

# TABLE OF CONTENTS

## CHAPTER 1

### Determining the Damages Period

|        |                                                                                           |        |
|--------|-------------------------------------------------------------------------------------------|--------|
| § 1.01 | Introduction . . . . .                                                                    | 1-2    |
| § 1.02 | The Outer Boundary of the<br>Damages Period . . . . .                                     | 1-14.2 |
|        | [1] Commercial Cases . . . . .                                                            | 1-14.2 |
|        | [2] Government Cases . . . . .                                                            | 1-16   |
|        | [3] Laches. . . . .                                                                       | 1-17   |
| § 1.03 | Determining When Infringement Starts . . . . .                                            | 1-22   |
| § 1.04 | Public Policy Behind the Marking/Notice<br>Requirement . . . . .                          | 1-25   |
|        | [1] Historical Background . . . . .                                                       | 1-26   |
|        | [2] Avoiding Innocent Infringement . . . . .                                              | 1-27   |
|        | [3] Encouraging Patentees to Give Notice<br>to the Public. . . . .                        | 1-27   |
|        | [4] Encouraging Innovation by Aiding the<br>Public to Identify Patented Articles. . . . . | 1-33   |
| § 1.05 | Marking/Notice Statute Limits on Damages . . . . .                                        | 1-35   |
|        | [1] Determining if Patentee Is Subject to<br>Section 287(a) . . . . .                     | 1-37   |
|        | [a] Threshold Analysis. . . . .                                                           | 1-38   |
|        | [i] Method Claims and<br>Apparatus Claims in<br>Same Asserted Patent . . . . .            | 1-39   |
|        | [ii] Asserted Method Patent with<br>Related Apparatus<br>Patent . . . . .                 | 1-40.1 |
|        | [iii] Assertion of Non-Practiced<br>Unmarked Claims. . . . .                              | 1-40.2 |
|        | [2] Satisfying the Requirements if the<br>Marking/Notice Statute Applies . . . . .        | 1-40.3 |
|        | [a] Threshold Analysis. . . . .                                                           | 1-40.3 |

**PATENT INFRINGEMENT**

|        |       |                                                                            |         |
|--------|-------|----------------------------------------------------------------------------|---------|
|        | [b]   | Marking and Constructive Notice . . . . .                                  | 1-40.4  |
|        |       | [i] Licensee/Reseller Marking. . .                                         | 1-40.4  |
|        |       | [ii] Package Marking . . . . .                                             | 1-40.6  |
|        |       | [iii] Partial or Substantial Compliance. . . . .                           | 1-40.8  |
|        |       | [iv] Combination Patents. . . . .                                          | 1-40.10 |
|        |       | [v] Virtual Marking . . . . .                                              | 1-40.11 |
|        | [c]   | Actual Notice . . . . .                                                    | 1-40.12 |
|        |       | [i] Balancing Between Notice and Declaratory Judgment. . . . .             | 1-40.13 |
|        |       | [ii] Notice to Appropriate Party . . . . .                                 | 1-40.16 |
|        |       | [iii] Notice by Appropriate Party . . . . .                                | 1-41    |
|        |       | [iv] Content of the Communication . . . . .                                | 1-42    |
|        |       | [v] Infringer's Conduct . . . . .                                          | 1-45    |
|        | [3]   | Consequences of Not Meeting the Marking/Notice Requirements. . . . .       | 1-46    |
| § 1.06 | Other | Limitations and Extensions . . . . .                                       | 1-47    |
|        | [1]   | Foreseeability and Infringement Under the Doctrine of Equivalents. . . . . | 1-48    |
|        | [2]   | Product-by-Process Infringement. . . . .                                   | 1-49    |
|        | [3]   | Design Patents . . . . .                                                   | 1-51    |
|        | [4]   | False Marking and Marking Estoppel. . .                                    | 1-52    |
|        |       | [a] False Marking. . . . .                                                 | 1-52    |
|        |       | [b] Marking Estoppel. . . . .                                              | 1-57    |
|        | [5]   | Pre-Issuance Damages . . . . .                                             | 1-59    |
|        | [6]   | Non-Statutory Double Patenting . . . . .                                   | 1-61    |
|        | [7]   | Relationship to Timing of Hypothetical Negotiation. . . . .                | 1-62    |
|        | [8]   | Patent Expiration . . . . .                                                | 1-62    |
| § 1.07 |       | Questions of Fact and Questions of Law . . . .                             | 1-63    |

