



CRA Insights: Intellectual Property

CRA Charles River
Associates

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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

Prism Technologies LLC v. Sprint Spectrum L.P., No. 16-1456 (Fed. Cir. 2017)

On March 6, 2017, the Court of Appeals for the Federal Circuit (CAFC) issued an opinion in this case, affirming the District Court's denial of the post-trial motions of Sprint and Prism Technologies (Prism). The post-trial motions addressed a number of issues including the admissibility of settlement agreement evidence and damages evidence related to cost savings and ongoing royalties.

The case involved Sprint's alleged infringement of Prism's U.S. Patent Nos. 8,127,345 (the '345 patent) and 8,387,155 (the '155 patent), which relate to methods and systems for managing access to protected information on networks. In June 2015, a jury in the District of Nebraska found that the patents were infringed and not invalid, and awarded Prism damages of \$30 million.

In July 2015, Sprint moved for judgment as a matter of law and a new trial, arguing a number of issues, including that a settlement agreement between Prism and AT&T (the AT&T Settlement Agreement) was improperly admitted, and that Prism's cost-savings damages evidence was also improperly admitted. Prism moved for an accounting of Sprint's infringement after the period that Prism claimed was covered by the jury award through the entry of judgment, and to have a royalty set for ongoing infringement through the life of the asserted patents. The District Court denied both motions, and Sprint and Prism each filed an appeal.

In its appeal, Sprint argued that the AT&T Settlement Agreement should have been excluded under Rule 403. The rule allows the exclusion of "relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence." The CAFC disagreed with Sprint, finding that there was an adequate basis for admitting the agreement. The Court explained that the AT&T Settlement Agreement was properly admitted because: 1) it covered the patents at issue (along with others that were not at issue in the litigation against Sprint); 2) it attributed amounts to particular patents; 3) it was entered into near the end of trial between Prism and AT&T; 4) Prism provided evidence about how the other patents licensed under the agreement related to AT&T's business; 5) Prism provided evidence about the comparability of AT&T's and Sprint's uses of the '345 and '155 patented technologies; and 6) the agreement settled a case in which enhanced damages did not appear to be at issue. The CAFC

also rejected Sprint's arguments which would "urge a categorical legal rule barring admission" of settlement agreements.

Sprint further argued in its appeal that Prism's cost-savings damages model was not sufficiently tied to the "footprint" of the invention. The CAFC disagreed, explaining that while a patentee must tie proof of damages to the invention's footprint in the market place, that requirement "can be met if the patentee adequately shows that the defendant's infringement allowed it to avoid taking a different, more costly course of action." The Court further noted that the price for a hypothetical license may appropriately be based on consideration of the cost savings a patented technology provides over non-infringing alternatives.

The CAFC also rejected Prism's argument that it was entitled to additional royalties through the entry of judgment and to have a royalty set for ongoing infringement through the life of the asserted patents. The Court stated that "the evidence presented by the parties is consistent with the district court's finding that the jury awarded damages for past, present, and future infringement," in particular because "the evidence can be understood as suggesting that a hypothetical negotiation would likely have resulted in a one-time payment for a life-of-patent license." The CAFC explained that Prism's damages model was based on Sprint's expected cost savings, consisting in large part of initial capital costs, and that Prism's licensing practices provided additional support for a one-time payment for a license through the life of the patents.

Mentor Graphics Corp. v. EVE-USA, Inc. et al., No. 15-1470 (Fed. Cir. 2017)

On March 16, 2017, the CAFC issued an opinion in this case, affirming the District Court's finding of infringement of U.S. Patent No. 6,240,376 (the '376 patent) and its award of approximately \$36 million in damages. The CAFC also reversed several of the District Court's summary judgment rulings related to a number of other patents asserted by the parties. Finally, the CAFC reversed the District Court's ruling precluding Mentor Graphics Corp. (Mentor) from introducing evidence of willful infringement. The case was remanded for a trial of that issue and an assessment of Mentor's claim for enhanced damages.

