



# Module 107 Slides

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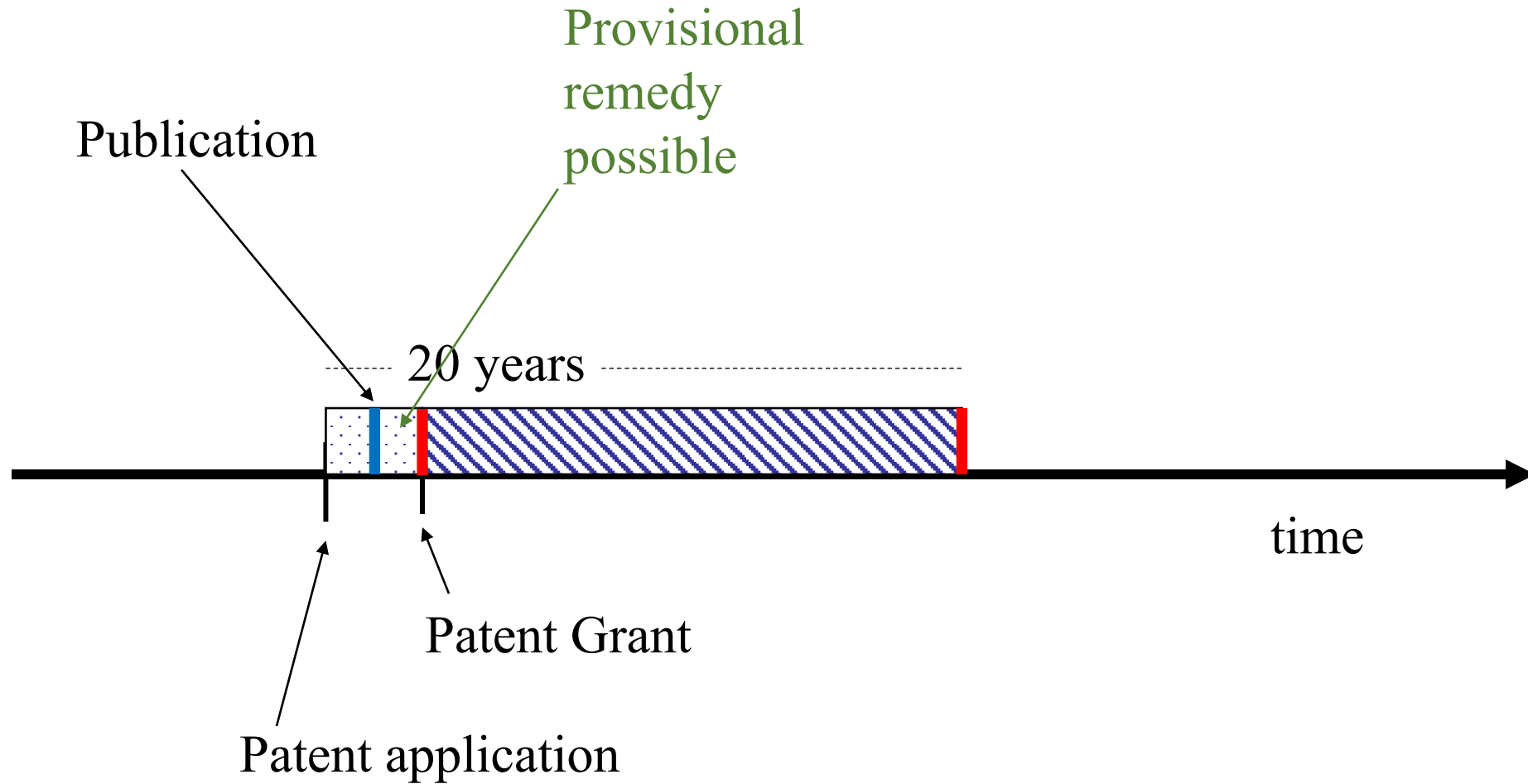


The following images appear in the background of the lecture on “Remedies” in the PatentX lecture series. A recording of the lecture itself is available at <https://ipxcourses.org/lectures-2/>. Removed from their original context, the images will not make much sense. The function of this collection of images is to enable persons who have already watched the lecture to review the material it contains.

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# Duration of Utility Patents





## Finisar (ND Ca)

7           To prove willful infringement, Finisar must persuade you by a preponderance of the  
8 evidence that Nistica acted in bad faith, deliberately, or with reckless disregard of claim 24 of the  
9 ‘599 patent. You must base your verdict on Nistica’s knowledge and actions at the time the  
10 infringement happened. Infringement alone is not enough to prove willfulness and mere  
11 knowledge of the ‘599 patent at the time of infringement is not enough to prove willfulness.

12           You should consider all of the circumstances including Nistica’s motive or intent in  
13 developing the accused products, whether Nistica knew or should have known that its conduct  
14 was unreasonably risky and whether Nistica had a reasonable belief at the time of the alleged  
15 infringement that its products did not infringe the ‘599 patent.



## CH2O v. Meras (CD Ca)

11 | In addition, to prove that either one or both of Meras and Houweling’s “willfully”  
12 | infringed the ‘470 patent, CH<sub>2</sub>O must persuade you that it is more likely than not  
13 | that either one or both of Meras and Houweling’s acted in a manner that was  
14 | wanton, malicious, in bad-faith, deliberate, consciously wrongful or flagrant. In  
15 | determining whether the alleged infringement (if any) by either or both Meras and  
16 | Houweling’s was willful, you may consider all relevant facts.



# Polara (CD Ca)

8 To prove willful infringement, Polara must prove by a preponderance of  
9 the evidence that Campbell's infringement of the '476 Patent was egregious,  
10 measured against Campbell's knowledge at the time of the infringement.  
11 Egregious conduct could also be described as willful, wanton, malicious, bad-  
12 faith, deliberate, consciously wrongful, flagrant, or characteristic of a pirate.

13  
14 In determining whether Campbell acted egregiously, you must consider  
15 the totality of circumstances surrounding the infringement of the '476 Patent,  
16 including, but not limited to, the following factors:

17  
18 (1) whether Campbell acted in a manner consistent with the standards  
19 of commerce for its industry;

20  
21 (2) whether Campbell intentionally copied the technology from Polara  
22 covered by the '476 Patent;

24 (3) whether or not Campbell made a good faith effort to avoid  
25 infringing the patent, for example by taking remedial action upon learning of  
26 the '476 Patent such as ceasing infringing activity or attempting to design  
27 around the patent;

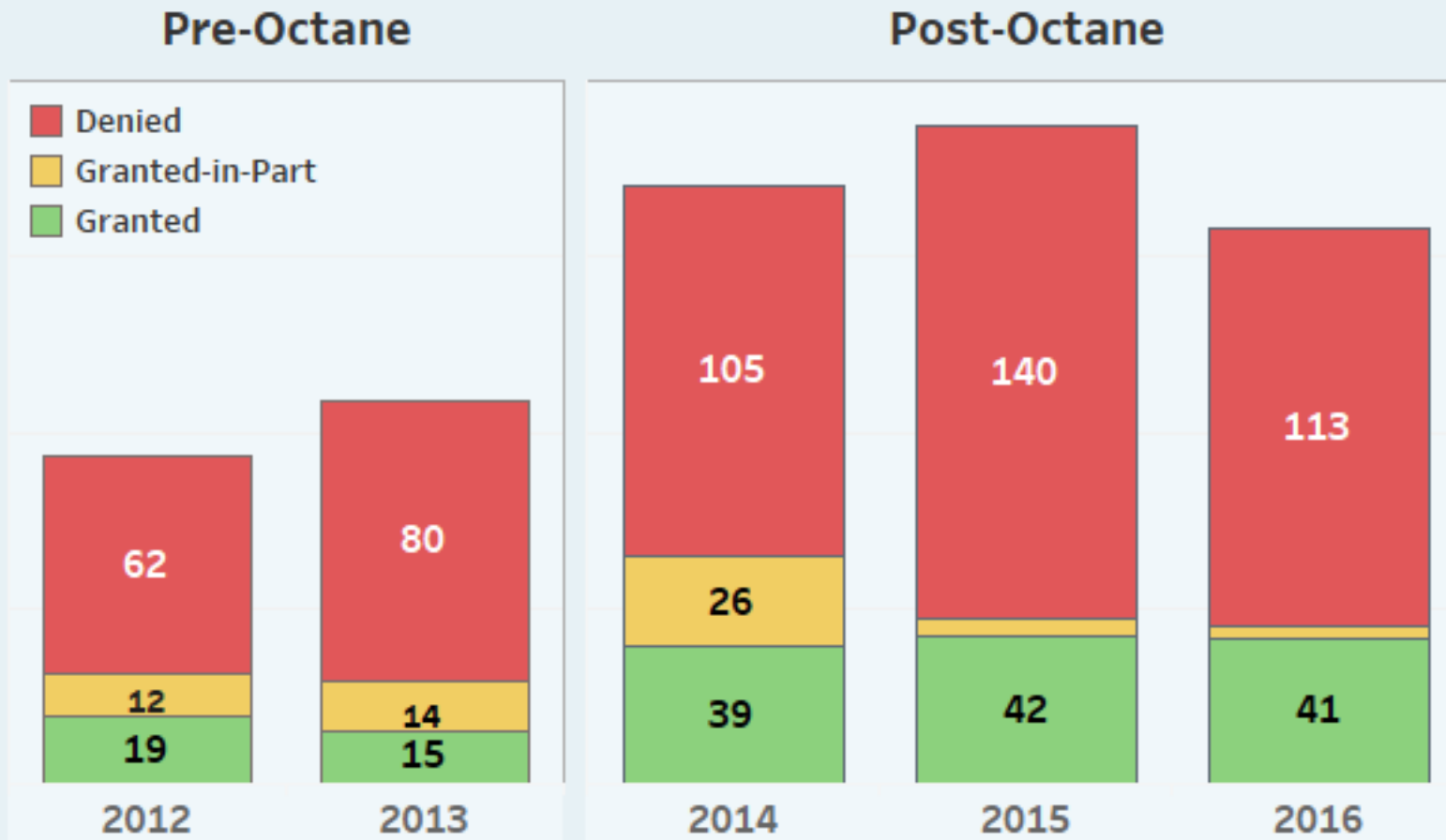
1 (4) whether Campbell reasonably believed that it had a substantial  
2 defense to infringement and reasonably believed that the defense would be  
3 successful if litigated. Because this determination turns on Campbell's actual  
4 knowledge, Campbell cannot rely on a defense to infringement that was not  
5 known to Campbell at the time it engaged in the infringing conduct; and

6  
7 (5) although there is no obligation to obtain an opinion of counsel,  
8 whether Campbell relied on a legal opinion that was well-supported and  
9 believable and that advised Campbell (1) that the product did not infringe  
10 Polara's patent or (2) that the patent was invalid or unenforceable.