**CHAPTER 2****Determining the Damages Base**

|        |                                                                |      |
|--------|----------------------------------------------------------------|------|
| § 2.01 | Introduction . . . . .                                         | 2-3  |
| § 2.02 | The Apportionment Principle . . . . .                          | 2-7  |
|        | [1] Lost Profits and Reasonable Royalty Calculations . . . . . | 2-11 |

## TABLE OF CONTENTS

xvii

|        |       |                                                                               |      |
|--------|-------|-------------------------------------------------------------------------------|------|
|        | [2]   | Ascertaining the Applicable Facts. . . . .                                    | 2-13 |
|        | [3]   | Scope of the Patent . . . . .                                                 | 2-14 |
|        | [4]   | Categorizing the Unpatented<br>Components . . . . .                           | 2-18 |
|        | [5]   | Applying the Apportionment Principle<br>and Exceptions. . . . .               | 2-19 |
|        | [a]   | Apply the Appropriate<br>Apportionment Principle<br>Methodology . . . . .     | 2-22 |
|        | [i]   | Damages Base Is the<br>Smallest Salable Unit,<br>Further Apportioned. . . . . | 2-22 |
|        | [ii]  | Comparable Licenses . . . . .                                                 | 2-25 |
|        | [iii] | Standards Essential<br>Patents. . . . .                                       | 2-25 |
|        | [b]   | Exceptions to the General Rule—<br>Entire Market Value Rule . . . . .         | 2-26 |
|        | [i]   | Basis for Demand. . . . .                                                     | 2-26 |
|        | [ii]  | Functional Unit. . . . .                                                      | 2-29 |
|        | [iii] | Analogous to Single<br>Functional Unit. . . . .                               | 2-30 |
|        | [c]   | Other Special Circumstances. . . . .                                          | 2-32 |
|        | [i]   | Foreseeability . . . . .                                                      | 2-32 |
|        | [ii]  | Product Made by Patented<br>Process or by a Patented<br>Machine . . . . .     | 2-34 |
|        | [iii] | Punitive Damages. . . . .                                                     | 2-35 |
|        | [iv]  | Unpatented Consumables. . . . .                                               | 2-35 |
|        | [v]   | Collateral or Convoyed<br>Sales . . . . .                                     | 2-36 |
|        | [vi]  | Apportionment in the<br>Reasonable Royalty<br>Context . . . . .               | 2-39 |
|        | [6]   | Determining if Limitations to the Entire<br>Market Value Rule Apply. . . . .  | 2-40 |
|        | [a]   | Apportionment . . . . .                                                       | 2-40 |
|        | [b]   | Spare Parts/Replacement Parts . . . . .                                       | 2-47 |
|        | [c]   | Unforeseeability . . . . .                                                    | 2-48 |
|        | [d]   | Sales to United States<br>Government . . . . .                                | 2-49 |
| § 2.03 |       | Usage Scope of the Damages Base—Indirect<br>Infringement . . . . .            | 2-50 |
|        | [1]   | Categories of Patent Infringement. . . . .                                    | 2-50 |
|        | [2]   | Elements of Indirect Infringement . . . . .                                   | 2-51 |

