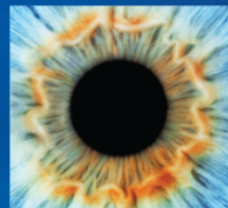
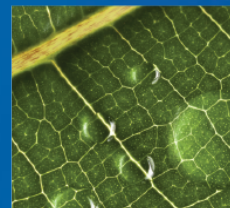
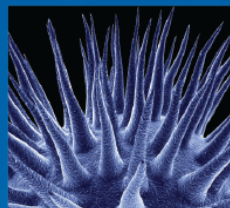
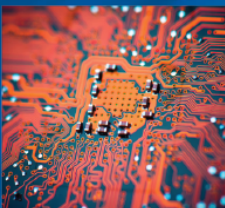


**Panel on IP Valuation: How Much is it Worth? How  
Much Can You Get? How Can You Protect It?**

Sep 26, 2018

Lauren Katzenellenbogen OCBA - Newport Beach, CA, 12PM



## About the Speaker

### Lauren Katzenellenbogen, Partner – Knobbe Martens



Lauren Katzenellenbogen litigates all types of intellectual property disputes, including claims pertaining to patents, trademarks, unfair competition, trade secrets and copyrights. For nearly two decades, she has represented businesses and individuals in litigation involving an array of industries, including medical and mechanical devices, consumer products, fashion, energy drinks and entertainment in federal courts across the U.S. as well as before the Trademark Trial and Appeal Board (TTAB).

Co-chair of the Consumer Products Litigation team, Lauren is a *Super Lawyers* Southern California “Rising Star” and listed among the magazine’s “Top Women Attorneys in Southern California.”

#### Education

Harvard Law School (J.D. 2002)

Duke University (B.S. Civil Engineering 1999), *magna cum laude*, Tau Beta Pi Engineering Honor Society

# Assessing Damages in Patent Litigation

## Patent Damages

- Damages for infringement shall be “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

## Damages Categories

- Lost Profits
- Reasonable Royalty
- For Design Patents Only – Disgorgement of Profits

## Lost Profits

- The patentee is entitled to recover the profits it would have made “but for” the infringement
- Lost Sales
  - *Panduit*
  - *Mor-Flo* (Market Share)
- Price Erosion
- Convoyed Sales

## Lost Profits – *Panduit* Test

- **Demand** for the patented product
- Absence of **acceptable non-infringing substitutes**
- Patentee has **manufacturing and marketing capacity** to exploit the demand
- **Amount of profit lost**

- *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*

## Market Share Theory

- Applies if acceptable non-infringing substitute(s) exists, but all other *Panduit* factors proven
- Prove lost profits based on patentee's share of market of noninfringing products

- *State Indus., Inc. v. Mor-Flo Indus., Inc.*



## Types of Reasonable Royalties

- Lump sum payment
- Amount per unit sold
- Percentage of sales
- Combination of the above

## Top 5 Patent Damages Awards in 2017 Were All Based on a Reasonable Royalty

- \$270,956,736 Wisconsin Alumni Research Foundation v. Apple Inc. (W.D.Wis. 3:14-cv-00062)
- \$139,800,000 Sprint Communications Company L.P. v. Time Warner Cable Inc. et al (D.Kan. 2:11-cv-02686)
- \$75,000,000 Ericsson Inc. et al v. TCL Communication Technology Holdings, LTD. et al (E.D.Tex. 2:15-cv-00011)
- \$70,000,000 Amgen Inc. et al v. Hospira, Inc. (D.Del. 1:15-cv-00839)
- \$50,313,779 Green Mountain Glass LLC et al v. Saint-Gobain Containers Inc. (D.Del. 1:14-cv-00392)

## Apportionment

- Damages must be apportioned between the patented feature(s) and the unpatented feature(s) in the accused product
- The ultimate reasonable royalty award must be based on the incremental value that the patented invention adds to the end product

## Determining the Royalty Base

### Smallest salable patent practicing unit (SSPPU)

- Presumptive standard for multi-component products
- Must have “close relation to the claimed invention”
- Where SSPPU is a multi-component product containing non-infringing features, SSPPU must be further apportioned

### Entire Market Value Rule (EMVR)

- Exception to the rule
- Can use revenues of entire product **only where** the patented feature is the **sole** driver of customer demand or substantially creates the value of the component parts

## Recent Cases

- Exmark Manufacturing Company Inc. v. Briggs & Stratton (2018)
- Virnetx, Inc. v. Cisco Systems (2014)
- CSIRO v. Cisco (2015)
- Ericsson, Inc. v. D-Link Systems, Inc. (2014)

## Use of Hypothetical Negotiation to Determine Reasonable Royalty Damages

- Assumptions
  - Parties are willing to enter an agreement, i.e. they can't walk away
  - Patent is valid, enforceable, and infringed
  - Parties know more information—Book of Wisdom
- Takes place just prior to first infringement

## Approaches for Determining Hypothetical Royalty

- *Georgia-Pacific* Analysis
  - 15 factors
- Analytical approach
  - Royalty = infringer's profit margin minus ordinary profit margin
- Cost of next best alternative

## *Georgia-Pacific* Factors

- Key considerations include:
  - **Significance of the IP to the product and to market demand**
  - **Royalty rates paid for similar IP**
  - Expert testimony as to value of IP
- Factors in areas including:
  - **Licensing**
  - **Competition**
  - **Profitability**
  - **Alternatives**



## Use of Prior Licenses

- Must be technologically and economically comparable
- Because prior licenses are almost never entirely comparable, testimony regarding prior licenses “must account for such distinguishing facts when invoking them to value the patented invention”

## Cost of Next Business Alternative

- Could infringer have remained in market with a noninfringing alternative?
  - Design around
  - Eliminate patented feature
  - Adopt another available alternative
- What would cost be of developing and marketing noninfringing alternative?
  - Development expenses
  - Manufacturing cost differences
  - Sales revenue differences
  - Delay costs

# Assessing Damages in Trademark/Trade Dress Litigation

## Trademark Damages

- Damages for infringement include “(1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action”

- 15 U.S.C. § 1117

## Disgorgement of Defendant's Profits

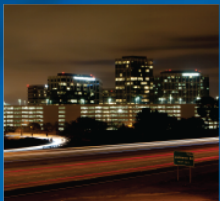
- The trademark owner has the burden to prove sales only
- Defendant has to show costs
- Apportionment – Defendant can show that sales were due to something other than the infringing trademark

## Actual Damages

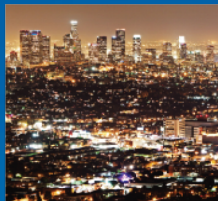
- Lost profits
- Reasonable royalty
  - *Georgia Pacific factors*
- Costs for corrective advertising

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949-760-0404



Orange County



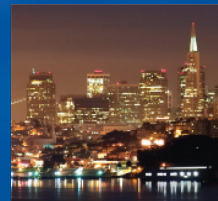
Los Angeles



New York



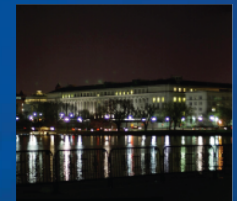
San Diego



San Francisco



Seattle



Washington DC