## Octane Fitness Has Spurred More Fee Motions, Awards

In the wake of the U.S. Supreme Court's April 2014 Octane Fitness decision making it easier to recover attorneys' fees in patent cases, litigants have filed more motions seeking fees and judges have awarded them more often.

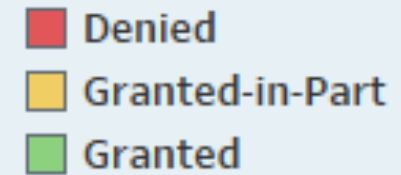


Source: Sterne Kessler. Yearly data runs April 30 to April 29, except 2016, which ends April 7, 2017.



## Fee Awards In The Busiest Patent Courts

In the three years since the Octane Fitness decision, three of the districts that handle the most patent litigation have each received almost the same number of motions seeking attorneys' fees and have granted them at comparable rates.



**Northern District of California**



**District of Delaware**



**Eastern District of Texas**



10 20 30 40 50

Source: Sterne Kessler and Docket Navigator





Grant of petition for certiorari in eBay

SCOTUS decision in eBay

Source: Kirti Gupta & Jay Kesan, "Studying the Impact of eBay on Injunctive Relief in Patent Cases" (2016)

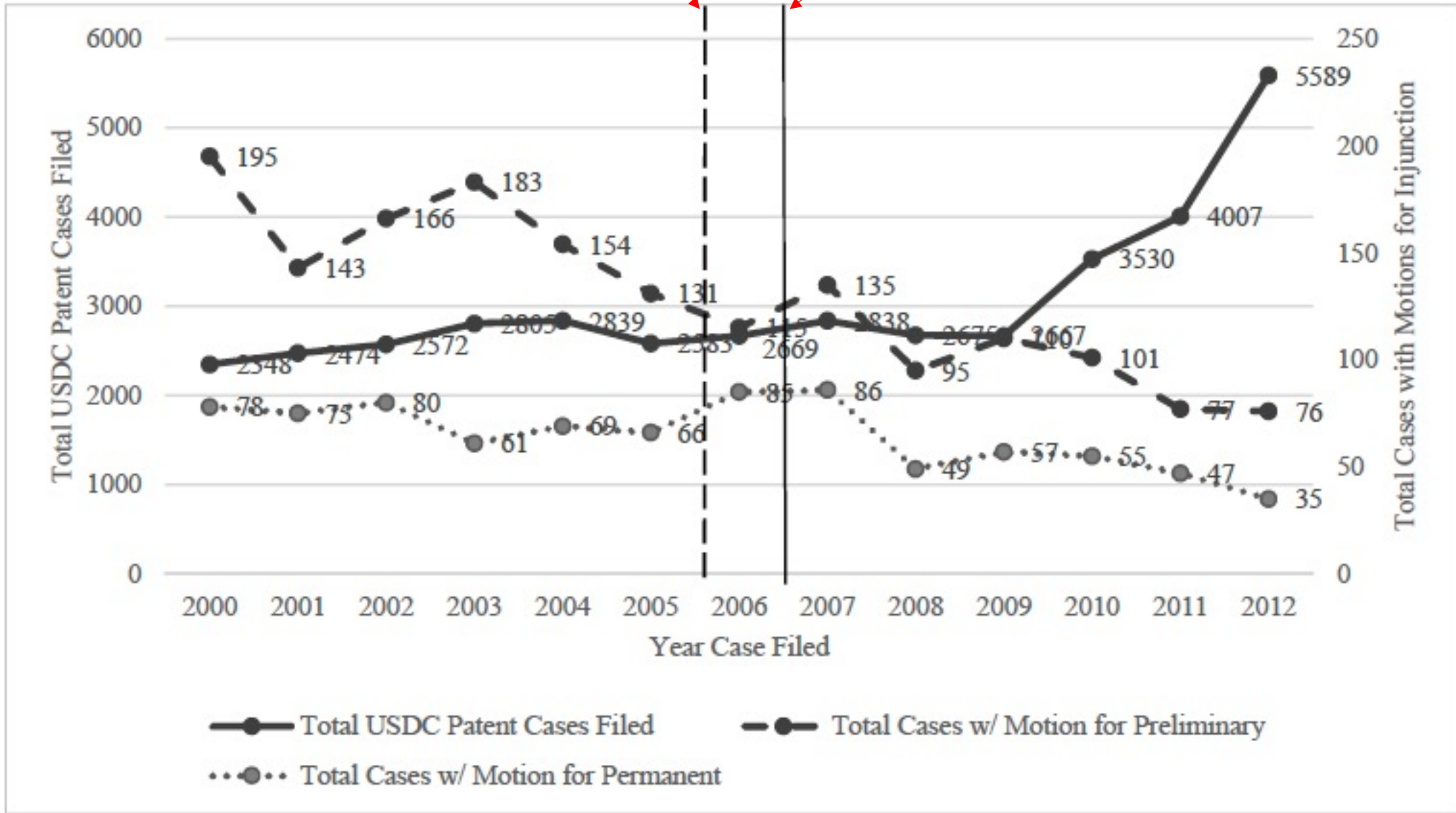


Figure 1: Total number of patent cases filed versus number of injunctions sought



Source: Kirti Gupta & Jay Kesan, "Studying the Impact of eBay on Injunctive Relief in Patent Cases" (2016)

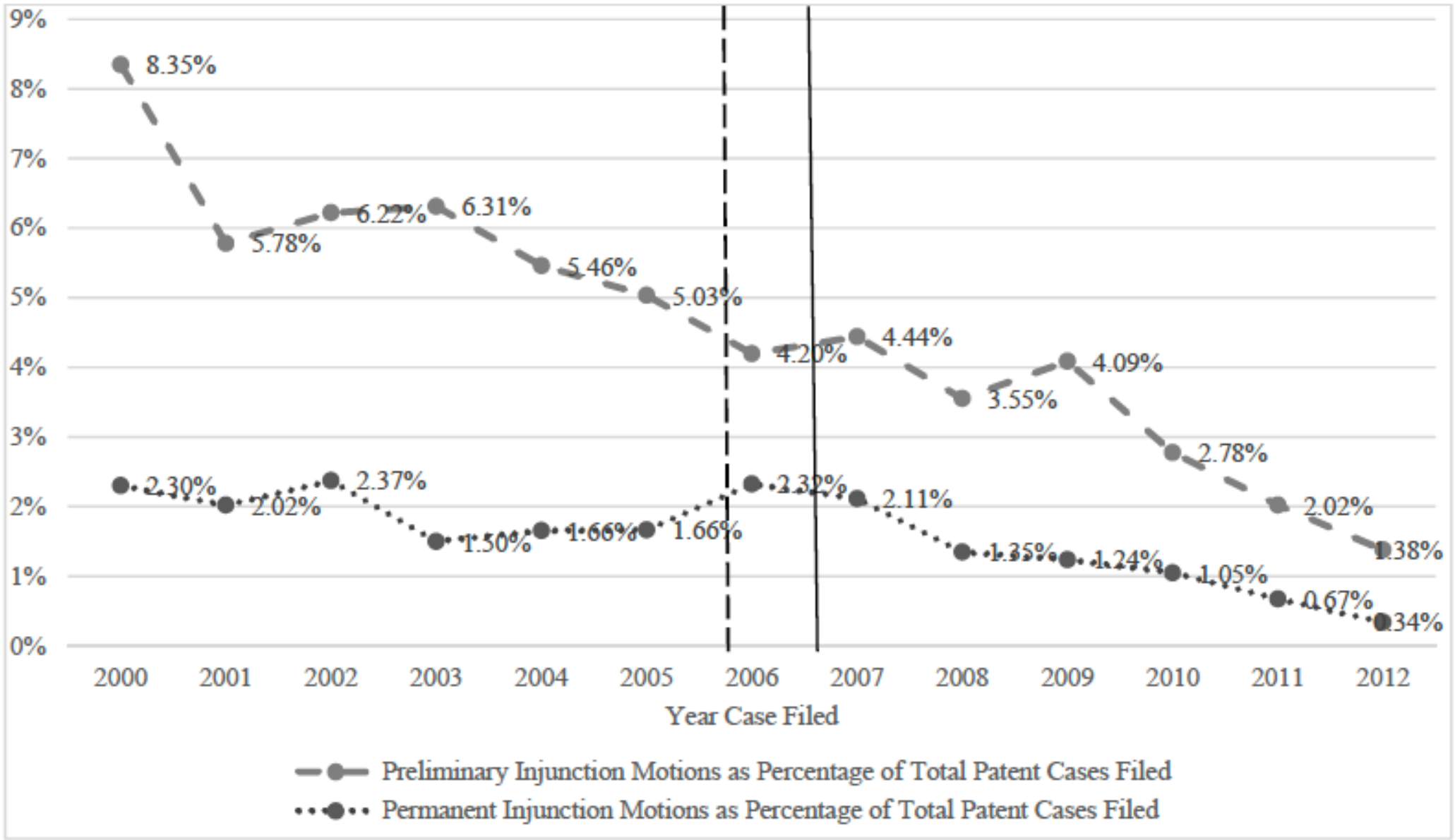
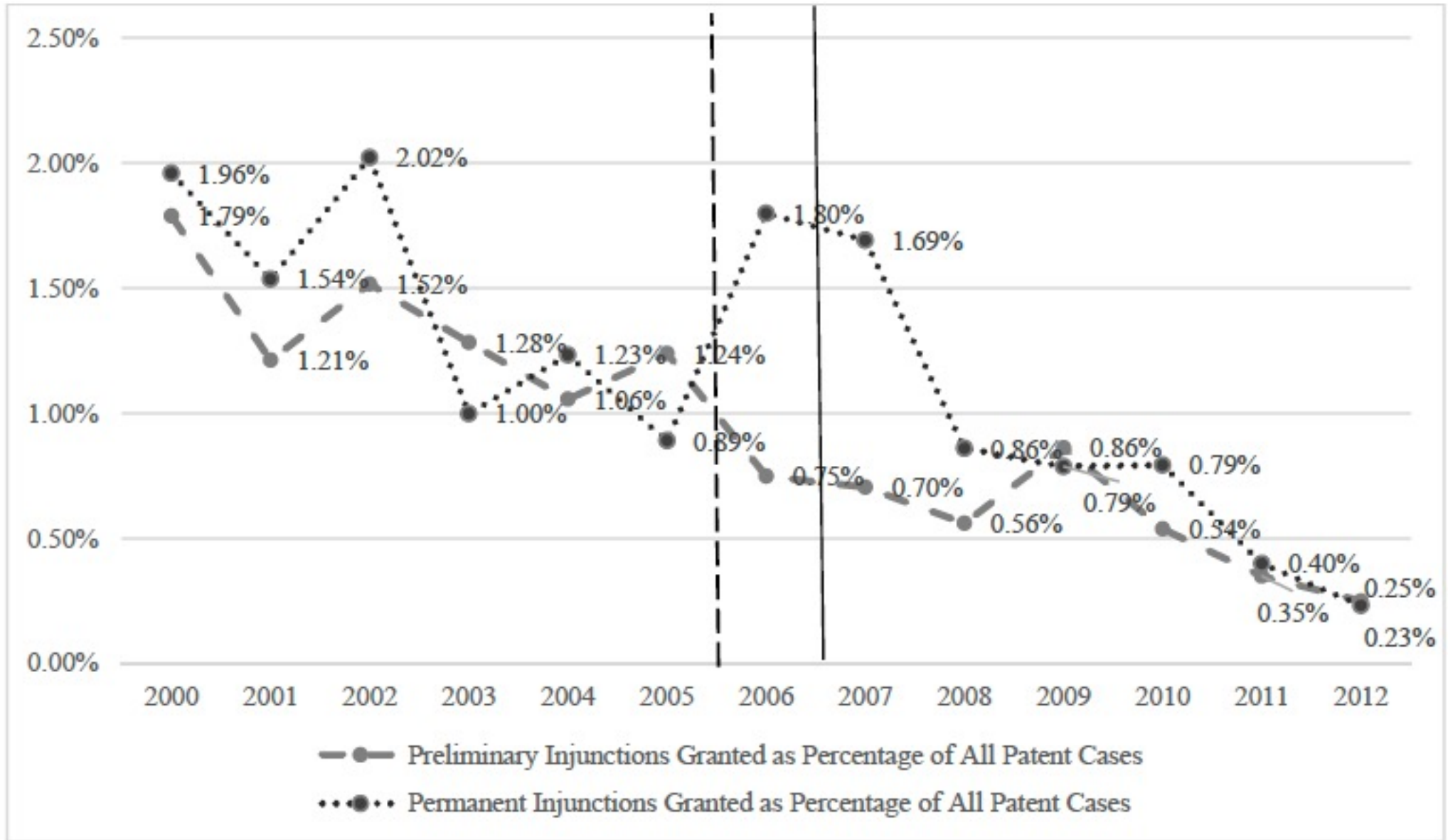