**PATENT INFRINGEMENT**

|        |     |                                                                                              |      |
|--------|-----|----------------------------------------------------------------------------------------------|------|
|        | [a] | Elements of Induced Infringement . . . . .                                                   | 2-51 |
|        |     | [i] Intentional Actions . . . . .                                                            | 2-51 |
|        |     | [ii] Knowledge of the Patent . . . . .                                                       | 2-52 |
|        |     | [iii] Knowledge that Acts Induced Infringement . . . . .                                     | 2-52 |
|        |     | [iv] Underlying Direct Infringement . . . . .                                                | 2-53 |
|        | [b] | Contributory Infringement . . . . .                                                          | 2-54 |
|        |     | [i] Sale, Offer or Importation . . . . .                                                     | 2-54 |
|        |     | [ii] Act of Direct Infringement . . . . .                                                    | 2-55 |
|        |     | [iii] Not a Staple Article, Commodity, Incapable of Substantial Non-Infringing Use . . . . . | 2-55 |
|        |     | [iv] Material Part of the Patented Invention . . . . .                                       | 2-56 |
|        |     | [v] Knowledge . . . . .                                                                      | 2-56 |
|        | [3] | Determining the Damages Base for Indirect Infringement . . . . .                             | 2-56 |
|        |     | [a] Inherently Infringing Approach . . . . .                                                 | 2-57 |
|        |     | [b] Apportionment Approach . . . . .                                                         | 2-57 |
|        |     | [c] Hypothetical Negotiation Approach . . . . .                                              | 2-58 |
| § 2.04 |     | Extraterritorial Scope of the Damages Base . . . . .                                         | 2-59 |
|        | [1] | Introduction . . . . .                                                                       | 2-59 |
|        | [2] | Contributory Infringement Outside the U.S. . . . .                                           | 2-66 |
|        |     | [a] Single Component . . . . .                                                               | 2-66 |
|        |     | [b] Design Patents . . . . .                                                                 | 2-66 |
|        |     | [c] Process or Method Patents . . . . .                                                      | 2-67 |
|        |     | [d] Computer Software . . . . .                                                              | 2-68 |
|        | [3] | Imported Products . . . . .                                                                  | 2-72 |
|        | [4] | Systems Straddling a Border . . . . .                                                        | 2-73 |
|        | [5] | Sales or Offers to Sell in U.S. Made Outside U.S. . . . .                                    | 2-74 |
| § 2.05 |     | Design Patents . . . . .                                                                     | 2-75 |

**CHAPTER 3****Established Royalty Measure of Damages**

|        |                                                                     |       |
|--------|---------------------------------------------------------------------|-------|
| § 3.01 | Introduction . . . . .                                              | 3-1   |
| § 3.02 | Determining Whether Established Royalty<br>Exists. . . . .          | 3-4   |
| [1]    | Paid or Secured Before the<br>Infringement Began . . . . .          | 3-4   |
| [2]    | Paid by a Sufficient Number<br>of Persons. . . . .                  | 3-5   |
| [3]    | Uniformity . . . . .                                                | 3-6   |
| [4]    | Not Under Threat of Suit or in<br>Settlement of Litigation. . . . . | 3-6.1 |
| [5]    | Comparable Rights. . . . .                                          | 3-6.2 |
| § 3.03 | Effects on Adequate Compensation . . . . .                          | 3-7   |
| [1]    | Relation to Reasonable Royalty . . . . .                            | 3-7   |
| [2]    | Relation to Lost Profits . . . . .                                  | 3-9   |

**CHAPTER 4****Reasonable Royalty Measure of Damages**

|        |                                                                   |        |
|--------|-------------------------------------------------------------------|--------|
| § 4.01 | Introduction . . . . .                                            | 4-2    |
| § 4.02 | The Hypothetical Negotiation. . . . .                             | 4-4    |
| § 4.03 | Calculating the Reasonable Royalty . . . . .                      | 4-10   |
| [1]    | The <i>Georgia-Pacific</i> Factors . . . . .                      | 4-10   |
| [a]    | Overview. . . . .                                                 | 4-10   |
| [b]    | Comparable Licenses . . . . .                                     | 4-13   |
| [i]    | Existing Licenses<br>(Factor 1) . . . . .                         | 4-14   |
| [ii]   | Comparable Patents<br>(Factor 2) . . . . .                        | 4-18   |
| [iii]  | Customary Profit<br>Allocation (Factor 12) . . . . .              | 4-20   |
| [c]    | Scope and Duration of License<br>(Factors 3 & 7) . . . . .        | 4-20   |
| [d]    | Relationships Between Parties<br>(Factors 4 & 5) . . . . .        | 4-21   |
| [e]    | Role of Non-Patented Elements<br>(Factors 6 & 13) . . . . .       | 4-21   |
| [f]    | Product Profitability (Factor 8) . . . . .                        | 4-24   |
| [g]    | Value of the Patented Invention<br>(Factors 9, 10 & 11) . . . . . | 4-24.1 |

