



CRA Insights: Intellectual Property

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CRA Insights: Intellectual Property is a periodic newsletter that provides summaries of notable developments in IP litigation.

Recent developments in IP damages

Summit 6, LLC v. Samsung Electronics Co., Ltd., et al. 2013-1648, -1651 (CAFC)

On September 21, 2015, the Court of Appeals for the Federal Circuit issued an opinion in this case, affirming the District Court's determination regarding the admissibility of the testimony of Summit 6's (Summit's) damages expert, affirming the District Court's determination regarding the damages award, and affirming the determination of the District Court that Summit is not entitled to a running royalty.

The case involves Samsung's alleged infringement of Summit's U.S. Patent No. 7,765,482 (the '482 patent), which relates to a method of automatically resizing digital photographs. Summit contends the '482 patent is important for users of Samsung phones who wish to send pictures from their phone's camera via multimedia messaging service (MMS). In April 2013, a jury in the Northern District of Texas found the asserted claims of the '482 patent to be infringed and not invalid, and awarded Summit damages of \$15 million in the form of a lump sum.

Summit's expert calculated damages of \$28 million based on a royalty of \$0.28 per unit. He arrived at this figure through an apportionment methodology that was based on surveys of customers' usage of various smartphone functions, including taking photos, sharing photos, and sending photos via MMS. He opined that the parties in the hypothetical negotiation would split the apportioned profits 50/50 based on a series of articles about bargaining outcomes and the Nash Bargaining model. Samsung's expert opined that the appropriate damages would be a lump sum of \$1.5 million.

After the trial, Samsung filed for Judgment as a Matter of Law (JMOL) on a number of issues, including the basis of the apportionment by Summit's expert, his reliance on surveys, and his use of Nash Bargaining. Judge O'Connor denied Samsung's motion. Samsung appealed to the Federal Circuit, on the basis that the testimony of Summit's expert was improperly admitted, and that there was no reasonable basis for the jury's \$15 million award. Samsung did not assert that Summit violated the entire market value rule (EMVR) or that its use of Nash Bargaining was improper.

The Federal Circuit disagreed with all of Samsung's arguments regarding Summit's expert's testimony, holding that the District Court had not abused its discretion in allowing testimony based on Summit's apportionment methodology, and that the expert need not be a survey expert to rely upon surveys

compiled by third parties, so long as the information is of a type reasonably relied upon by experts in the field to form opinions upon the subject. The Federal Circuit also characterized the traditional four-factor test laid out in *Daubert* and FRE 702 as “a flexible one” and indicated that the fact that Summit’s expert’s methodology was not peer-reviewed or published does not necessitate its exclusion. It also found that the jury verdict was supported by sufficient evidence and tied to the facts of the case.

Summit cross-appealed the District Court’s holding that Summit was not entitled to a compulsory ongoing royalty due to the jury’s indication that its verdict represented a lump sum. The Federal Circuit noted “[t]his court has not directly addressed whether a jury can award lump-sum damages through the life of the patent. We have, however, permitted such relief.” (citing *Telcordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365, 1378 (Fed. Cir. 2010))

In this case, the Federal Circuit concluded that the District Court had properly denied Summit’s request for an ongoing royalty because the jury award compensated Summit for both past and future infringement through the life of the patent. When the jury returned its verdict, it indicated that the award was a lump sum by writing “lump sum” on the verdict form. The jury also heard evidence that a lump sum award represented compensation throughout the life of the patent. Thus, the Federal Circuit found that the District Court did not abuse its discretion in denying Summit’s request for an ongoing royalty.

Judge Reyna authored the decision on behalf of the panel.

Carnegie Mellon University v. Marvell Technology Group, Ltd., 2014-1492 (CAFC)

On August 4, 2015, the Federal Circuit issued a decision in this case, affirming the District Court’s award of damages based on a \$0.50 per unit royalty rate, but remanding the case for further determination of the reasonable royalty base as it relates to foreign sales.

A jury in the Western District of Pennsylvania had found for Carnegie Mellon on the infringement and validity of two patents related to hard drives, and awarded roughly \$1.17 billion as a reasonable royalty for the infringement, applying a rate of \$0.50 per unit for certain semiconductor chips sold by Marvell for use in hard-disk drives. The District Court then used that rate to extend the award to the date of judgment, awarded a 23% enhancement of the past damages award based on Marvell’s willfulness (found by the jury and the District Court), and entered a judgment of roughly \$1.54 billion for past infringement and a continuing royalty at \$0.50 per chip sold by Marvell. Marvell appealed the District Court’s judgment to the Federal Circuit on several grounds.

First, Marvell challenged the admission of the testimony of Carnegie Mellon’s damages expert because, in its view, she lacked relevant expertise. Although the expert does not have “a Ph.D. or a traditional academic appointment,” the Federal Circuit held that those credentials are not required by Rule 702’s qualification standard. Accordingly, the Federal Circuit found no error was committed by the District Court, which considered the expert’s range of knowledge, skills, training, and the substance of her analysis.

