ost beneficial" feature. *Id*.

This last case raises the question of whether consumer or market survey evidence effectively is a prerequisite for relying on the entire market value rule and, if so, what level of consumer demand is required. Indeed, the Federal Circuit signaled in *LaserDynamics* that market studies or consumer surveys may, in fact, be required to satisfy the rule by explicitly noting that the patentee's expert "never conducted any market studies or consumer surveys to ascertain whether the demand for a laptop computer is driven by the patented technology." *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 69 (Fed. Cir. 2012). If such evidence is necessary, it likely would be a significant deterrent due to the increased costs associated with retaining an expert and developing and conducting a methodologically sound consumer survey. Additionally, the need for third-party discovery could significantly increase costs for patentees. On the other hand, accused infringers would similarly incur additional expenses in responding to such evidence and may also be exposed to significantly broader internal discovery of marketing information relating to consumer demand. For example, in some cases, there may be very little or no evidence that the patented feature is sufficiently valuable. In other cases, however, the accused infringer may have to provide discovery not only on the value of the accused component, but also on the components, features, and/or functionality that actually drives demand to ensure that the patentee's case is adequately rebutted.

Thus, whether and to what extent the entire market value rule will continue to be a factor in reasonable royalty damages remains to be seen and will likely depend on how strictly district courts interpret the Federal Circuit's legal standard.

C. Alternate Approaches that Do Not Violate the Entire Market Value Rule

Likely due to concerns over the evidentiary burden of establishing that the patented feature is the basis for demand under recent case law, patentees are exploring alternative approaches including tying royalties to the smallest salable (or patent practicing) unit, using per unit royalties tied to the incremental benefit attributable to the patent-in-suit, and relying on comparable licenses to justify using overall product revenues.

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uses. *Id*. at 27-28. The decision suggests that the use of the service fee as the royalty base was not disputed, only the amount of the fee ($15.69 versus $41). *Id*. Accordingly, this was a question of fact for the jury and not legal error or "impermissible speculation." *Id*. at 28-29.

1. The "Smallest Saleable Unit"

In *LaserDynamics, Inc. v. Quanta Computer, Inc.*, the Federal Circuit observed that, except when the entire market value rule applies, "it is generally required that royalties be based not on the entire product, but instead on the 'smallest salable patent-practicing unit.'" 694 F.3d 51, 67-68 (2012) (quoting *Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp. 2d 279, 283, 287-88 (N.D.N.Y. 2009)).

Seizing on this language, several patentees have attempted to avoid the evidentiary burden of the entire market value rule by arguing that the Federal Circuit allows reliance on revenues not apportioned to the patented component as long as those revenues are for "the smallest saleable unit." For example, a recent case from the Eastern District of Texas approved of a royalty base comprising "20% of the total revenue from the accused products," even though the infringing features were only a small portion of the overall product. *VirnetX Inc. v. Apple Inc.*, No. 6:10-CV-417, 2013 WL 692652, *13-14 (E.D. Tex. Feb. 26, 2013). Though the patentee did not prove that the patented feature was the basis for consumer demand, the royalty base did reflect the "smallest saleable infringing unit," and the patentee apportioned the royalty base, introduced evidence that "the infringing features practicing the patented inventions necessarily utilized other aspects of the accused devices" and demonstrated extensive use of the accused components by consumers. *Id.* at 13-15. Relatedly, the court also issued, and subsequently upheld, a jury instruction stating that:

> [t]here are instances when the smallest saleable patent-practicing unit is the entire product. Depending on the claim language of a patent, it is foreseeable that an entire product is required to practice the invention.

Id. at *17. Thus, this language reflects the concept of an integrated system or product wherein the individual components are all interrelated. The district court also noted that the accused infringer did not offer any testimony or evidence on what the proper royalty base should have been and therefore "failed to advance a credible alternative." *Id.* at *14.

2. Per Unit Royalties

Another possible alternative to the entire market value rule is to adopt a per-unit royalty that is derived from the total price of the accused product and then apportioned down to a rate that reflects the value of the patented component.

In *Fractus, S.A., v. Samsung Electronics Co.*, Samsung challenged a $23 million damages award as improperly relying on the entire market value rule. 876 F. Supp. 2d 802, 813, 830-31, 833 (E.D. Tex. 2012). At trial, Fractus' damages expert detailed his royalty rate methodology, which began with the overall average price of an infringing cell phone ($140) and apportioned that amount down to determine the value specifically attributable to the infringing internal multiband antenna. *Id.* at 831-32. The net result was a $0.40-$0.60 per unit royalty, which was then multiplied by the number of infringing sales. *Id.* at 832. Samsung argued that the expert's analysis was an entire market value approach in disguise and that allowing the jury to hear evidence on the overall price of the cell phone was in error. *Id.* at 832-33. Rejecting the challenge and upholding the verdict, the district court pointed out that Samsung's expert also used a per unit royalty, substantial evidence supported Fractus' apportionment methodology, and admission of the overall price of a cell phone "did not 'skew the damages horizon for the jury.'" *Id.* at 833-34. The district court distinguished this case from *Uniloc*, noting that, in comparison to evidence of $19 billion in revenues, a $140 price point simply does not raise the same policy concerns. *Id.* at 834. The court added that "ample" evidence demonstrated that the multiband, internal antenna "is not an insignificant component of the infringing phones," cell phones cannot function with an antenna, and the market demanded small designs such as the patented invention. *Id.*