**PATENT INFRINGEMENT**

|        |                                                                                   |        |
|--------|-----------------------------------------------------------------------------------|--------|
|        | [h] Expert Testimony and the Hypothetical Negotiation (Factors 14 & 15) . . . . . | 4-26   |
|        | [i] Other Factors . . . . .                                                       | 4-28   |
|        | [i] Widespread Infringement . . . . .                                             | 4-28   |
|        | [ii] Cost Savings . . . . .                                                       | 4-29   |
|        | [iii] Price Erosion . . . . .                                                     | 4-30   |
|        | [iv] Patent Population . . . . .                                                  | 4-30   |
|        | [v] Other . . . . .                                                               | 4-31   |
|        | [2] Application of the <i>Georgia-Pacific</i> Factors . . . . .                   | 4-32   |
|        | [a] Trial Court Discretion . . . . .                                              | 4-32   |
|        | [b] Appellate Review . . . . .                                                    | 4-33   |
|        | [3] Throughput or Paid-Up Licenses . . . . .                                      | 4-35   |
|        | [4] Percentage of Sales . . . . .                                                 | 4-37   |
| § 4.04 | Other Approaches . . . . .                                                        | 4-40   |
|        | [1] The Analytical Approach . . . . .                                             | 4-40   |
|        | [2] Mathematical Models . . . . .                                                 | 4-41   |
|        | [a] The 25-Percent Rule . . . . .                                                 | 4-41   |
|        | [b] The Nash Bargaining Solution . . . . .                                        | 4-43   |
|        | [3] Percentage of Patentee's Profits . . . . .                                    | 4-44   |
|        | [4] Allocated Cost Savings . . . . .                                              | 4-45   |
|        | [5] U.S. Government as the Infringer . . . . .                                    | 4-46   |
|        | [6] Licensing of "Standards Essential" Patents . . . . .                          | 4-48   |
|        | [7] Technology Licensing Model . . . . .                                          | 4-50   |
|        | [8] Usage-Based Infringement . . . . .                                            | 4-50.3 |
| § 4.05 | Applying Enhancements and Limitations . . . . .                                   | 4-50.5 |
|        | [1] Enhancement . . . . .                                                         | 4-50.5 |
|        | [2] Limitation on Reasonable Royalty . . . . .                                    | 4-54   |
|        | [a] Generally . . . . .                                                           | 4-54   |
|        | [b] Non-Infringing Alternative . . . . .                                          | 4-54   |
|        | [c] Infringer's Profits . . . . .                                                 | 4-56   |
| § 4.06 | Post-Verdict Royalty . . . . .                                                    | 4-59   |

**CHAPTER 5****Lost Profits Measure of Damages**

|        |                                                     |     |
|--------|-----------------------------------------------------|-----|
| § 5.01 | Introduction . . . . .                              | 5-2 |
| § 5.02 | Application of the <i>Panduit</i> Factors . . . . . | 5-7 |
|        | [1] Demand for the Patented Product . . . . .       | 5-7 |
|        | [a] Existing Demand . . . . .                       | 5-7 |
|        | [b] No Demand . . . . .                             | 5-8 |

## TABLE OF CONTENTS

xxi

|        |                                                                                            |      |
|--------|--------------------------------------------------------------------------------------------|------|
|        | [c] Products Made by Patented Method . . . . .                                             | 5-10 |
| [2]    | No Acceptable Non-Infringing Substitutes . . . . .                                         | 5-10 |
|        | [a] Product Dimension . . . . .                                                            | 5-11 |
|        | [i] Non-Infringing Substitutes Not Found . . . . .                                         | 5-13 |
|        | [ii] Non-Infringing Substitutes Found . . . . .                                            | 5-14 |
|        | [iii] Market Share Analysis . . . . .                                                      | 5-15 |
|        | [iv] Willful Infringement Basis for Proving Absence of Non-Infringing Substitute . . . . . | 5-16 |
|        | [b] Time Dimension . . . . .                                                               | 5-16 |
| [3]    | Manufacturing and Marketing Capacity to Meet the Demand . . . . .                          | 5-18 |
|        | [a] Manufacturing Capability . . . . .                                                     | 5-19 |
|        | [b] Marketing Capability . . . . .                                                         | 5-20 |
|        | [c] Special Problems Related to Foreign Sales . . . . .                                    | 5-21 |
| [4]    | Determining the Amount of Lost Profits . . . . .                                           | 5-22 |
|        | [a] Determining the Patentee's Sales "but for" the Infringement . . . . .                  | 5-24 |
|        | [b] Lost Profits Enhancements . . . . .                                                    | 5-26 |
|        | [i] In General . . . . .                                                                   | 5-26 |
|        | [ii] Entire Market Value Rule and Convoyed Sales . . . . .                                 | 5-26 |
|        | [iii] Post-Expiration Damages . . . . .                                                    | 5-28 |
|        | [c] Lost Profits Limitations . . . . .                                                     | 5-28 |
|        | [d] Determining the Lost Profits on the Damages Base . . . . .                             | 5-29 |
|        | [i] Price Variable . . . . .                                                               | 5-29 |
|        | [ii] Cost Variable . . . . .                                                               | 5-30 |
| § 5.03 | Apportionment of Lost Profits Damages . . . . .                                            | 5-32 |
| § 5.04 | Intercompany Issues . . . . .                                                              | 5-33 |

