PATENT REMEDIES: POINT/COUNTERPOINT

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The following provides a practitioner's guide summarizing cases related to several key issues regarding lost profits, reasonable royalties, permanent injunctions and post-judgment compulsory licenses in a patent infringement case.

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A. Lost Profits Damages

***Mars, Inc. v Coin Acceptors, Inc.*, 527 F.3d 1359 (Fed. Cir. June 2008)**

Mars, the patent owner, prevailed in a patent infringement suit against Coinco. Mars appealed from the judgment precluding it from recovering lost profits damages and denying its motion to add to its complaint its subsidiary as a co-plaintiff.

Subsidiary Lost Profits – Mars owned the patents, but its wholly-owned subsidiary, MEI sold the product. At some point, Mars entered into a non-exclusive license with MEI, whereby MEI paid Mars a royalty based on total sales value of MEI's products. The Federal Circuit ruled that because Mars did not benefit from the lost profits of MEI while MEI was licensed, *i.e.*, it was paid its royalty percentage regardless of whether MEI made a profit, Mars was not entitled to a recovery for lost profits. Accordingly, the Federal Circuit passed on the issue of "whether a parent company can recover on a lost profits theory when profits of a subsidiary actually *do* flow inexorably up to the parent."

Subsidiary Standing – When Mars licensed MEI, Mars gave not only a non-exclusive license, but also gave MEI the right to sue for infringement. The Federal Circuit found that a patentee cannot give an entity the right to sue without also giving them the right to exclude. Standing is inexorably bound the to right to exclude others from making using or selling. Therefore, MEI lacked standing. *Cf. Sprint Communications, Co., v. APCC Services, Inc.,* 128 S.Ct. 2531 (2008) (holding that the right to sue is freely alienable).

***Mitutoyo Corp. v. Central Purchasing, LLC*, 499 F.3d 1284 (Fed. Cir. 2007)**

Mitutoyo, the patent owner, prevailed in a patent infringement suit against Central. Mitutoyo and its exclusive distributor in the United States, MAC, appealed as to MAC's standing.

Distributor Standing – While MAC was the exclusive distributor in the United States for Mitutoyo, it had none of the proprietary rights under the patent. It had only the exclusive right to sell only. The Federal Circuit agreed that this was not sufficient to provide MAC with standing to sue.

***Wechsler v. Macke Int'l. Trade, Inc.*, 486 F. 3d 1286 (Fed. Cir. 2007)**

Wechsler, the patent owner, prevailed in a patent infringement suit against Wechsler. Macke appealed the district court's denial of JMOL that the jury's award of lost profits damages was not supported by substantial evidence. The Federal Circuit agreed with Macke and reversed.

Lost Profits/Price Erosion - Wechsler did not produce a product until more than a year after the infringement by Macke ceased. Wechsler argued that he was entitled to lost profits under two theories. First, although Wechsler was not producing products until after Macke ceased infringing, Wechsler argues that he had the capability of doing so, based on his later production. The Federal Circuit disagreed, finding that the evidence was to the contrary. Second, Wechsler argued that he was forced to lower his price on the sales he did make because of the previous infringement by Macke and that previous sales by Macke pre-empted sales by Wechsler. While the Federal Circuit recognized both theories, it found them factually unsupported.

***Rite-Hite Corp. v. Kelley Co*., 56 F.3d 1538 (Fed. Cir. 1995)**

Lost Profits – Entire Market Rule. The Federal Circuit noted that the entire market value rule was a principle of patent damages that defined a patentee's ability to recover lost profits on unpatented components typically sold with a patented item. Although the rule traditionally had been applied to permit recovery when both the patented and unpatented items were part of the same machine, we recognized that "the rule has been extended to allow inclusion of physically separate unpatented components normally sold with the patented components" with the caveat that both were "considered to be components of a single assembly or parts of a complete machine, or they together constituted a functional unit." The Federal Circuit rejected the patentee's argument that the recovery on the unpatented dock levelers was permissible, deciding instead that the two devices had been sold together merely for convenience and business advantage, holding that "there is no basis for extending . . . recovery to include damages for items that are neither competitive with nor function with the patented invention."

