

Patent Litigation and Remedies: The Patent Litigation Lifecycle

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Meet the Speakers



John Lanham
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John Lanham is a partner in the firm's Intellectual Property Group. John's practice includes patent litigation, trade secrets litigation, and other technology-related disputes.

John brings his broad-based business litigation experience to bear on his clients' most challenging disputes. He has represented clients in software, pharmaceutical, financial, communications, natural resources, and healthcare industries. John regularly assists clients with all phases of litigation, including development of case strategy, dispositive motions, claim construction, fact discovery, expert discovery, trial preparation, alternative dispute resolution.

John also serves as the President of the San Diego Intellectual Property Law Association and maintains an active pro bono practice focused on children's rights and constitutional issues.



Soo Park
Associate
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Soo Park is an associate in the firm's Litigation Group and focuses her practice on intellectual property litigation.

Soo has litigated patent and trade secret cases involving a wide range of technologies, including medical devices, computer software, mobile apps, and video streaming. Soo has also represented companies in complex commercial litigation disputes. Soo has experience in all phases of litigation from pleadings through trial. She has handled all aspects of discovery, taken and defended depositions, drafted dispositive motions, and participated in trial preparation.

Soo is committed to pro bono service and diversity in the legal profession. She currently serves on the Inner City Law Center's Pro Bono Council and has been a co-chair of the firm's Los Angeles Women's Group since 2015.

Agenda

- Introduction to Patent Damages
- Initial Pleadings: Goals and initial remedies
- Contentions: Trend toward early disclosure
- Discovery: Refining theories and working with experts
- Pretrial: Challenging experts and trial strategy

Patent Litigation – Damages

Money Damages

“[T]he 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[.]”

35 U.S.C. § 284.

Money Damages

Reasonable Royalty

- Hypothetical negotiation framework
- Key Question: What would the parties have agreed to in an arm's length negotiation?



Lost Profits

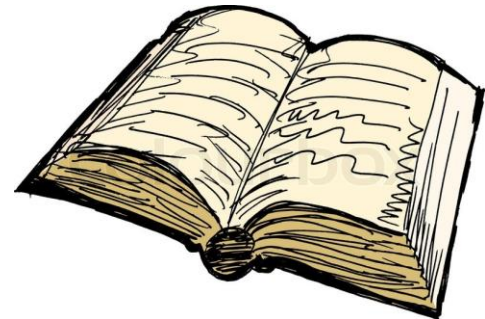
- “But for” framework
- Key Question: What would have happened to plaintiff if there was no infringement?



Reasonable Royalty

Georgia-Pacific Framework

- 15-factor analysis. *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970)
- Hypothetical negotiation for license to the patent before first infringement



Lost Profits

“[T]he patentee must show a reasonable probability that, ‘**but for**’ the infringement, it would have made the sales that were made by the infringer.”

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

Measured in Various Ways

- Past and future lost sales
- Price erosion
- Reduced royalties from licenses
- Reduced business goodwill or growth



Limitations to Money Damages – Apportionment

Patentee must “separate or **apportion** the defendant’s profits and the patentee’s damages **between the patented feature and the unpatented features.**”

Garretson v. Clark, 111 U.S. 120 (1884)

“The essential requirement is that the ultimate reasonable royalty award must be based on the **incremental value** that the patented invention adds to the end product.”

Ericsson, Inc. v. D-Link Sys., Inc.,
773 F.3d 1201, 1226 (Fed. Cir. 2014)



Limitations to Money Damages – Extent of Use

With Method Claims:



Patentee “can only receive infringement damages on those devices that actually performed the patented method during the relevant infringement period.”

Cardiac Pacemakers v. St. Jude Med.,
576 F.3d 1348, 1359 (Fed. Cir. 2009)

“[T]he damages base should be limited to products that were actually used to perform the claimed method.”