## CHAPTER 6

## Limitations on Damages

|        |                                                                       |        |
|--------|-----------------------------------------------------------------------|--------|
| § 6.01 | Introduction . . . . .                                                | 6-2    |
| § 6.02 | Multiple Recovery and Authorization—<br>Multiple Infringers . . . . . | 6-5    |
| [1]    | Types of Infringing Acts and<br>Infringers . . . . .                  | 6-5    |
| [a]    | Types of Patent Claims . . . . .                                      | 6-7    |
| [b]    | Types of Infringing Acts . . . . .                                    | 6-9    |
| [2]    | Creating Authorization. . . . .                                       | 6-15   |
| [a]    | First Sale of Patented<br>Product—Exhaustion . . . . .                | 6-15   |
| [b]    | Implied License . . . . .                                             | 6-21   |
| [i]    | Creation by Product Sale . . . . .                                    | 6-21   |
| [ii]   | Creation Through Product<br>Circumstances. . . . .                    | 6-22   |
| [iii]  | Creation Through Equitable<br>Estoppel . . . . .                      | 6-23   |
| [iv]   | Creation Through Course of<br>Conduct. . . . .                        | 6-23   |
| [3]    | Boundaries of Authorization . . . . .                                 | 6-23   |
| [a]    | Claims and Patents. . . . .                                           | 6-24   |
| [i]    | Apparatus and Method<br>Claims of the Same<br>Patent . . . . .        | 6-24   |
| [ii]   | Method Patent. . . . .                                                | 6-24   |
| [iii]  | Combination Patent . . . . .                                          | 6-25   |
| [b]    | Use Restriction . . . . .                                             | 6-26   |
| [c]    | Life of the Patented Product . . . . .                                | 6-27   |
| [d]    | License Restrictions . . . . .                                        | 6-27   |
| [4]    | Repair/Reconstruction . . . . .                                       | 6-28   |
| [a]    | Basic Principles . . . . .                                            | 6-28   |
| [b]    | Effects Both Under Exhaustion<br>and Implied License. . . . .         | 6-32   |
| [5]    | Product Sales by Licensee. . . . .                                    | 6-32   |
| § 6.03 | Multiple Infringing Acts. . . . .                                     | 6-34   |
| § 6.04 | Indemnification . . . . .                                             | 6-36   |
| [1]    | Obligation of Indemnification . . . . .                               | 6-37   |
| [a]    | Uniform Commercial Code . . . . .                                     | 6-37   |
| [b]    | Contractual Arrangements<br>Between Parties . . . . .                 | 6-38.1 |

## TABLE OF CONTENTS

xxiii

|        |                                              |        |
|--------|----------------------------------------------|--------|
|        | [2] Limitations on Indemnification . . . . . | 6-38.4 |
|        | [3] Federal Preemption . . . . .             | 6-38.5 |
| § 6.05 | Joint Infringement . . . . .                 | 6-38.8 |