In 2006, Mentor asserted the '376 patent and two other patents against EVE-USA (EVE). Mentor and EVE settled the case, and EVE obtained a license to the three patents. The license contained a provision terminating the agreement if EVE were acquired by another company in the same industry. In 2012, Mentor asserted a fourth patent against EVE, and EVE was subsequently acquired by Synopsys, Inc. (Synopsys). In the District Court case, Mentor asserted the four patents against Synopsys, and Synopsys asserted two patents against Mentor. The patents in this case involve simulation/emulation technology. Prior to trial, the District Court granted summary judgment on all patents except the '376 patent. The CAFC reversed the majority of the summary judgment rulings.

With respect to the '376 patent damages, Synopsys argued that the damage award should be vacated because the District Court failed to apportion the lost profits. The CAFC disagreed, stating that "apportionment was properly incorporated into the lost profits analysis and in particular through the *Panduit* factors. *Panduit's* requirement that patentees prove demand for the product as a whole and the absence of non-infringing alternatives ties lost profit damages to specific claim limitations and ensures that damages are commensurate with the value of the patented features." Synopsys also argued that not requiring an additional apportionment step after the *Panduit* test has been met would "allow multiple entities to obtain lost profits on the same product where each entity holds a patent on a different 'but for' feature of the same product." The CAFC disagreed, explaining that under the *Panduit* test there can only be one recovery of lost profits for any particular sale since the "patentee cannot obtain lost profits unless it and only it could have made the sale."

Finally, the District Court ruled that Mentor could not present evidence of willfulness because Mentor had relied exclusively on the post-suit conduct of Synopsys, and Mentor had not first sought a preliminary injunction. The CAFC reversed this ruling, stating that the District Court had erred in determining the filing date of the relevant suit and that, as the CAFC had previously explained in *Aqua Shield v. Inter Pool Cover Team* (Fed. Cir. 2014), there is “no rigid rule” that a patentee must seek a preliminary injunction in order to seek enhanced damages.

SCA Hygiene Products Aktiebolag, et al. v. First Quality Baby Products, LLC, et al., No. 15-927 (Supreme Court)

On March 21, 2017, the Supreme Court issued a decision in this case, holding that laches cannot be invoked as a defense against a claim for damages brought within the Patent Act’s six-year limitations period under 35 U.S.C. §286 (§286).

In 2003, SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, SCA) sent a letter to respondents (collectively, First Quality), alleging that First Quality was making and selling products that infringed SCA’s rights under U. S. Patent No.6,375,646 B1 (the ‘646 patent). First Quality responded that the ‘646 patent was invalid in light of one of its own patents, and thus could not support an infringement claim. SCA sent First Quality no further correspondence regarding the ‘646 patent, and First Quality proceeded to develop and market its products. In July 2004, SCA asked the Patent and Trademark Office to initiate a reexamination proceeding to determine whether the ‘646 patent was valid. Three years later, in March 2007, the PTO issued a certificate confirming the validity of the ‘646 patent.

SCA filed this patent infringement action against First Quality in August 2010. First Quality moved for summary judgment based on laches and equitable estoppel. The District Court granted summary judgment in favor of First Quality, finding that SCA’s claims were barred by both laches and equitable estoppel. The District Court’s decision was upheld by both a Federal Circuit panel and the *en banc* Federal Circuit.

In its opinion, the Supreme Court discussed its 2014 decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, a copyright case in which it held that laches cannot preclude a claim for damages incurred within the Copyright Act’s three-year limitations period. “With *Petrella*’s principles in mind,” it turned the present dispute, considering various arguments offered by First Quality and its *amici*. Ultimately, the Court concluded that “[b]y the logic of *Petrella*, we infer that [§286’s six-year limitations] provision represents a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim.”

Justice Alito delivered the opinion of the Court, in which Chief Justice Roberts and Justices Kennedy, Thomas, Ginsburg, Sotomayor, and Kagan joined. Justice Breyer filed a dissenting opinion.

Editors

Sean D. Sheridan
Principal
Chicago
+1-312-377-9237
ssheridan@crai.com

Kimberly J. Schenk
Principal
Chicago
+1-312-377-2249
kschenk@crai.com

www.crai.com/ip

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