***Juicy Whip v. Orange Bang, Inc.*, 382 F.3d 1367 (Fed. Cir. 2004)**

Lost Profits - Entire Market Rule - Patent holder was denied opportunity to present its theory of entitlement to lost profits from the sale syrup used in patented dispenser (i.e. entire market rule). Although syrup could be used in other dispensers, dispensers could be used with other syrup, they are not, "sold together only as a matter of convenience or business advantage." Rather, the syrup is needed to achieve the visual appearance central to the patent.

***Tec Air, Inc. v. Denso Mfg. Mich. Inc.*, 192 F3d 1352 (Fed. Cir. 1999)**

Lost Profits - Entire Market Rule - Infringer sold condenser and motor assemblies with fans balanced using the patented method. Sale of entire assemblies was proper basis of damages under entire market rule. Once infringer abandoned patented method, customers complained and customer requirements were not met.

***Fonar Corp. v GE*, 107 F.3d 1543 (Fed. Cir. 1997)**

Lost Profits - Entire Market Rule - Infringer's own marketing material emphasized feature patented by patent owner, thus providing evidence that patented feature was basis of customer demand and supporting application of the entire market rule.

***Paper Converting Machine Company v. Magna-Graphics Corporation*, 745 F.2d 11 (Fed. Cir. 1984)**

Magna-Graphics appealed the loss profits award based on an incremental income theory for infringing articles manufactured during the life of the patent for post-patent use.

Loss Profits-temporal scope-The Federal Circuit held that the trial court did not commit clear error in finding that the Magna-Graphics machine infringed given the amount of testing performed, the contract for sale, and delivery during the patent term of the machine ready for assembly and with no useful non-infringing purpose. The court stated that whether a machine is made, used or sold during the patent term is a complicated factual issue.

Loss Profits-accounting method-The Federal Circuit affirmed the trial court's use of the incremental income approach to computation of loss profits even though it was the accounting method that provided the greatest amount of damages. The court stated that Section 284 does not instruct a court on how to compute damages, and the size of the award is left to the trial court's sound discretion. Magna-Graphics did not meet its burden to show that the amount of the award or the choice of accounting method constituted an abuse of the trial court's discretion here. The incremental income approach to computation of loss profits is well established in the law relating to patent damages. The approach recognizes that it does not cost as much to produce the next unit as it did to produce earlier units that required certain fixed costs. These fixed costs-such as management salaries, property taxes, and insurance-are excluded when determining profits.

Loss Profits-Approximation of Damages-Once an accounting method is chosen, the Federal Circuit held that a district court is free to use in its discretion the figures from which to determine the amount of damages. Computation of damages is not always amendable to a precise determination. While damages may not be determined by mere speculation for guess, it will be enough if the evidence shows the extent of the damage as a matter of just and reasonable inference, although the result is only approximate. Fundamental principles of justice require the court to throw the risk of any uncertainty upon the wrong doer instead upon the injured party.

***State Industries, Inc. v. Mor-Flo Industries, Inc.*, 883 F.2d 1573 (Fed. Cir. 1989)**

Mor-Flo appealed award of loss profits for State Industries market share of Mor-Flo's infringing sales and a reasonable royalty for the remainder of the sales.

Loss Profits and Reasonable Royalty Interplay-The measure of damages is an amount which will compensate the patent owner for the pecuniary loss sustained because of the infringement. But the floor for a damage award is no less than a reasonable royalty. The award may be split between loss profits as actual damages to the extent they are proven and a reasonable royalty for the remainder.