Niazi Licensing Corp. v. St. Jude Med. S.C., Inc.,
30 F.4th 1339, 1357 (Fed. Cir. 2022)

Injunctive Relief

Plaintiff must demonstrate:

1. irreparable injury
2. lack of adequate remedies at law
3. balancing of hardships
4. public interest considerations



eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006)

Injunctive Relief

Causal Nexus Requirement

“Sales lost to an infringing product cannot irreparably harm a patentee if consumers buy that product for reasons other than the patented feature.”

Apple Inc. v. Samsung Elecs. Co.,
735 F.3d 1352, 1360 (Fed. Cir. 2013)

Delay in seeking injunction

Delay is “an important factor bearing on the need for a preliminary injunction.”

High Tech Med. Instrumentation, Inc. v. New Images Indust., Inc., 49 F.3d 1551, 1557 (Fed. Cir. 1995)

Post-trial Remedies

Permanent Injunction

- *eBay* factors apply

Ongoing Royalty

- Reflect changed circumstances after infringement verdict

Enhancement

- Discretionary for “egregious cases”

Interest

- Pre-judgment interest + Post-judgment interest

INITIAL PLEADINGS STAGE

Initial Pleadings Stage – Damages Considerations

Strategy: Understanding the Scope of Exposure

- Types of damages
- Size of damages
- Litigation goals

Initial Pleadings Stage - Considerations

Is this a preliminary injunction case?

- Delay in filing suit?
- Causal nexus with harm?

What is the universe of exposure?

- Damages period?
- Sales volume?
- Convoyed sales?

Initial Pleadings Stage – Considerations

What is the goal of the lawsuit?

- Understand the opponent's business / product
 - Competitor v. NPE
 - Patent portfolio
- Understand the opponent's taste for litigation
 - Litigation history
 - Licensing history

CONTENTIONS STAGE

Contentions Stage – What are Patent Contentions?

- Infringement
- Invalidity
- Damages?



Contentions Stage – Damages Considerations

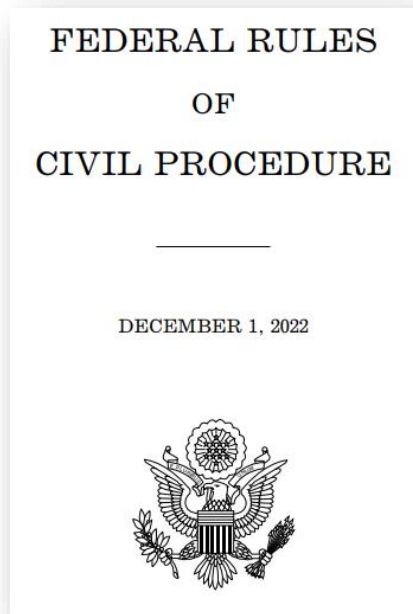
Strategy: Uncovering Damages Contentions Early

- Provide guidance for managing discovery in accordance with proportionality and relevance
- Identify the true stakes of the lawsuit and areas of disputes to enhance early resolution
- Enable early and efficient settlement discussions

The Sedona Conference, *Commentary on Case Management of Patent Damages and Remedies Issues: Proposed Model Local Rule for Damages Contentions*

Contentions Stage – Rule 26(a)(1)

Initial disclosure requirements require party seeking damages to provide:



“a **computation of each category of damages claimed by the disclosing party** – who must also make available for inspection and copying as under Rule 34 the **documents and other evidentiary material**, unless privileged or protected from disclosure, **on which each computation is based**, including materials bearing on the nature and extent of injuries suffered”

Contentions Stage – Rule 26(a)(1)

- *MLC Intellectual Prop., LLC v. Micron Tech., Inc.* (Fed. Cir. 2021)
- *Brandywine Communs. Techs. v. Cisco Sys.* (N.D. Cal. 2012)
- *Corning Optical Communs. Wireless Ltd. v. Solid, Inc.* (N.D. Cal. 2015)
- *NexStep, Inc. v. Comcast Cable Communs., LLC* (D. Del. 2021)

1993 Advisory Committee:

“This obligation applies only with respect to documents then reasonably available to it and not privileged or protected as work product . . . a party would not be expected to provide a calculation of damages which, as in many patent infringement actions, depends on information in the possession of another party or person.”

