



CRA Insights: Intellectual Property

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Recent developments in IP damages

Power Integrations, Inc. v. Fairchild Semiconductor International, Inc., et al. 2016-2691, 2017-1875 (CAFC)

On July 3, 2018, the Federal Circuit issued a decision in this case, affirming the District Court's findings of infringement, vacating the damages award, and remanding the case for further proceedings.

The case at issue involves Fairchild's infringement of two patents owned by Power Integrations. The first patent, U.S. Patent No. 6,212,079 ("the '079 patent"), covers a switching regulator which directs the transistor in a circuit when to turn on and off in order to provide the desired amount of power to an electronic device. The second patent, U.S. Patent No. 6,538,908 ("the '908 patent"), covers a "power supply controller," which is an integrated circuit that can perform a variety of power-regulation functions.

In March 2014, a jury in the Northern District of California found that Fairchild infringed the '079 patent and the '908 patent and awarded Power Integrations \$105 million in reasonable royalty damages. Six months after the jury verdict, and while the case was still pending in the District Court, the Federal Circuit decided *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308 (Fed. Cir. 2014). In its *VirnetX* decision, the Federal Circuit explained that simply using the smallest salable unit as a royalty base is not necessarily sufficient to satisfy a patentee's obligation to apportion for multi-component products with significant unpatented features. In light of *VirnetX*, the District Court granted a new trial on damages since Power Integrations' royalty calculation in the first trial did not rely on the entire market value rule (EMVR) and failed to apportion beyond the smallest salable unit.

In October 2015, the District Court granted Fairchild's motion to exclude Power Integrations' expert testimony based on apportionment, but allowed its expert to present testimony based on the EMVR. At the second trial in December 2015, the jury awarded \$139.8 million in damages based on the EMVR. Fairchild subsequently moved for judgment as a matter of law, or in the alternative a new trial, arguing that the damages award was not supported by substantial evidence and that the use of the EMVR was improper. The District Court denied the motion and Fairchild appealed the determinations of infringement and the damages award.

The Federal Circuit upheld the District Court's determination that Fairchild infringed the '079 and '908 patents but agreed with Fairchild that the District Court should have granted Fairchild's motion for a new trial on damages.

The Federal Circuit explained that in order to rely on the EMVR when a "product contains multiple valuable features, it is not enough to merely show that the patented feature is viewed as essential, that a product would not be commercially viable without the patented feature, or that consumers would not purchase the product without the patented feature." The Federal Circuit stated that "[w]hen the product contains other valuable features, the patentee must prove that those other features did not influence purchasing decisions."

The Federal Circuit found that although both parties agreed that the accused products contained other valuable features in addition to the patented feature, Power Integrations did not provide proof that these other features did not affect consumer demand. The Federal Circuit determined that “[w]ithout such proof, Power Integrations did not meet its burden to show that the patented feature was the sole driver of consumer demand, *i.e.*, that it alone motivated consumers to buy the accused products.” Thus, the Federal Circuit found that the evidence presented by Power Integrations was insufficient as a matter of law to invoke the EMVR, and vacated the award of damages and remanded for a new trial.

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