Loss Profits-To prove lost profits, the patent owner must demonstrate that there was a reasonable probability that, but for the infringement, it would have made the infringers sales. The patent holder does not need to negate all possibilities that a purchaser might have bought a different product or avoided the purchase all together. The standard but non-exclusive way of proving lost profits is for the patent owner to prove: (1) demand for the patented product, (2) absence of non-infringing substitutes, (3) the manufacturing and marketing capabilities to exploit the demand, and for the amount of profit he would have made.

negotiation on the first day of infringement.

***Grain Processing Corp. v. American Maize-Products Co*., 185 F.3d 1341, 1350 (Fed. Cir. 1999)**

Grain Processing appealed award of reasonable royalty instead of higher lost profits when district court determined that available non-infringing alternative rebutted inference of "but for" causation of lost profits, even though alternative was not for sale on the market.

Determining lost profits – The Federal Circuit consistently permit patentees to present market reconstruction theories showing all of the ways in which they would have been better off in the "but for world," and accordingly to recover lost profits in a wide variety of forms. See, e.g., *King Instrument*, 65 F.3d at 953 (upholding award for lost sales of patentee's unpatented goods that compete with the infringing goods); *Rite-Hite*, 56 F.3d 1538, 1550 (holding that a patentee may recover lost profits on components that have a functional relationship with the patented invention); *Brooktree Corp.*, 977 F.2d at 1580 (upholding award for price erosion due to infringer's marketing activities); *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1579, 24 U.S.P.Q.2D (BNA) 1321, 1337 (Fed. Cir. 1992) (upholding award for price erosion due to infringing sales); *State Indus.*, 883 F. 2d at 1580 (upholding award of lost profits in proportion to patentee's market share of the relevant market including acceptable noninfringing substitutes); *Paper Converting Mach. Corp. v. Magna-Graphics Corp*., 745 F.2d 11, 22, 223 U.S.P.Q. (BNA) 591, 599 (Fed. Cir. 1984) [**25] (upholding award compensating the patentee for its decreasing marginal cost of producing the good, i.e., its increasing marginal profit, as its volume of production would have increased); *Lam*, 718 F.2d at 1065 (upholding lost profits award for future lost sales, and for the patentee's increased promotional expenses); *BIC Leisure Products, Inc. v. Windsurfing Int'l, Inc.*, 687 F. Supp. 134, 137-38, 9 U.S.P.Q.2D (BNA) 1152, 1154 (S.D.N.Y. 1988), rev'd in part on other grounds, 1 F.3d 1214, 27 U.S.P.Q.2D (BNA) 1671 (Fed. Cir. 1993) (permitting recovery for future depressed prices, i.e., "projected price erosion", and for accelerated market reentry by the infringer). In sum, courts have given patentees significant latitude to prove and recover lost profits for a wide variety of foreseeable economic effects of the infringement.

Lost Profits - Available non-infringing substitute – Federal Circuit affirmed denial of lost profits when non-infringing substitute available during period of infringement even though it was not on the market for sale. With non-infringing substitute, American Maize rebutted the inference of "but for" causation of lost profits.

B. Reasonable Royalty Damages

***Mars, Inc. v Coin Acceptors, Inc.*, 527 F.3d 1359 (Fed. Cir. June 2008)**

Mars, the patent owner, prevailed in a patent infringement suit against Coinco. Coinco appealed the district court's decision regarding the reasonable royalty rate imposed by the court.

Non-infringing Alternative Limitation on Reasonable Royalty – Coinco argued that the reasonable royalty damages should be capped a the cost of implementing the cheapest, available, non-infringing alternative. The Federal Circuit disagreed. *Cf. Riles v. Shell Exploration and Production Co.*, 298 F.3d 1302 (Fed. Cir. 2002) *citing Grain Processing Corp. v. American Maize-Products Co.*, 185 F.3d 1341, 1350 (Fed. Cir. 1999) ("finding American Maize's production cost between infringing and noninfringing product 'effectively capped the reasonable royalty award.'")