Marvell also argued that Carnegie Mellon’s expert disregarded evidence that Marvell believed favored its much lower damages estimate. However, the Court disagreed, finding there was sufficient basis in the record for the jury’s \$0.50 per unit royalty award, despite the existence of three lump-sum license agreements that Carnegie Mellon granted to others to practice the patents at issue.

Marvell’s third argument regarding the reasonable royalty award related to the District Court’s denial of JMOL (and new trial or remittitur), striking the portion of the damages award that relied on sales of foreign chips that were manufactured, sold, and used abroad without ever entering the United States.

The Federal Circuit agreed with Marvell in part, indicating that a new trial is needed to determine whether certain infringing sales were correctly said to have been in the United States.

The Federal Circuit found that it could not say “that a jury could not find that the chips to have been sold in the United States (perhaps not only in the United States).” The record suggested a substantial level of sales activity by Marvell within the United States, even for chips manufactured, delivered, and used entirely abroad. Specifically, the Federal Circuit pointed to the facts that: (1) all the activities related to designing, simulating, testing, evaluating, and qualifying the chips by Marvell and its customers occur in the United States; (2) that from California, Marvell provides potential customers with samples and simulations incorporating its designs; that during its sales cycle, Marvell engineers assist customers in implementing its solutions into their product; and (3) that there was some evidence suggesting that specific contractual commitments for specific volumes of chips were made in the United States. On this basis, it determined that Marvell was not entitled to JMOL regarding its view that the royalty base must exclude chips not imported into the United States.

However, the Federal Circuit also found that Carnegie Mellon was not entitled to affirmance with respect to those chips. The jury was instructed that “Marvell cannot be found to have directly or indirectly infringed in connection with chips that are never used in the United States.” It was also instructed that “[t]o the extent, however, that Marvell achieved sales resulting from Marvell’s alleged infringing use during the sales cycle, you may consider them in determining the value of the infringing use.” The Federal Circuit determined that there was “something missing from the instructions, namely, an instruction that required the jury to find a domestic location of sale as to those chips not made in, used in, or imported into, the United States. For those chips, but not for those which did enter the United States, the instructions did not “properly apprise[] the jury of the issues and the applicable law.” (citing *Dressler v. Busch Entertainment Corp.*, 143 F.3d 778, 780) Thus, the Federal Circuit vacated the portion of the damages award which applied the \$0.50 royalty rate to chips not made in, used in, or imported into, the United States, indicating that a new trial is required to determine whether those chips were sold in the United States.

Judge Taranto authored the decision on behalf of the panel.

Apple Inc. v. Samsung Electronics Co., Ltd., et al. 2014-1802 (CAFC)

On September 17, 2015, the Federal Circuit issued a split decision that vacated the District Court’s order denying Apple’s request for a permanent injunction and remanded the case for further proceedings.

The case at issue involves Samsung’s infringement of U.S. Patent Nos. 5,946,647 (the ’647 patent), 8,046,721 (the ’721 patent), and 8,074,172 (the ’172 patent). The District Court held on summary judgment that Samsung infringed the ’172 patent and at trial, a jury found that nine Samsung products infringed one or both of Apple’s ’647 and ’721 patents. The jury awarded Apple \$119,625,000 for Samsung’s infringement of the three patents.

Following the verdict, Apple alleged that it would suffer irreparable harm from lost market share and sales because of Samsung’s patent infringement. Apple sought a permanent injunction to bar Samsung from “making, using, selling, developing, advertising, or importing into the United States software or code capable of implementing the infringing features in its products.” The District Court denied Apple’s motion, and found that Apple had not shown that a “causal nexus” connected Samsung’s infringement to the harm cited by Apple.

According to the Federal Circuit, “it was legal error for the district court to effectively require Apple to prove that the infringement was the sole cause of the lost downstream sales. The district court should

have determined whether the record established that a smartphone feature impacts customers' purchasing decisions. Though the fact that the infringing features are not the only cause of the lost sales may well lessen the weight of any alleged irreparable harm, it does not eliminate it entirely . . .”

The Federal Circuit further stated that Apple did not need to establish that the patented features were the reason customers bought Samsung phones instead of Apple phones. Rather, Apple only had to show that “these features were related to infringement and were important to customers when they were examining their phone choices.” The Federal Circuit concluded that “On this record, applying the correct legal standard for irreparable harm, Apple has established irreparable harm.”

In a dissenting opinion, Chief Judge Prost stated that “This is not a close case... Apple alleged that it would suffer irreparable harm from lost sales because of Samsung’s patent infringement. For support, Apple relied on a consumer survey as direct evidence, and its allegations of ‘copying’ as circumstantial evidence. The district court rejected both evidentiary bases. On the record of this case, showing clear error in the district court’s factual findings is daunting, if not impossible.”

Judge Moore authored the majority opinion. Judge Reyna authored a concurring opinion, and Chief Judge Prost authored a dissenting opinion.

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