Contentions Stage – Venue Specific

Does the venue require damages contentions?

- Adoption: Move from “bludgeon first and value second”
 - *Corning Optical Communs. Wireless Ltd. v. Solid, Inc.* (N.D. Cal. 2015)
- N.D. Cal. Patent Local Rules
- E.D. Tex. Track B
- D. Del. Judges’ Procedures

Damages Contentions – N.D. Cal. PLR

3-2 (With Infringement Contentions)

- Licenses to patents-in-suit, F/RAND commitments, other agreements
- Licenses that may be comparable
- Marking documents
- Financial records

3-3 (With Invalidity Contentions)

- Licenses that may be comparable
- Financial documents
- Agreements



Damages Contentions – N.D. Cal. PLR

3-8 (Damages Contentions)

- 50 days after service of invalidity contentions
- Identification of each category of damages sought, good faith explanation of the theory, and factual bases

3-9 (Responsive Damages Contentions)

- 30 days after service of damages contentions
- Good faith disclosure of material facts



Damages Contentions – N.D. Cal. PLR

3-10 (Damages Contentions Meeting) - NEW

- 60 days after responsive damages contentions
- Parties meet (with or without counsel) and disclose their good faith estimate of damages
- Submit meeting certification identifying participants
- Contents of the meeting cannot be received in evidence or compelled in discovery



Contentions Stage

What types of remedies should be disclosed?

Reasonable Royalty

- Lump sum for patent term
- Running royalty
- Royalty theory

Lost Profits

- Past and future lost sales
- Price erosion
- Reduced royalties from licenses
- Reduced business goodwill or growth

Contentions Stage – Risk v. Reward

- Identify the true stakes
- Considerations for resolution:
 - Early discovery of monetary exposure
 - Scope of anticipated discovery based on the contentions
 - Identification of the key players (e.g., judge, witnesses, counsel)

DISCOVERY STAGE

Discovery Stage – Damages Considerations

Strategy: Developing Coherent and Supported Damages Theories

- Written discovery
- Expert engagement and involvement
- Discovery sequence

Discovery Stage – Consideration #1

What are proper responses to contention interrogatories?

- “[A]nswers to contention interrogatories evolve over time . . . answers to those interrogatories may not come into focus until the end of discovery. . . [R]esponses to interrogatories, and particularly contention interrogatories, must be corrected or supplemented to reflect those changes.”
 - *MLC Intellectual Prop., LLC v. Micron Tech., Inc.* (Fed. Cir. 2021)
- Facts, not opinions, as discoverable
 - *Lexington Luminance LLC v. Feit Elec. Co.* (C.D. Cal. Jul. 8, 2020)
- Contentions discoverable
 - *Kaneka Corp. v. Zhejiang Med. Co.* (C.D. Cal. Oct. 18, 2016)
- Patent Local Rules with limited prematurity objections

Discovery Stage – Consideration #2

What are ways to measure the value of the invention?

- Fact development
 - Internal and external valuations of IP rights
 - Placement in market
 - Importance of invention in driving demand
- Expert involvement
 - Early disclosure for access to confidential materials
 - Identification of areas for further discovery
 - Separate apportionment expert?

Discovery Stage – Consideration #3

How do you sequence discovery?

- Before depositions:
 - Early resolution of production issues (*i.e.*, production of financials, costs, licenses)
 - Third-party discovery
- During depositions:
 - Balancing infringement story with damages considerations
 - Reliance of damages expert on other experts

Discovery Stage – Risk v. Reward

- End of fact discovery and expert discovery often costly
- Considerations for resolution:
 - Discovery to exclude full damages theories (*i.e.*, no lost sales to support lost profits theory)
 - Intervening events (*i.e.*, change in market)
 - Changes in strength of infringement case, especially after claim construction

PRETRIAL STAGE

Pretrial Stage – Damages Considerations

Strategy: Weighing risk with increased focus

- Pretrial motion practice
- Litigation decision tree
- Potential post-trial upsides / exposures

Pretrial Stage – Consideration #1

How will pretrial motions affect damages?