Figure 2: Rate of injunctions sought pre and post eBay



Source: Kirti Gupta & Jay Kesan, "Studying the Impact of eBay on Injunctive Relief in Patent Cases" (2016)



**Figure 4: Rate of injunctions granted pre and post eBay based on total patent cases**



Source: Kirti Gupta & Jay Kesan, “Studying the Impact of eBay on Injunctive Relief in Patent Cases” (2016)

**Table 5: Summary statistics for injunctions pre and post *eBay* (motion level) – PEs vs. NPEs**

	Operating Entities		NPEs	
	Pre <i>eBay</i>	Post <i>eBay</i>	Post <i>eBay</i>	Post <i>eBay</i>
Number of motion for injunction	1,265	989	204	107
Number of <u>preliminary injunction motions</u>	931	594	128	69
Number of consent preliminary injunction motions	6	11	0	0
Number of <u>permanent injunction motions</u>	280	242	54	30
Number of consent/default permanent injunction motions	148	142	22	8
Number of <u>preliminary injunction motions granted</u>	198	106	21	9
Number of <u>permanent injunction motions granted</u>	203	164	36	16

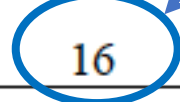
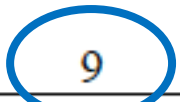




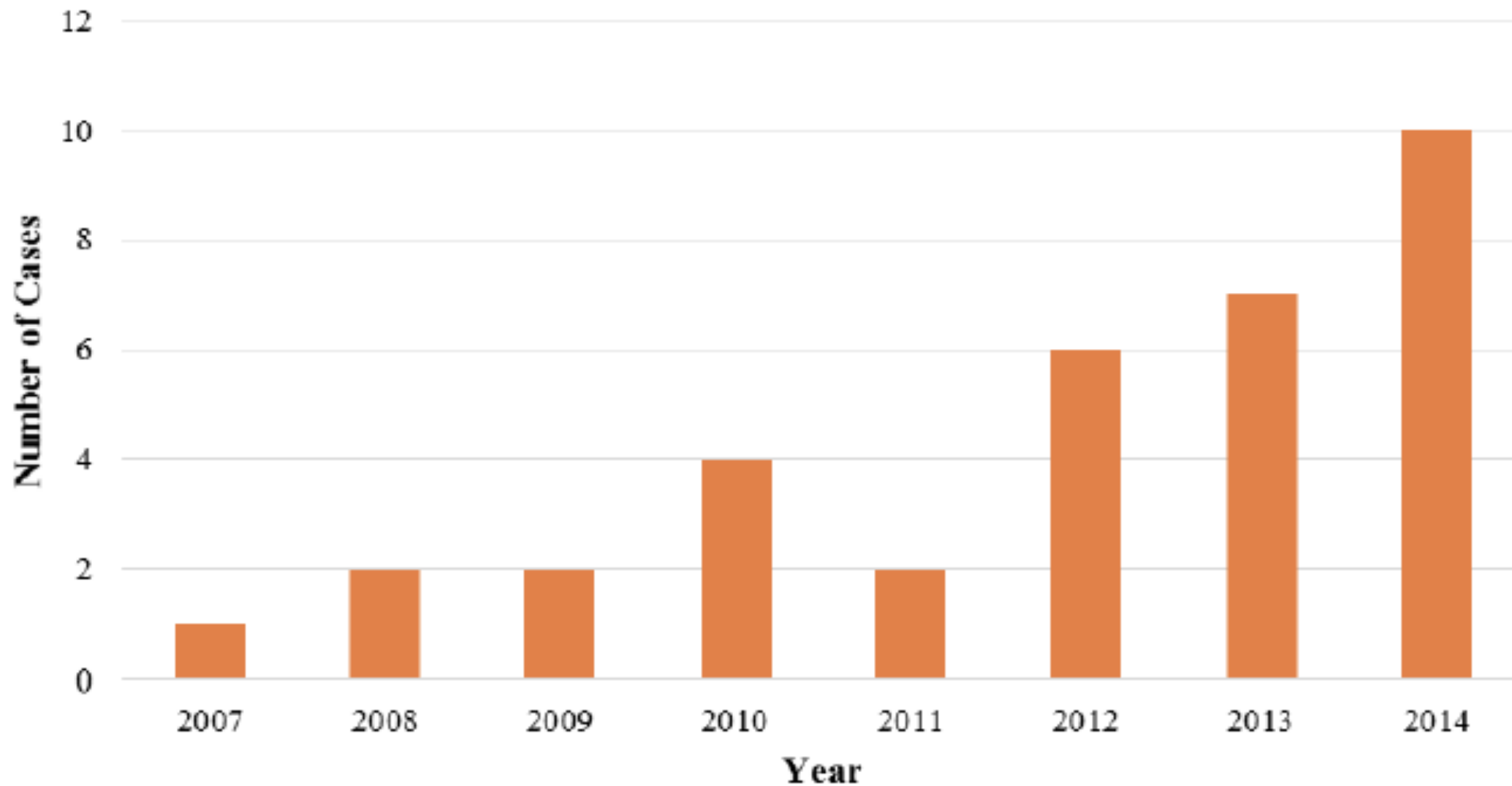
Table 1. Injunction Grant Rate, by Technology

Technology	Grant Rate	<i>N</i>
Biotechnology	100%	4
Pharmaceuticals	92%	25
Other	87%	23
Electrical	83%	12
Chemistry	78%	9
Mechanical	75%	36
Electronics	67%	39
Medical Devices	65%	34
Software	53%	36

Source: Christopher Seaman, “Permanent Injunctions in Patent Litigation After eBay” (2016)



Figure 1: Number of Cases in Which the Court Awarded an Ongoing Royalty by Year, 2007–2014



Source: J. Gregory Sidak, “Ongoing Royalties for Patent Infringement” (2016)



Table 2: Comparison of Court-Awarded Ongoing Royalty Rates with Jury-Determined Reasonable Royalty Rates, 2007–2015