***Mitutoyo Corp. v. Central Purchasing, LLC*, 499 F.3d 1284 (Fed. Cir. 2007)**

Mitutoyo, the patent owner, prevailed in a patent infringement suit against Central. Central appealed as to the royalty rate and base, specifically the inclusion of another company's sales in the royalty base.

Royalty Base – Related Entities – Central and Harbor Freight Tools USA, Inc. are described by the as having "a strong business relationship," but not otherwise related. The district court included both the sales of Central and Harbor in the royalty base. The Federal Circuit reversed, distinguishing *Allen Archery Inc. v Browning Manuf. Co.,*, 898 F.2d 787 (Fed. Cir. 1990). In *Allen Archery*, the two companies were parent and subsidiary, and therefore the price of the goods sold between them was an inappropriate measure of the royalty base. In contrast, in *Mitutoyo*, there was no corporate relationship or other courses of dealing to suggest that Central would have agreed to pay royalties on both its and Harbor's sales.

***Monsanto v. McFarling*, 488 F.3d 973 (Fed. Cir. 2007)**

Royalty Rate - McFarling appealed damage award of $40/bag of seed in view of Monsanto's established royalty of $6.50 per bag under technology agreement. The total amount charged per bag of seed with the fee was $25.50-$28.50 per bag, yet jury took into account financial benefits reaped by McFarling (higher yield, saved cost of pesticide etc.) by using Monsanto's seed, and this was affirmed. Only if damages awarded are "grossly excessive or monstrous, clearly not supported by the evidence or based only on speculation or guesswork," should a fact finder's damages award be reversed.

***Bose Corp. v. JBL, Inc.*, 274 F3d 1354 (Fed. Cir. 2001)**

Royalty Base – Entire Market Rule - JBL appealed judgment for patentee Bose awarding royalty damages based on entire loudspeaker system instead of the patented port that represented a small component of the overall system. The Federal Circuit affirmed, holding that the entire market rule was correctly applied in this case because the infringing component was the basis for customer demand for the entire system. The patented ports eliminated noise and improved bass tones; testimony was provided that these features were motivation for JBL's decision to manufacture and sell these speakers; evidence was provided that marketing these features led to Bose's increased sales.

***State Industries, Inc. v. Mor-Flo Industries, Inc.*, 883 F.2d 1573 (Fed. Cir. 1989)**

Mor-Flo appealed award of loss profits for State Industries market share of Mor-Flo's infringing sales and a reasonable royalty for the remainder of the sales.

<u>Reasonable Royalty Higher Than Profit Margin</u>-The Federal Circuit affirmed a reasonable royalty higher than the actual net profit margin for Mor-Flo because a reasonable royalty is based not on the infringers profit margin, but on what a willing licensor and licensee would bargain for in a hypothetical.

C. Permanent Injunctions

***eBay Inc. v. MercExchange,* L.L.C., 547 U.S. 388 (2006)**

<u>Injunction Standard</u> - Four-factor test, historically employed by equity courts in considering whether to award permanent injunctive relief to prevailing plaintiff, held to apply to disputes arising under Patent Act. Supreme Court rejected the Federal Circuit's "general rule" that a permanent injunction issues upon adjudication of infringement and validity. Court also rejected the district court decision that expressed the view that a "plaintiff's willingness to license its patents" and "its lack of commercial activity in practicing the patents" would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue. Court held that a prevailing plaintiff seeking a permanent injunction must demonstrate that (a) the plaintiff has suffered an irreparable injury; (b) remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (c) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (d) the public interest would not be disserved by a permanent injunction.

***Broadcom Corp. v. Qualcomm, Inc.*, 2008 U.S. App. LEXIS 20156 (Fed. Cir. Sept. 24, 2008)**

<u>Injunction Granted</u> – Qualcomm appealed permanent injunction on cell phone devices. Although Broadcom no longer sold the patented product, it sold products that compete indirectly with Qualcomm that supported irreparable harm. Although Broadcom had licensed the technology to Verizon, there was still no adequate remedy at law because the Verizon license differed from a compulsory license to a direct competitor, the market desire for "design wins," and the speculation of future lost profits. Further, a sunset provision ameliorated the effect of the injunction on downstream users of the infringing chips.