## CHAPTER 7

### Enhancements to Damages

|        |                                                                                           |      |
|--------|-------------------------------------------------------------------------------------------|------|
| § 7.01 | Introduction . . . . .                                                                    | 7-3  |
| § 7.02 | Increased Damages Under 35 U.S.C. § 284 . . .                                             | 7-5  |
|        | [1] Introduction . . . . .                                                                | 7-5  |
|        | [2] Two-Part Inquiry: Entitlement and<br>Quantification. . . . .                          | 7-7  |
|        | [3] Pre- <i>Seagate</i> Entitlement to Enhanced<br>Damages for Willful Infringement . . . | 7-9  |
|        | [a] Knowledge and Duty . . . . .                                                          | 7-15 |
|        | [b] Affirmative Actions to Avoid<br>Infringement . . . . .                                | 7-21 |
|        | [i] Opinion of Counsel . . . . .                                                          | 7-21 |
|        | [ii] Effect of Adverse<br>Inference . . . . .                                             | 7-23 |
|        | [iii] Competency of the<br>Opinion . . . . .                                              | 7-26 |
|        | [4] Post- <i>Seagate</i> Entitlement to Damages . . .                                     | 7-29 |
|        | [a] Objectively High Likelihood<br>That Acts Constituted<br>Infringement . . . . .        | 7-31 |
|        | [b] Risk Known or Obvious . . . . .                                                       | 7-32 |
|        | [5] Post- <i>Halo</i> Standard for Enhanced<br>Damages . . . . .                          | 7-33 |
|        | [6] Quantification of Enhanced Damages . . .                                              | 7-35 |
|        | [a] Award Amount Is Discretionary . . .                                                   | 7-35 |
|        | [b] The <i>Read</i> Factors . . . . .                                                     | 7-35 |
|        | [i] Deliberate Copying . . . . .                                                          | 7-37 |
|        | [ii] Infringer's Good Faith<br>Belief in Invalidity or<br>Non-Infringement . . . . .      | 7-38 |
|        | [iii] Infringer's Behavior . . . . .                                                      | 7-38 |
|        | [iv] Infringer's Size and<br>Financial Condition . . . . .                                | 7-39 |
|        | [v] Closeness of the Case . . . . .                                                       | 7-40 |
|        | [vi] Duration of Infringer's<br>Misconduct . . . . .                                      | 7-40 |

## PATENT INFRINGEMENT

|        |                                                                                                        |        |
|--------|--------------------------------------------------------------------------------------------------------|--------|
|        | [vii] Remedial Actions . . . . .                                                                       | 7-40.1 |
|        | [viii] Infringer's Motivation<br>for Harm . . . . .                                                    | 7-40.1 |
|        | [ix] Infringer's Attempt to<br>Conceal Misconduct . . . . .                                            | 7-40.2 |
| § 7.03 | Attorney Fees Under 35 U.S.C. § 285 . . . . .                                                          | 7-40.3 |
|        | [1] Introduction . . . . .                                                                             | 7-40.3 |
|        | [2] Determination of Whether the Case is<br>Exceptional—Historical Evolution<br>of Issues . . . . .    | 7-43   |
|        | [a] Patentee Is the Prevailing Party . . . . .                                                         | 7-43   |
|        | [b] Accused Infringer Is the<br>Prevailing Party . . . . .                                             | 7-46   |
|        | [i] Inequitable Conduct . . . . .                                                                      | 7-47   |
|        | [ii] Patent Misuse . . . . .                                                                           | 7-50   |
|        | [c] Common Issues . . . . .                                                                            | 7-52   |
|        | [i] Litigation Misconduct . . . . .                                                                    | 7-53   |
|        | [ii] Defenses . . . . .                                                                                | 7-55   |
|        | [iii] Appeals . . . . .                                                                                | 7-56   |
|        | [3] Determining Whether the Case is<br>Exceptional— <i>Brooks Furniture</i><br>Era 2005-2014 . . . . . | 7-56   |
|        | [a] Standard . . . . .                                                                                 | 7-56   |
|        | [b] Burden of Proof . . . . .                                                                          | 7-57   |
|        | [4] Determining Whether the Case is<br>Exceptional—Post- <i>Octane</i><br><i>Fitness</i> Era . . . . . | 7-57   |
|        | [a] Standard . . . . .                                                                                 | 7-57   |
|        | [b] Standard of Review . . . . .                                                                       | 7-58   |
|        | [c] Post- <i>Octane Fitness</i> Decisions . . . . .                                                    | 7-58   |
|        | [i] Fees Shifted from<br>Prevailing Plaintiff . . . . .                                                | 7-58   |
|        | [ii] Fees Shifted from<br>Prevailing Defendant . . . . .                                               | 7-58.1 |
|        | [iii] Fee-Shifting Denied . . . . .                                                                    | 7-58.2 |
|        | [5] Determination of the Attorney Fee<br>Amount . . . . .                                              | 7-58.2 |
|        | [a] Generally . . . . .                                                                                | 7-58.2 |
|        | [b] Special Circumstances . . . . .                                                                    | 7-58.3 |
|        | [i] Dual Awards . . . . .                                                                              | 7-58.3 |
|        | [ii] Expert Witness Fees . . . . .                                                                     | 7-58.4 |
|        | [iii] In-House Counsel . . . . .                                                                       | 7-58.5 |
|        | [iv] Contingent Fees . . . . .                                                                         | 7-58.6 |
| § 7.04 | Prejudgment Interest Under Damages Statute . . . . .                                                   | 7-58.7 |
|        | [1] Introduction . . . . .                                                                             | 7-58.7 |