Case Name	Reasonable Royalty	Ongoing Royalty	Normalized Ongoing Royalty
Server Tech., Inc. v. Am. Power Conversion Corp.	5.0%	15.00%	3.00
Douglas Dynamics, LLC v. Buyers Prods. Co.	3.30%	6.23%	1.89
Telcordia Techs., Inc. v. Cisco Sys., Inc.	0.64%	1.00%	1.56
Carnegie Mellon Univ. v. Marvell Tech. Grp.	\$0.50 per unit	\$0.50 per unit	1.00
Golden Hour Data Sys., Inc. v. emsCharts., Inc. <sup>†</sup>	\$14.40	\$14.40	1.00
WBIP, LLC v. Kohler Co.	13.50%	13.50%	1.00
DePuy Synthes Products, LLC v. Globus Med., Inc.	15%	18.00%	1.20
Accessories Marketing, Inc. v. Tek Corp.	7%	7.00%	1.00
VirnetX, Inc. v. Apple, Inc. <sup>†</sup>	0.52%	0.65%	1.25
I/P Engine, Inc. v. AOL Inc. <sup>†</sup>	3.50%	4.60%	1.31
TransPerfect Global, Inc. v. MotionPoint Corp.	4%	4.00%	1.00

Source: J. Gregory Sidak, “Ongoing Royalties for Patent Infringement” (2016)

<b>Case Name</b>	<b>Reasonable Royalty</b>	<b>Ongoing Royalty</b>	<b>Normalized Ongoing Royalty</b>
Morpho Detection, Inc. v. Smiths Detection Inc.*	\$7,500 per unit	\$9,375 per unit	1.25
Ericsson Inc. v. D-Link Sys., Inc.	\$0.15 per unit	\$0.15 per unit	1.00
Tomita Techs. USA, LLC v. Nintendo Co.	1.36%	1.82%	1.34
Internet Machines, LLC v. Alienware Corp.†	6%	6.00%	1.00
Fractus, S.A. v. Samsung Elecs. Co.†	\$0.36 per unit	\$0.36 per unit	1.00
Warsaw Orthopedic, Inc. v. Nuvasive, Inc.	10%   3%	13.75%   8.25%	1.38
Warsaw Orthopedic, Inc. v. Nuvasive, Inc.	5.50%	5.50%	1.00
Mondis Tech. Ltd. v. Chimei InnoLux Corp.*†	0.75%   0.5%	0.75%   1.50%	1.00
University of Pittsburgh v. Varian Med. Sys., Inc.	10.5%   1.5%	10.5%   1.50%	1.00
Boston Sci. Corp. v. Cordis Corp.*	2.95%	32.00%	10.85
Clear With Comp., LLC v. Hyundai Motor Am., Inc.	\$0.56 per unit	\$0.56 per unit	1.00
Broadcom Corp. v. Emulex Corp.†	3%	9.00%	3.00



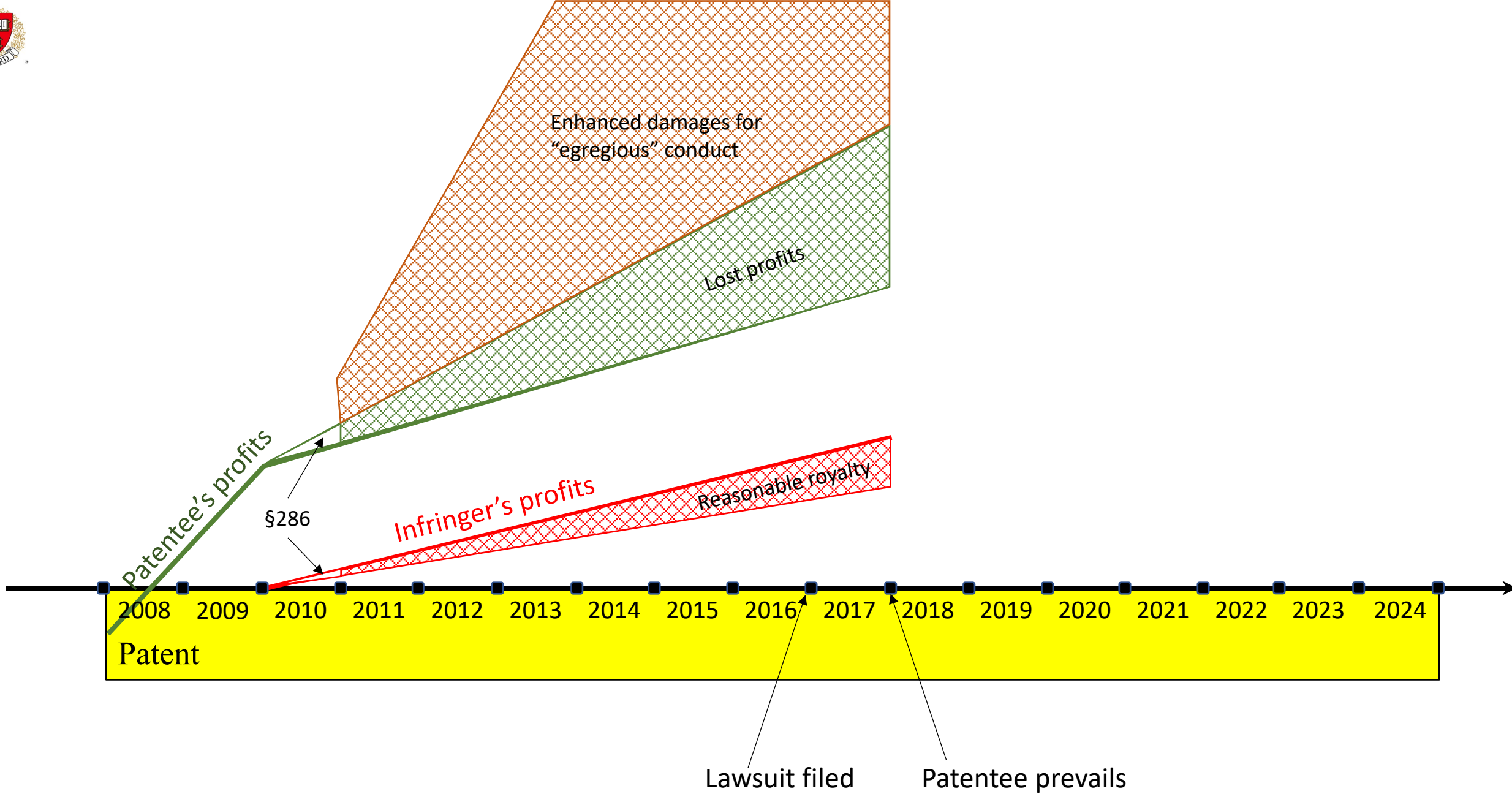
<b>Case Name</b>	<b>Reasonable Royalty</b>	<b>Ongoing Royalty</b>	<b>Normalized Ongoing Royalty</b>
Fresenius USA, Inc. v. Baxter Int'l, Inc.	1.7%   0.007%	3.40%   0.01%	1.00
DataTreasury Corp. v. Wells Fargo & Co.	\$0.002 per unit	\$0.005 per unit	2.50
Affinity Labs of Tex., LLC v. BMW N. Am., LLC <sup>†</sup>	\$11 per unit	\$11 per unit	1.00
Bard Peripheral Vascular v. WL Gore & Associates	10%	20.00%   15.00%   12.50%	1.25
Soverain Software LLC v. CDW Corporation	\$0.088	\$0.15	1.70
Multimedia Patent Trust v. DirecTV, Inc.	0.50%	0.50%	1.00
Transamerica Life Ins. Co. v. Lincoln Nat'l Life Ins. Co.	0.22%	0.22%	1.00
Creative Internet Advert. Corp. v. Yahoo! Inc.	20%	23.00%	1.15
Joyal Products, Inc. v. Johnson Elec. N. Am.	8%	26.00%	3.25
Amado v. Microsoft Corp.	\$0.04 per unit	\$0.12 per unit	3.00
Orion IP, LLC v. Mercedes-Benz USA, LLC	2%	2.00%	1.00
Voda v. Cordis Corp.	7.50%	7.50%	1.00