***Voda v. Cordis Corp.*, 536 F.3d 1311, 1328 (Fed. Cir. 2008)**

Injunction Denied - Inventor and patent owner Voda appealed denial of permanent injunction when district court refused to consider the equitable concerns of his exclusive licensee in evaluating the injunction under *eBay*. Although the Supreme Court noted that those who license the patent instead of practice it may satisfy the traditional four-factor test for permanent injunction, the Federal Circuit stated that does not eliminate the need for the party seeking permanent injunction to show "*it* has suffered irreparable harm." The Federal Circuit ruled that the district court did not err in ruling that Voda did not show any irreparable harm to himself, and therefore affirmed the denial of injunction.

***Sundance, Inc. v. Demonte Fabricating Ltd*, 2007 U.S. Dist. LEXIS(E.D. Mich. Jan. 4, 2007)**

Injunction Denied - Patent owner won a jury trail against patent licensee's competitor concerning a patent directed to a segmented cover system for use in flatbed trailers. The jury also found the patent invalid, but the court set aside this finding. Court denied a permanent injunction for patent owner because defendant suffered no irreparable harm, legal remedies were adequate and the balance of hardships favored defendant. As to irreparable harm, the court found that plaintiff's licensees were not losing sales as a result of defendant's infringement. The court also stated that plaintiff delayed in filing suit, delayed in seeking injunctive relief, and that the market for the infringing product contained many other competitors. The court also stated that the part of the product which infringed was but one of many features included in the infringing product. The court then noted plaintiff's lost sales may be due to customer's desire for other features of the product or competition in the marketplace. As to the adequacy of the legal remedies, the court stated that the nature of the competition between plaintiff's and defendant's licensees did not establish an inadequate legal remedy. Plaintiff's offering of licenses to defendant prior to filing the suit also indicated to the court that money damages are adequate. The court also stated that plaintiff's conduct against defendant and others demonstrated plaintiff was interested only in obtaining money damages against accused infringers. The balance of hardships was also resolved in favor of defendants. In particular, the court noted that defendant's ability to compete with other tarp manufactures would be affected by an injunction, and as such, defendant could be forced out of business. Finally, the court stated the public interest would be harmed by an injunction because it would harm third parties (defendant's employees and customers) and because of the nature of the market place.

***Paice LLC, v. Toyota Motor Corp.*, 2006 U.S. Dist. LEXIS 61600(E.D. Tex. Aug. 16, 2006)**

Injunction Denied - Patent owner won a jury trial against patent licensee's competitor concerning three patents directed to hybrid vehicle transmission technology. Court denied a permanent injunction for patent owner based on plaintiff's failure to establish that it would be irreparably harmed absent and injunction. The court found unpersuasive plaintiff's contention that monetary relief alone would not lead to a successful licensing program. The court went on to state that monetary damages would also be an inadequate remedy to compensate for defendant's infringement because plaintiff extended numerous offers to license its technology, and thus indicated monetary relief would be adequate compensation from the plaintiff's perspective. The court also found the balance of hardships tipped in favor of defendants. In so finding, the court noted that the two accused vehicles were already part of the flourishing hybrid vehicles market and an injunction would serve to halt defendant's business and related businesses. Plaintiff's hardship, on the other hand, was speculative because it was also not clear that monetary relief would be inadequate or that an injunction would foster plaintiff's licensing program.

z4 Tech., Inc. v. Microsoft Corp, **434 F. Supp. 2d 437(E.D. Tex. Jun. 14, 2006)**