## TABLE OF CONTENTS

xxv

|     |                                                        |      |
|-----|--------------------------------------------------------|------|
| [2] | Awarding Prejudgment Interest is<br>the Norm . . . . . | 7-59 |
| [a] | Denial Proper . . . . .                                | 7-59 |
| [b] | Denial Not Proper . . . . .                            | 7-60 |
| [c] | Partial Denial . . . . .                               | 7-60 |
| [3] | Damage Components . . . . .                            | 7-61 |
| [a] | Excluding Punitive Components . . .                    | 7-62 |
| [b] | Compensation for Past Damages . . .                    | 7-62 |
| [4] | Interest Rate and Compounding . . . . .                | 7-63 |

## CHAPTER 8

### Proving Damages

|        |                                                                  |      |
|--------|------------------------------------------------------------------|------|
| § 8.01 | Introduction . . . . .                                           | 8-2  |
| [1]    | Standards of Proof and Review . . . . .                          | 8-2  |
| § 8.02 | Admissibility under Federal Rule<br>of Evidence 403 . . . . .    | 8-5  |
| § 8.03 | Expert Testimony under Federal Rule<br>of Evidence 702 . . . . . | 8-6  |
| [1]    | Historical Admissibility . . . . .                               | 8-6  |
| [2]    | Applicability of Admissibility<br>Standards . . . . .            | 8-8  |
| [a]    | Expert Testimony Admissible . . . . .                            | 8-10 |
| [i]    | Disputed Facts . . . . .                                         | 8-10 |
| [ii]   | Market Research Studies . . . . .                                | 8-11 |
| [iii]  | Disputed Methodology . . . . .                                   | 8-11 |
| [iv]   | Speculative Testimony . . . . .                                  | 8-12 |
| [b]    | Expert Testimony Inadmissible . . . . .                          | 8-12 |
| [i]    | Invalid or Erroneous<br>Conclusion . . . . .                     | 8-12 |
| [ii]   | Unsupported Methodology<br>or Speculation . . . . .              | 8-13 |
| [iii]  | Failure to Relate Conclusion<br>to Supporting Evidence . . . . . | 8-14 |
| [c]    | Qualifications . . . . .                                         | 8-14 |
| [3]    | Case Outcome . . . . .                                           | 8-14 |
| § 8.04 | Record Retention . . . . .                                       | 8-15 |
| [1]    | Adverse Inference . . . . .                                      | 8-15 |
| [2]    | Defenses . . . . .                                               | 8-16 |
| § 8.05 | Bifurcation . . . . .                                            | 8-17 |
| [1]    | Judicial Economy . . . . .                                       | 8-17 |
| § 8.06 | Discovery and Local Rules . . . . .                              | 8-19 |