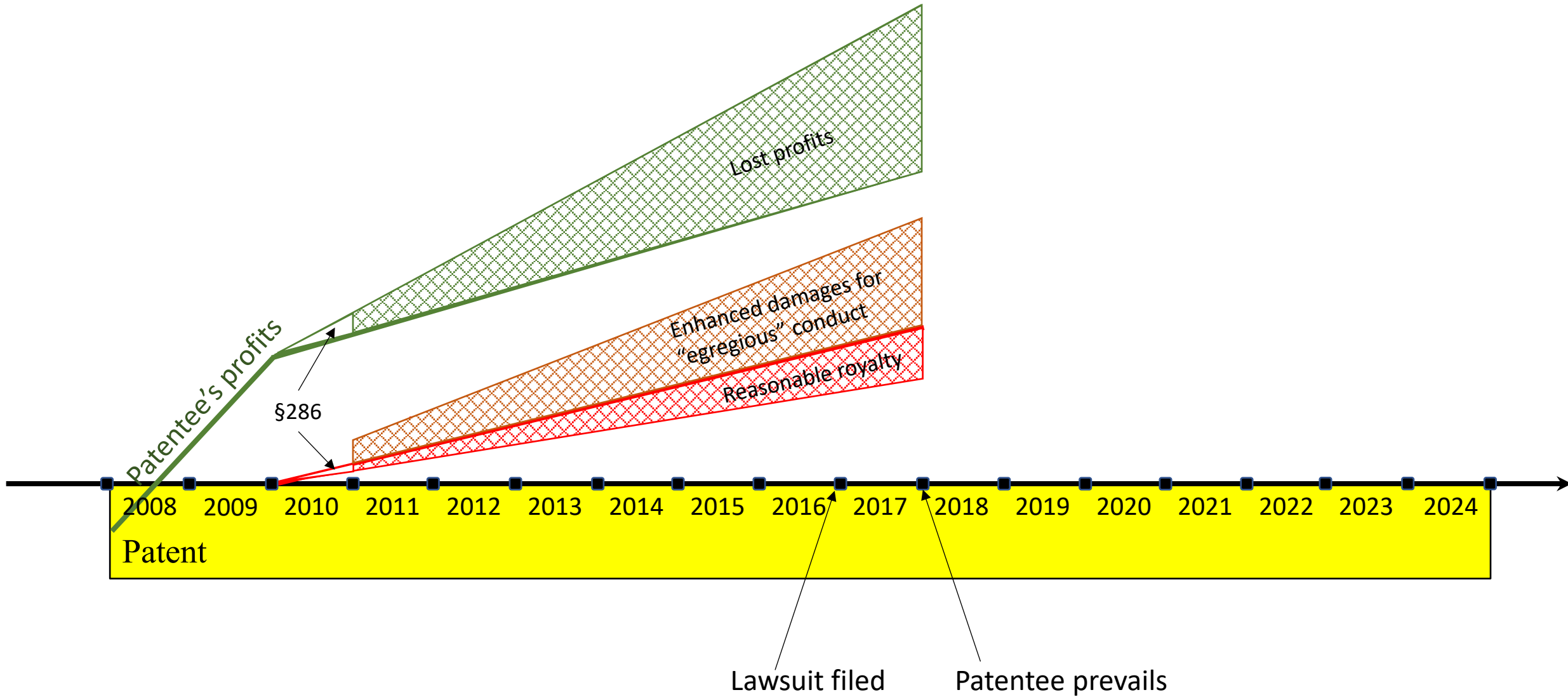
**Average: 1.66**

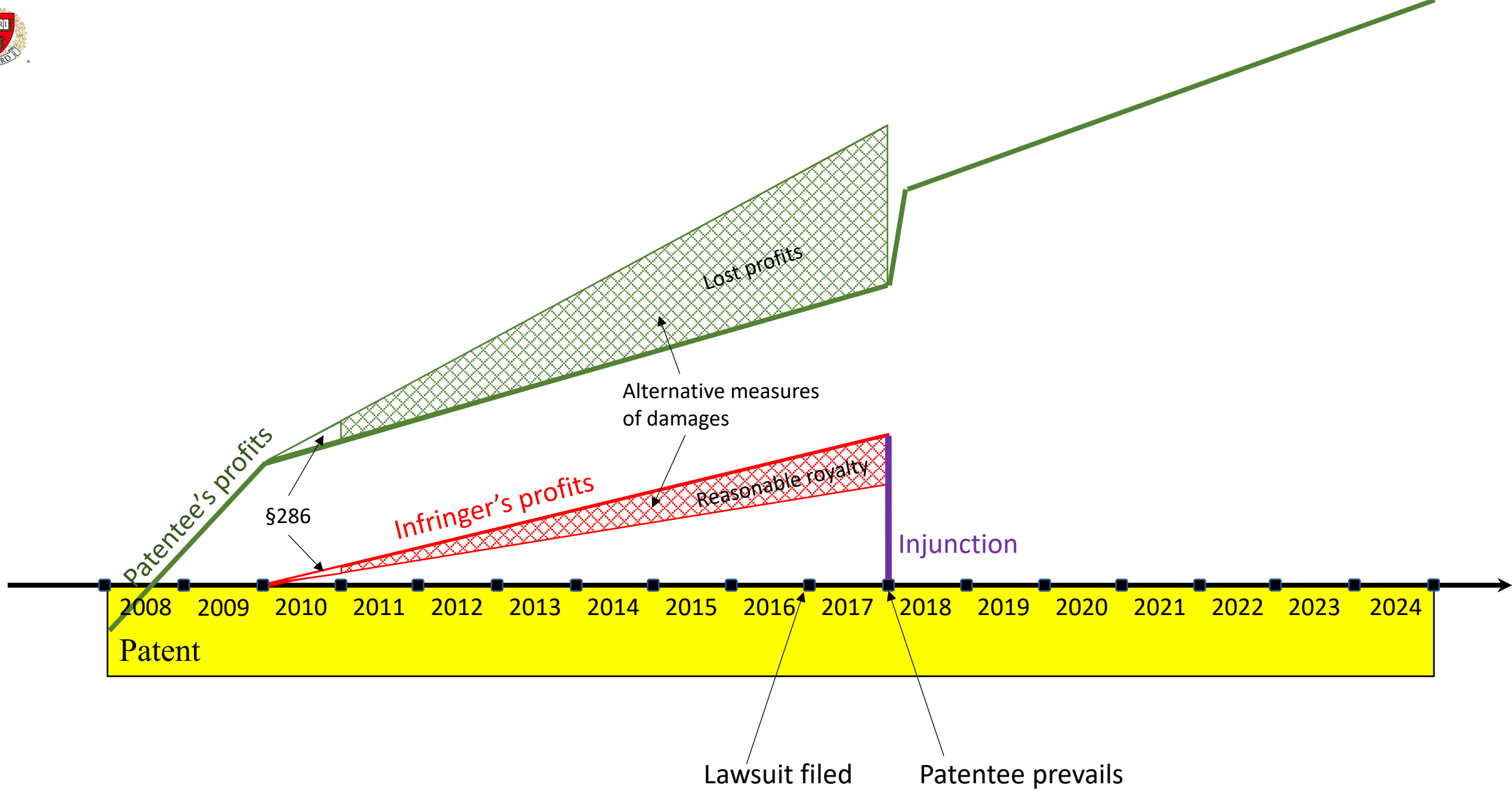


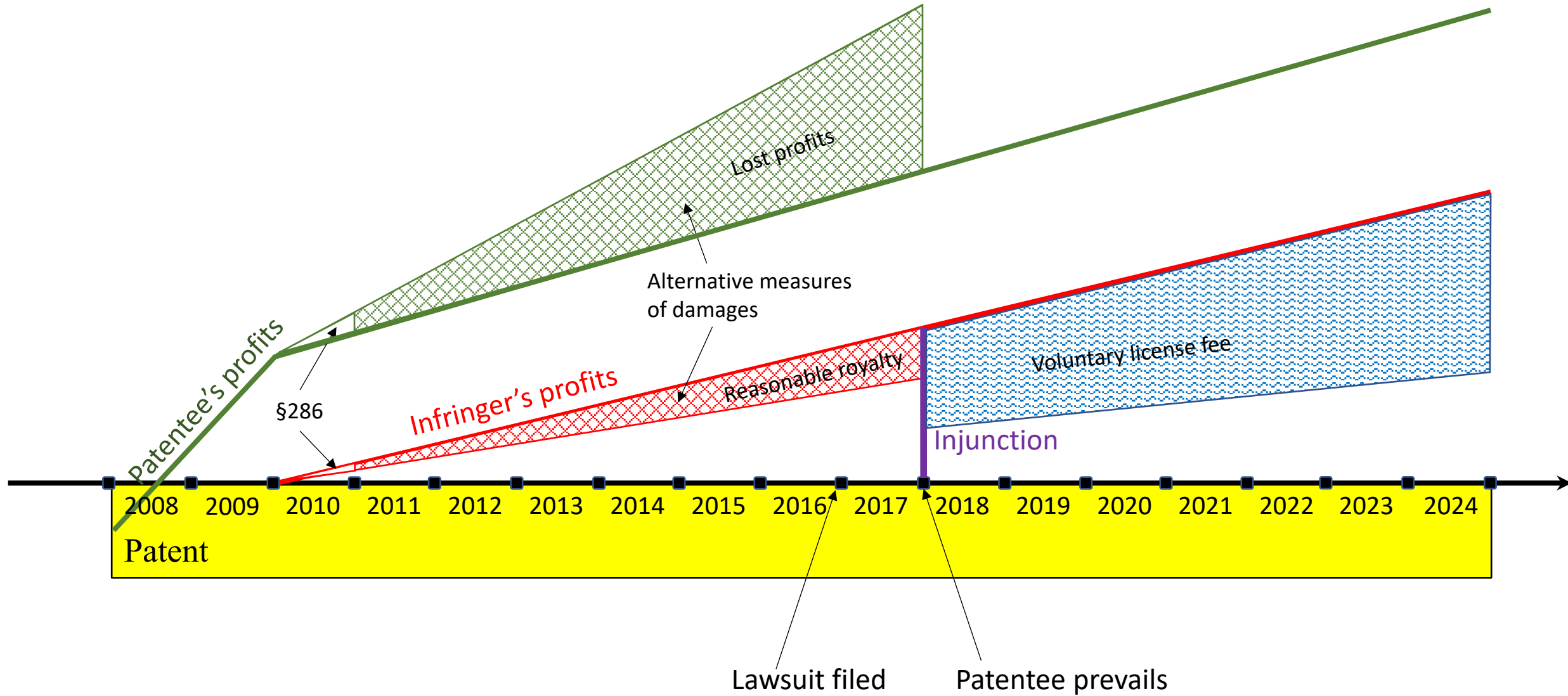
# Hypothetical, simplified patent dispute

- 2005: Paula applies for a US patent
- 2008:
  - Patent is granted
  - Paula immediately launches a business, selling products embodying the patented technology
- 2010:
  - Ian enters into competition with Paula, selling products embodying a similar technology
- 2016, Paula files an infringement suit