Injunction Denied - Patent owner won a jury trial against patent owner's and patent licensee's competitor concerning two patents directed to methods for limiting unauthorized use of computer software. Court denied a permanent injunction for patent owner because plaintiff did not establish irreparable harm. The court reasoned that defendant's infringement did not have any impact on plaintiff's sales or licensing programs given defendant did not produce a competing product and instead used the infringing software as a small component in its own software. The court also found that monetary damages were insufficient because defendant's infringement did not exclude plaintiff from participating in the relevant market and thus the harm to plaintiff could not be calculated with certainty in the form of monetary damages. Further, the infringing product was considered to represent only small component of defendant's product and defendant indicated it would eliminate the infringing product from future versions of the software. The court found the balance of hardships favored defendant because the proposed injunction – for defendant to stop making or selling the infringing product and to deactivate the infringing component of the product – would result in great loss an expense to defendant. Finally, the court noted that the public interest would have been disserved if a permanent injunction were entered against defendant given the popularity of defendant's products.

Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.**, 2006 U.S. Dist. LEXIS 93408 (S. D. Tex. Dec. 27, 2006)**

Injunction Granted - Patent owner won a jury trial against competitor concerning a patent directed to dual activity offshore drilling technology. Court granted a permanent injunction for patent owner because irreparable injury would follow if defendant continued using the patented invention to compete against the patent holder for business in a developing market with a small customer base. Damages were found to be inadequate because, without an injunction, plaintiff would be forced into a compulsory license lacking commercial business terms typically used by a patent holder to control its technology or limit encroachment. The harm to plaintiff resulting from continued infringement outweighed the harm that an injunction of limited scope would cause the infringing defendant. The court also noted that any disservice to the public could be mitigated by limiting the scope of injunction.

***Visto Corp. v. Seven Networks, Inc.*, 2006 U.S. Dist LEXIS 91453(E.D. Tex. Dec. 19, 2006)**

Patent owner won a jury trail against competitor concerning three patents directed to data synchronization methods and systems. Court granted a permanent injunction for the patent owner because plaintiff demonstrated irreparable injury and an inadequacy of legal remedies. Plaintiff also demonstrated the balance of hardships and public interest were in its favor. In finding irreparable injury, the court noted that the availability of infringing products lead to plaintiff's lost market share and that the parties were direct competitors. The court noted that damages were inadequate because the jury verdict (although "large") compensated for past injury only, and future losses could not be calculated with precision. The court further noted that legal remedies were inadequate because defendant posed a continued threat of infringement. In balancing the hardships, the court stated that without an injunction plaintiff will loose goodwill, potential revenue, and the right to exclude that is the essence of the intellectual property at issue. Finally, the court noted the public interest would be served by protecting the patent rights at issue.

***Black & Decker, Inc. v. Bosch Tool Corp.*,** 2006 U.S. Dist. LEXIS 86990(N.D. Ill. Nov. 29, 2006)

Patent owner won a jury trail against competitor concerning two patents directed to radio charger technology. Court granted a permanent injunction for patent owner because plaintiff suffered irreparable injury and remedies available at law were inadequate. Plaintiff's injury was found to be irreparable because defendant continued to sell the infringing products online, and as a result, plaintiff suffered loss in market share, lost sales and damage to its reputation as an innovator. The court also resolved the balance of hardships favored the plaintiff because defendant would not be driven out of business by the injunction and it already admitted it stopped making the infringing products. The court also stated that public policy favors the enforcement of patent rights, and therefore, the injunction was appropriate.

***Smith & Nephew Inc. v. Synthes-Stratec, Inc.*,** 2006 U.S. Dist. LEXIS 91851(W.D. Tenn. Sept. 28, 2006)

Patent owner won a bench trial against competitor concerning two patents directed to intramedullary nails and the methods used in the treatment of interochanteric femoral fractures using interfragmentary compression. Court granted a permanent injunction because plaintiff suffered irreparable harm in the form of lost sales and lost market share when defendant sold infringing product in direct competition with plaintiff's patented product. Remedies available at law were also found inadequate because defendant's direct competition in the market for the patented invention caused damage to plaintiff's good will and brand name recognition, and such "intangible losses … can never be ascertained accurately." The balance of hardships were found to favor plaintiff because patent infringement was a continuing threat to plaintiff. Also, even though defendant would incur hardship due to ceasing its operations, this was consequence of patent infringement. The court found that public interest was best served by a permanent injunction that would further consumer access to more competitive products by allowing plaintiff the benefit of its patents and the ability to gain greater brand recognition.