Similarly, in *Multimedia Patent Trust v. Apple Inc.*, the district court concluded that a per unit royalty did not violate the entire market value rule because it "[did] not use Defendants' revenues or profits as a royalty base." No. 10-CV-2618-H (KSC), 2012 WL 5873711, at *5 (S.D. Cal. Nov. 20, 2012). Nonetheless, the court denied Apple's motion to exclude the testimony because MPT sought "a per unit royalty that is $1.50 per product regardless of the revenue derived from the products." *Id.* The court did, however, preclude the expert from testifying that the per unit royalty was reasonable because it represented less than 1% of the revenue actually earned on the accused products, concluding that such statements would violate the entire market value rule. *Id.* at *3, *5. Thus, the expert was effectively allowed to base his damage calculations on the overall product revenue, but could not disclose that overall ratio (per unit rate versus overall product revenue) to the jury.

Earlier this year, the Federal Circuit considered a similar approach wherein an accused infringer's damages expert applied a 40% royalty rate to a software add-on comparable to the commercial embodiment of the patents-in-suit. *Versata Software, Inc. v. SAP Am., Inc.*, Nos. 2012-1029, 2013 WL 1810957, at *11-12 (Fed. Cir. May 1, 2013). In calculating a reasonable royalty, SAP's expert limited the royalty base to stand alone purchases of this add-on, however, the jury disagreed and applied the resulting per-license royalty to a larger number of infringing sales. *Id.*

The court held that the entire market value rule was not implicated because the 40% rate was not applied to SAP total product revenues, but rather to only the add-on license fee. *Id.* at *12. Additionally, the court agreed with the district court that SAP "cannot legitimately challenge the comparability of its own comparable." *Id.* Thus, although distinguishable because the per unit royalty originated with the accused infringer's expert, this holding may indicate that per unit royalties are a valid alternative to meeting the high burden of proof required by the entire market value rule.

This approach reflects a form of apportionment but still effectively captures the entire revenue or profit base in the reasonable royalty calculation, albeit in manner where the value of the patented invention to the product and royalty are more closely related. In this regard, the per unit royalty approach, when compared to a product's total selling price, is effectively the same as applying a small royalty rate to the overall product revenues. Nonetheless, it is easy to see how this approach might be misused and further refinements on appeal may be forthcoming.

3. Use of Overall Revenues Is Economically Justified

Mondis Technology, Ltd. v. LG Electronics, Inc. raised the question of whether the need to satisfy the comparability requirements can trump the requirements of the entire market value rule. No. 2:07-CV-565-TJW-CE, 2011 WL 2417367, at *35 (E.D. Tex. June 14, 2011). Here, it was "largely undisputed" that the patented technology was not the basis for consumer demand for the accused monitors and televisions. *Id.* at *2. The evidence demonstrated, however, that using the entire market value of the accused product to calculate reasonable royalties was the "industry standard." *Id.* at *2. More specifically, that policy was reflected in at least 13 different agreements, meaning that "nearly every comparable license in [the] case [was] based on a percentage of the total accused product (or licensed product) sales price." *Id.* On these facts, the court, relying on *Lucent*, concluded that it was "'economically justified' to base the reasonable royalty on the market value of the entire accused product," noting that the Federal Circuit "has repeatedly emphasized the importance of [comparable] licenses in the reasonable royalty analysis." *Id.* at *2.

At least one other district court implicitly endorsed the concept of an "economically justified" exception, but concluded that it was not applicable to the facts presented because the "comparable" licenses used per unit royalties that were not based on revenues or profits. *See Multimedia Patent Trust v. Apple Inc.*, No. 10-CV-2618-H (KSC), 2012 WL 5873711, at *6 (S.D. Cal. Nov. 20, 2012). The court observed, however, that "use of the accused products' entire market value as a royalty base can be economically justified where sophisticated parties have entered into 'agreements that base the value of the patented invention as a percentage of the commercial products' sale price.'" *Id.* (citation omitted).

Notably, these decisions were issued after *Uniloc*, wherein the Federal Circuit clarified certain passages in *Lucent* that were being used to argue for an exception to the entire market value rule if the royalty rate was sufficiently small. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1319-21 (Fed. Cir. 2011). Thus, the "economically justified" doctrine may provide patentees with a viable alternative to the entire market value rule where the comparable licensing evidence supports the use of overall product revenues.

V. CONCLUSION

The big-picture trend in recent damages jurisprudence is relatively clear: damages analyses need to be more reliable and thorough, and clearly linked to the particular facts of each case. The specific legal standards designed to achieve that goal, however, are still evolving. In view of the wavering comparability requirement and alternatives to direct approaches that violate the entire market value rule, determining the most advantageous damages strategy in a particular case likely will require careful strategic analysis of the various factors discussed above, consideration of the availability of, and willingness to pursue, necessary additional discovery, and a highly credible and astute damages expert. Though largely dependent on the interpretation and application of these principles by district courts, the days of "black box" damages analyses may be behind us, and litigants may be required to spend more time and resources on damages issues.

This paper is a collaborative effort to highlight the current state of the law in the topic areas discussed and provide practice tips based on the authors' collective experience. It does not necessarily reflect the views of the authors or their firms or companies.