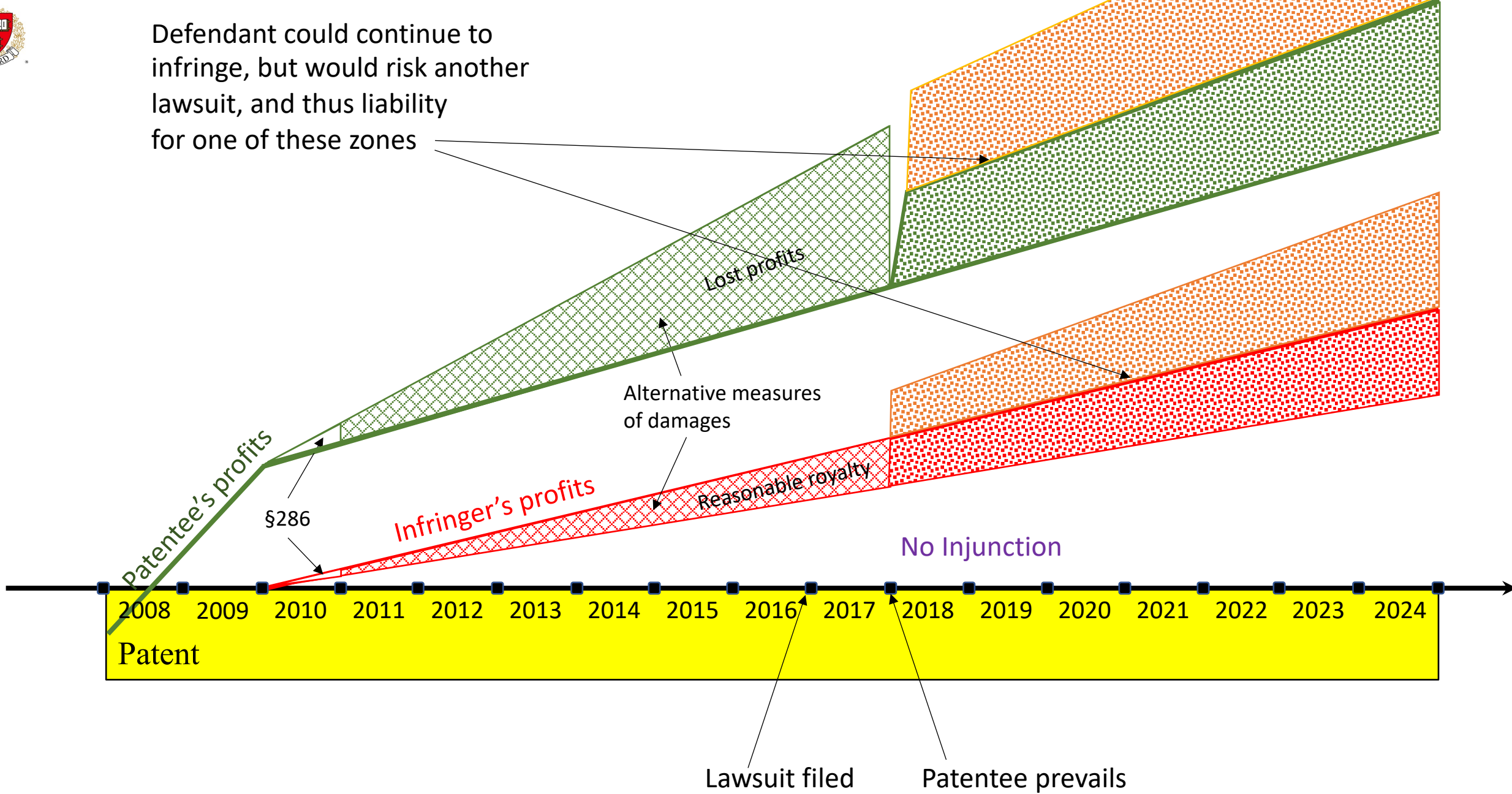






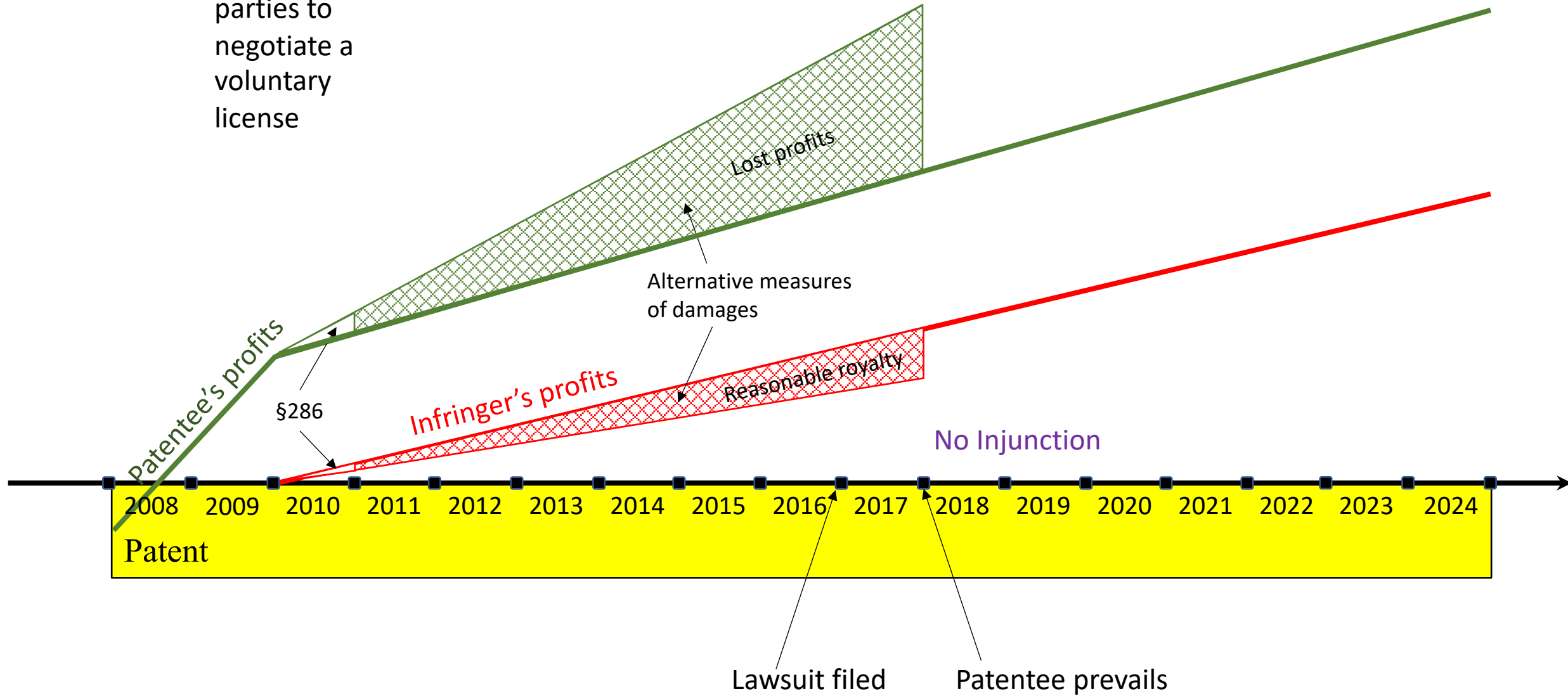


Defendant could continue to infringe, but would risk another lawsuit, and thus liability for one of these zones





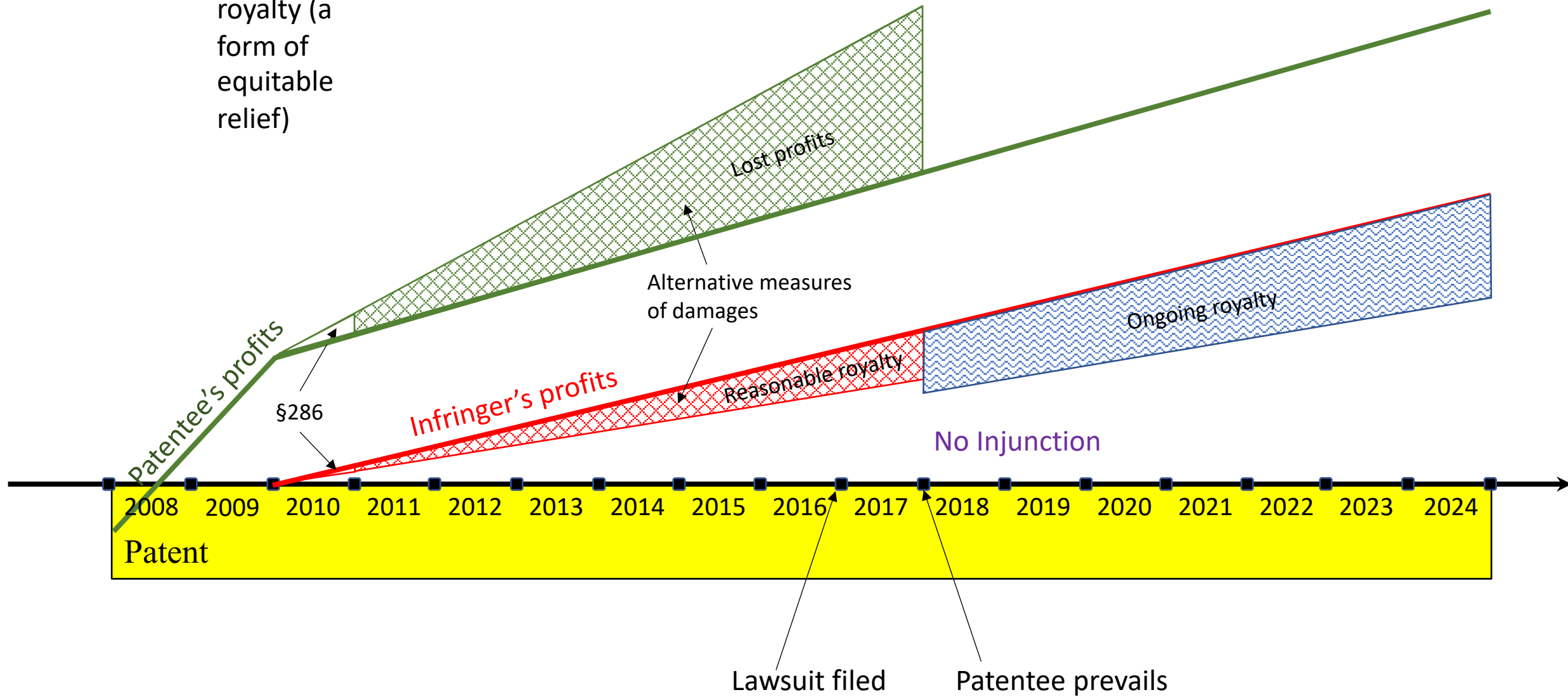
Step 1:  
Encourage  
parties to  
negotiate a  
voluntary  
license