## CHAPTER 9

**Damages Accounting Issues**

|        |                                                                            |      |
|--------|----------------------------------------------------------------------------|------|
| § 9.01 | Introduction . . . . .                                                     | 9-2  |
| § 9.02 | Assessing Expert Testimony: Accounting Standards for Reliability . . . . . | 9-5  |
| [1]    | Generally . . . . .                                                        | 9-5  |
| [2]    | Admissibility Under Federal Rule of Evidence 702 . . . . .                 | 9-5  |
| [a]    | Use of the term “Opinion” by Accountants . . . . .                         | 9-5  |
| [b]    | Professional Qualifications, Rules and Ethical Standards . . . . .         | 9-5  |
| [i]    | GAAP . . . . .                                                             | 9-6  |
| [ii]   | AICPA Code of Professional Conduct Rules . . . . .                         | 9-6  |
| [iii]  | MCS/SCSS . . . . .                                                         | 9-6  |
| [iv]   | Other Certifications . . . . .                                             | 9-8  |
| [3]    | Probative Value of Expert Testimony and Limitations . . . . .              | 9-9  |
| [a]    | Rule 26 . . . . .                                                          | 9-9  |
| [b]    | International Methods . . . . .                                            | 9-11 |
| [c]    | Completeness and Disclosure . . . . .                                      | 9-11 |
| [d]    | Valuation . . . . .                                                        | 9-11 |
| [e]    | Skill at Persuading the Court . . . . .                                    | 9-12 |
| § 9.03 | Accounting Issues in Reasonable Royalty Determination . . . . .            | 9-15 |
| [1]    | Percentage of Sales (or Revenues) Method . . . . .                         | 9-16 |
| [a]    | Royalty Rate . . . . .                                                     | 9-16 |
| [b]    | Royalty Base . . . . .                                                     | 9-18 |
| [i]    | Revenue Recognition Principles . . . . .                                   | 9-18 |
| [ii]   | Other Issues in Calculating Applicable Sales . . . . .                     | 9-19 |
| [2]    | Percentage of Profits Method . . . . .                                     | 9-21 |
| [a]    | Production Costs . . . . .                                                 | 9-21 |
| [b]    | Fixed and Variable Costs . . . . .                                         | 9-21 |
| [c]    | Incremental Cost . . . . .                                                 | 9-23 |
| [d]    | Standard Cost . . . . .                                                    | 9-24 |
| [e]    | Activity Based Costing . . . . .                                           | 9-24 |
| [f]    | Other Costs . . . . .                                                      | 9-24 |
| [3]    | Percentage of Cost Savings Method . . . . .                                | 9-25 |
| [4]    | Nash Bargaining Solution . . . . .                                         | 9-26 |

## TABLE OF CONTENTS

xxvii

|        |                                                |      |
|--------|------------------------------------------------|------|
| § 9.04 | Accounting Issues in Lost Profits              |      |
|        | Determination . . . . .                        | 9-28 |
| [1]    | <i>Panduit</i> Factors . . . . .               | 9-28 |
|        | [a] Variables To Include . . . . .             | 9-28 |
|        | [b] Incremental Profits . . . . .              | 9-29 |
| [2]    | Future Lost Profits and Prejudgment            |      |
|        | Interest . . . . .                             | 9-30 |
| § 9.05 | Sources of Information to Support Estimation   |      |
|        | of Damages . . . . .                           | 9-31 |
| § 9.06 | Internal Accounting for Damages Awards . . . . | 9-32 |

## CHAPTER 10

### Injunctive Relief and the International Trade Commission

|              |                                                |         |
|--------------|------------------------------------------------|---------|
| § 10.01      | Introduction and Overview . . . . .            | 10-1    |
| § 10.02      | Injunctive Relief . . . . .                    | 10-3    |
| [1]          | Permanent Injunctions . . . . .                | 10-3    |
|              | [a] Historical Background . . . . .            | 10-3    |
|              | [b] Equitable Standards Test . . . . .         | 10-5    |
|              | [i] Irreparable Injury . . . . .               | 10-10   |
|              | [ii] Remedies Available                        |         |
|              | at Law Inadequate . . . . .                    | 10-13   |
|              | [iii] Balance of Hardships . . . . .           | 10-16   |
|              | [iv] Public Interest . . . . .                 | 10-17   |
|              | [c] Non-Practicing Entities and                |         |
|              | Permanent Injunctions . . . . .                | 10-18   |
| [2]          | Temporary Injunctions . . . . .                | 10-18.1 |
| § 10.03      | International Trade Commission Actions . . . . | 10-21   |
| [1]          | In General . . . . .                           | 10-21   |
| [2]          | Special Issues with Respect to                 |         |
|              | Non-Practicing Entities . . . . .              | 10-24   |
| <b>INDEX</b> | . . . . .                                      | I-1     |