TiVo Inc. V. Echostar Comm. Corp., 464 F. Supp. 2d 664(E.D. Tex. Aug. 17, 2006)

Patent owner won a jury trial against competitor concerning patent directed to multimedia time warping system (e.g., digital video recording system or DVR technology). Court granted a permanent injunction for patent owner because plaintiff demonstrated that it continued to suffer irreparable harm and that there was no adequate remedy at law in light of the fact that plaintiff and defendant were direct competitors. Under the facts, direct competition resulted in plaintiff's lost market share because defendant marketed infringing products as an alternative to patentee's product. The balance of hardships weighed in favor of granting the injunction because plaintiff's primary product was the patented invention and defendant's was not. The court also found the public interest was served by maintaining a strong patent system.

Wald v. Mudhopper Oilfield Srvcs., Inc., 2006 U.S. Dist. LEXIS 51669(W.D. Okla. Jul. 27, 2006)

Patent owner won a jury trial against competitor concerning patent directed to treating a well bore using a concentrated composition enclosed in a soluble container. Court granted a permanent injunction for patent owner because plaintiff suffered irreparable harm for which jury awarded compensation was inadequate when plaintiff lost sales, market share, opportunities and its good reputation. The court also denied the permanent injunction because the hardships to the parties and public interest weighed in favor of permanent injunction when defendant possessed an inventory of infringing products that posed a continued risk of future infringement.

D. Post-Judgment On-going Royalty/ Compulsory License

***Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293 (Fed. Cir. 2007)**

Paice, the patent owner, prevailed in a patent infringement suit against Toyota. Instead of granting an injunction, the district court imposed a $25 per unit ongoing license. Paice appealed the district court's imposition of the ongoing royalty payment that allows Toyota to continue infringing the patent in exchange for a set royalty payment. The Federal Circuit affirmed the court's decision regarding the imposition of the ongoing license, but remanded for further consideration the actual royalty amount.

The Federal Circuit panel distinguished a "compulsory license" from a court-ordered "ongoing royalty" According to the panel, a compulsory license would be available to anyone who meets certain criteria. In contrast, an "ongoing royalty would be available only to one particular set of defendants." The Federal Circuit panel went on to explain that an ongoing license would not be justified as a "matter of course" when a permanent injunction is denied. Instead, the court may allow the parties to negotiate an ongoing royalty and only step in if the parties were unable to come to an agreement. Paice argued that it should be entitled to a jury trial under the Seventh Amendment to determine the amount of the ongoing royalty. The panel disagreed, finding that not all monetary relief is a determination of damages. The court implied that the ongoing license was a form of equity for which a jury trial was not required.

Ultimately, the ongoing royalty was allowed, but was remanded for the district court to determine the amount because there was not enough evidence in the record to justify the amount chosen.

***Innogenetics, N.V. v. Abbott Labs.*, 512 F. 3d 1363 (Fed. Cir. 2008)**

Innogenetics, the patent owner, prevailed in a patent infringement suit against Abbott. The jury awarded damages that included a "market entry fee" and a running royalty for units sold up to the point of the decision. The district court entered an order for a permanent injunction.

The Federal Circuit reversed the judgment for the permanent injunction and remanded for a determination of the amount for a compulsory license. The market entry fee awarded by the jury included a component for future damages, essentially an upfront fee that contemplated or was based on future sales in a long term market. According to the Federal Circuit, because the damages awarded included a future damages component, it was inappropriate to also prohibit future sales by Abbott.

The Federal Circuit remanded the case for determination of the proper royalty amount for future sales under a compulsory license theory.

End.