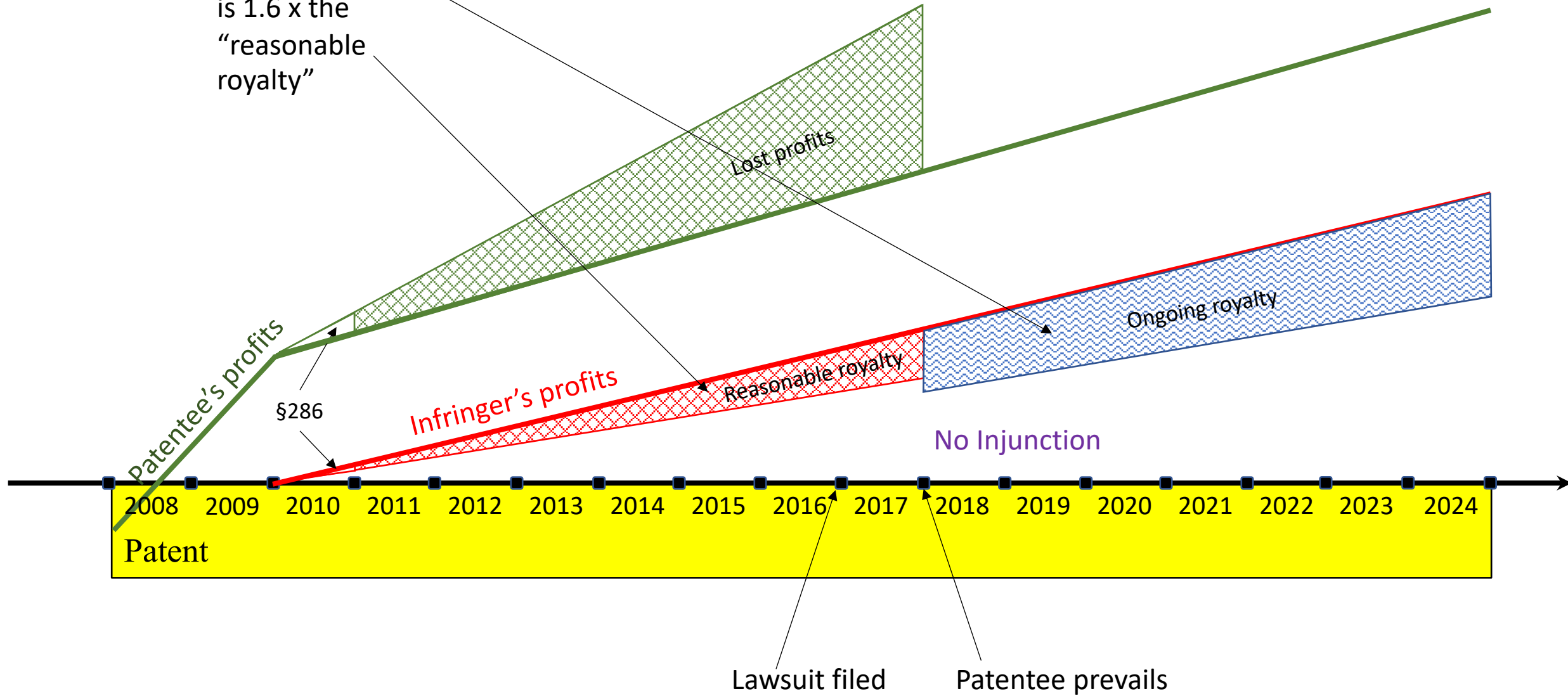


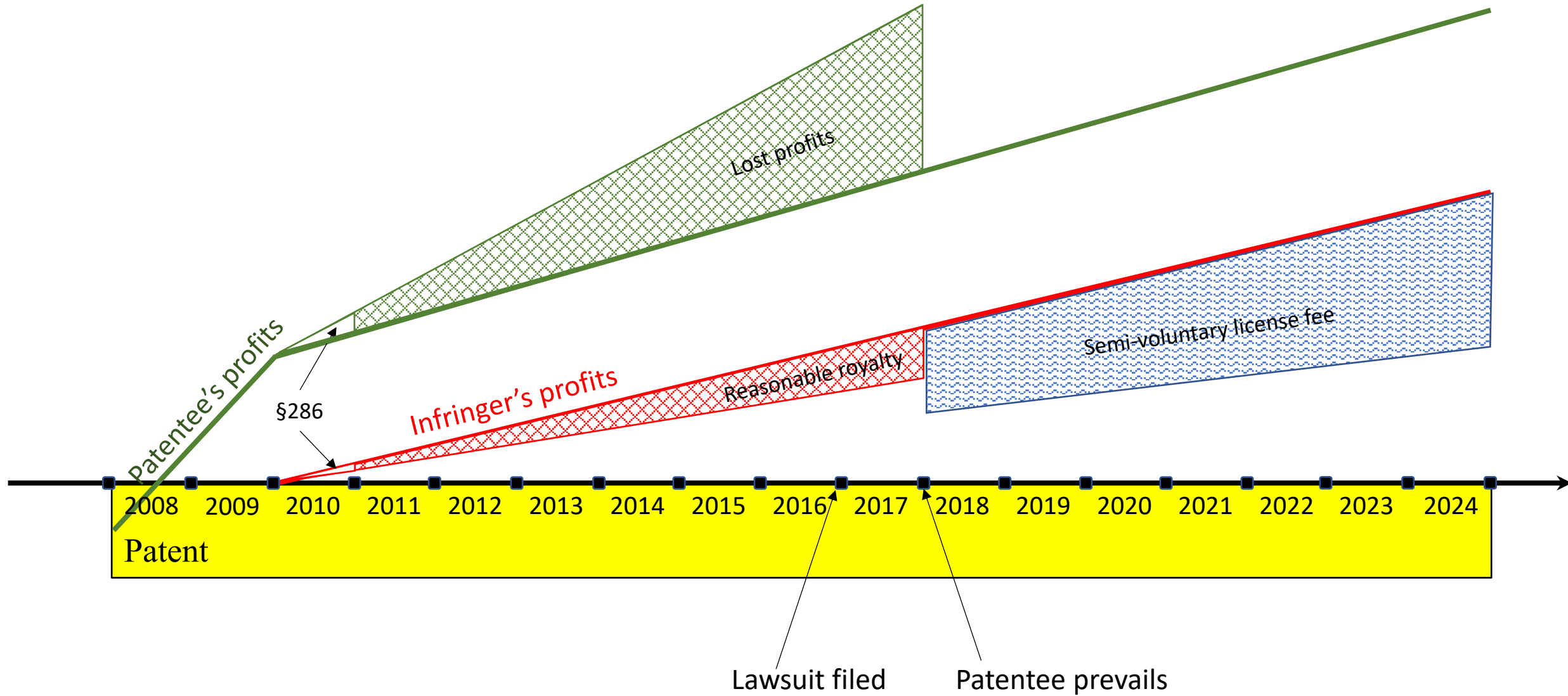
Step 2: Order an ongoing royalty (a form of equitable relief)





On average, the ongoing royalty is 1.6 x the "reasonable royalty"

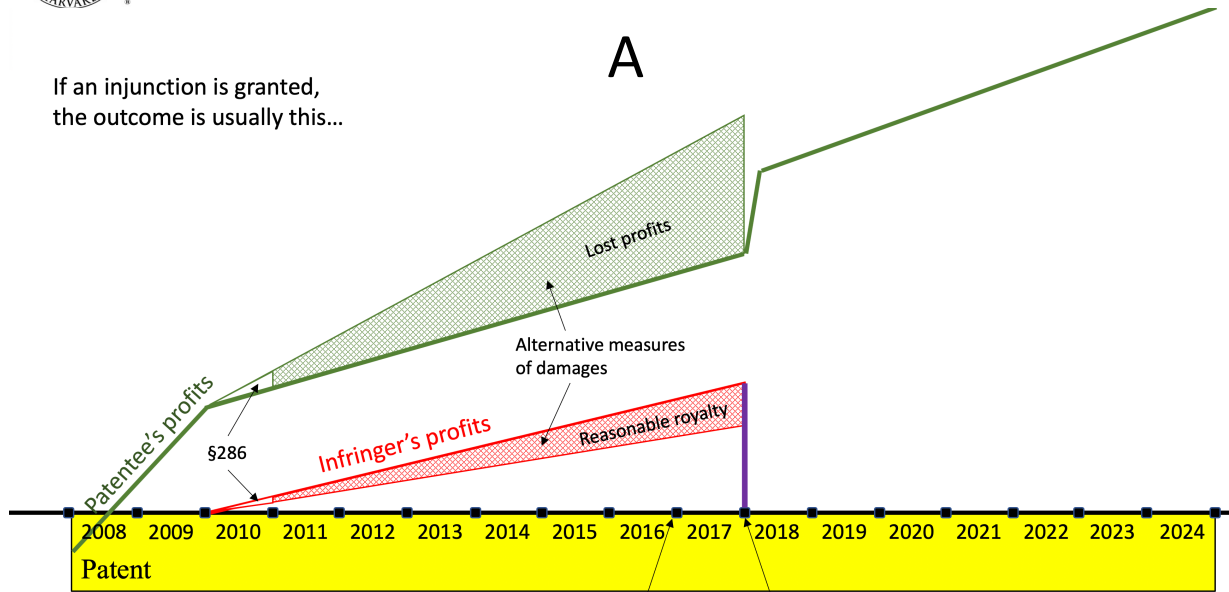






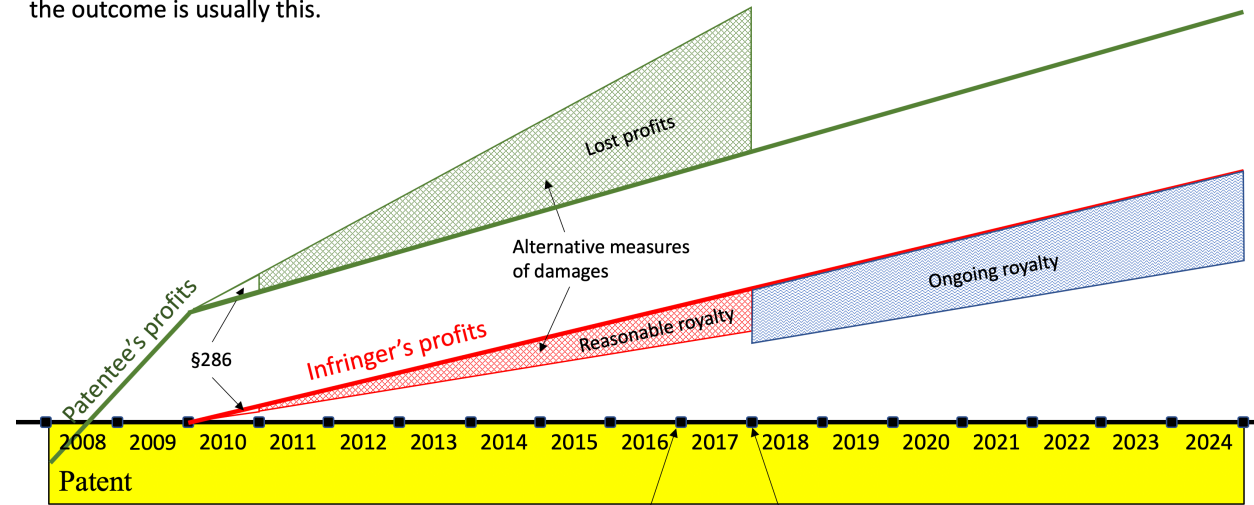
If an injunction is granted, the outcome is usually this...