- Patent Case Management Judicial Guide
 - “Do over” policies
 - Early consideration of *Daubert* challenges
- Dispositive motions
 - Coordination with dispositive motions on liability
 - Issues with significant impact on damages figure (*i.e.*, damages period, intervening rights, elimination of a sub-set of asserted patents)

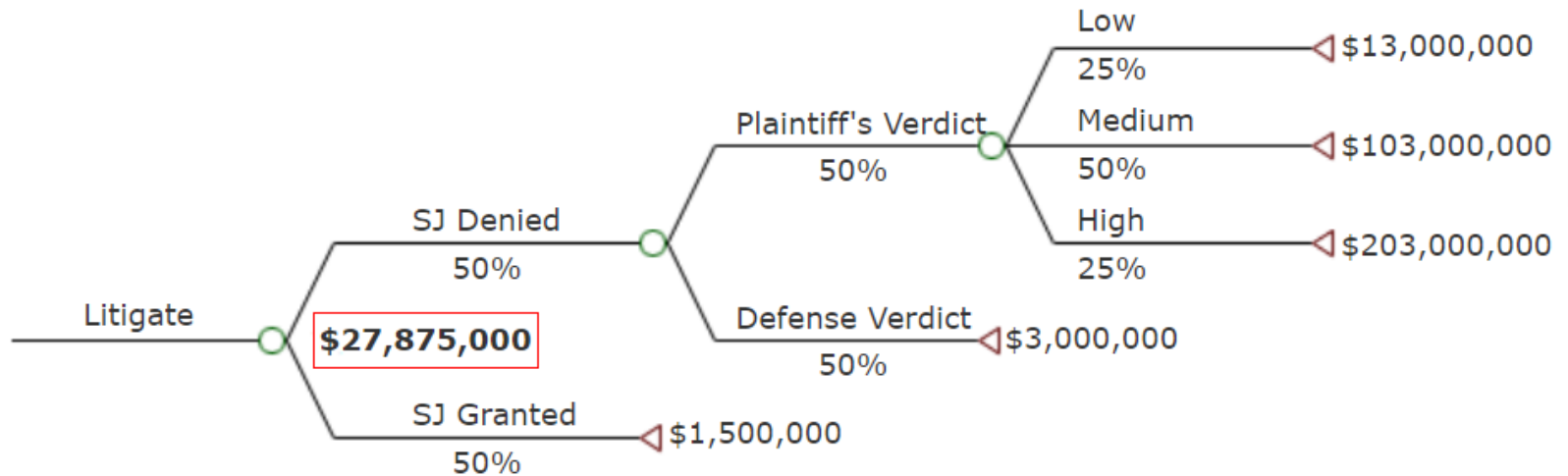
Pretrial Stage – Consideration #1

How will pretrial motions affect damages?

- Common *Daubert* challenges for damages experts
 - Lost profits:
 - Basis for causal nexus
 - Reasonable royalty:
 - Hypothetical negotiation date
 - Comparability of licenses
 - Apportionment factors

Pretrial Stage – Consideration #2

How do you think about the likelihood of success?



Pretrial Stage – Consideration #3

What are potential post-trial upsides / exposures?

- **Permanent Injunction** – four factors apply (*eBay v. MercExchange, L.L.C.*, 547 U.S. 388 (2006))
- **Ongoing Royalty** – reflect changed circumstances after infringement verdict
- **Enhancement** – discretionary for “egregious cases”
- **Interest** – prejudgment interest + post-judgment interest

Pretrial Stage – Risk v. Reward

- Time for risk calculus
- Considerations for resolution:
 - Significant narrowing of issues (*i.e.*, partial resolutions by MSJ)
 - Exclusion of evidence or testimony (*i.e.*, *Daubert* challenges and MIL)
 - Business implications

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