A



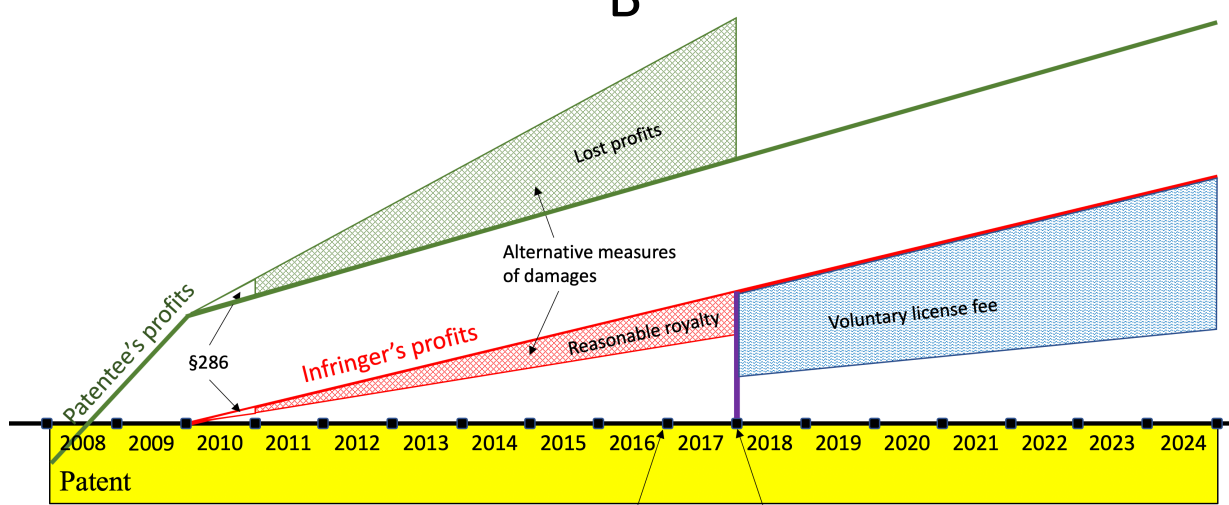
If an injunction is not granted, the outcome is usually this.

C



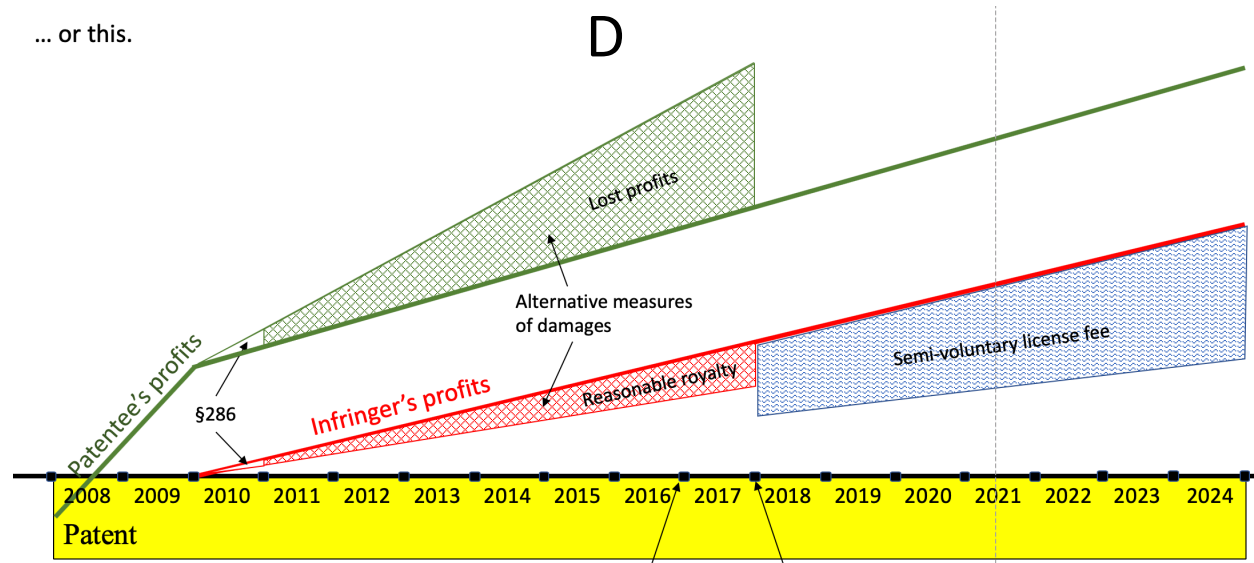
... or this.

B



... or this.

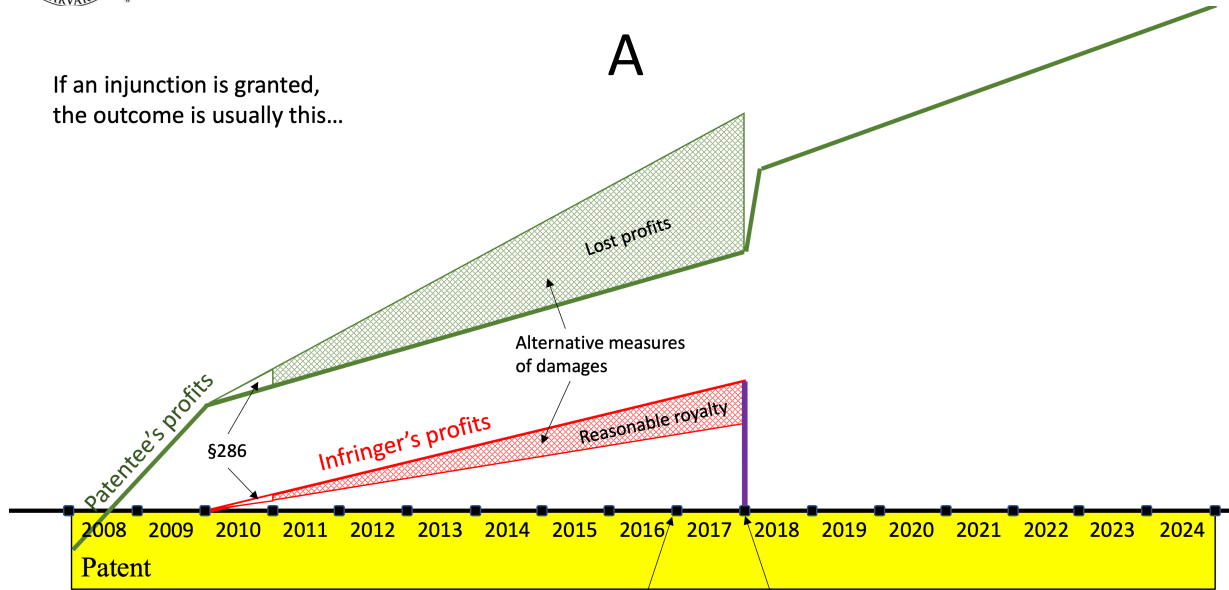
D





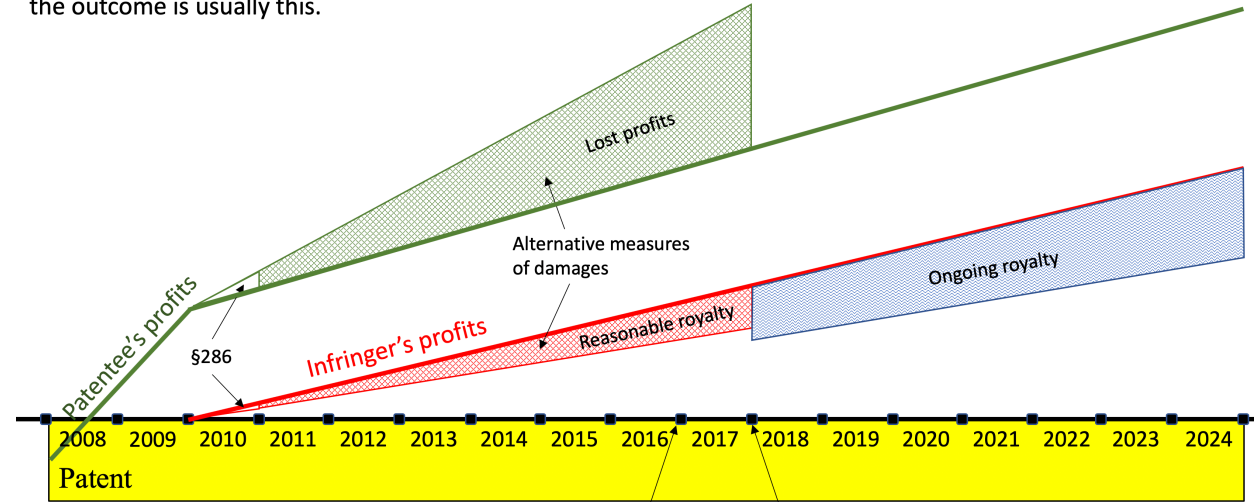
If an injunction is granted, the outcome is usually this...

A



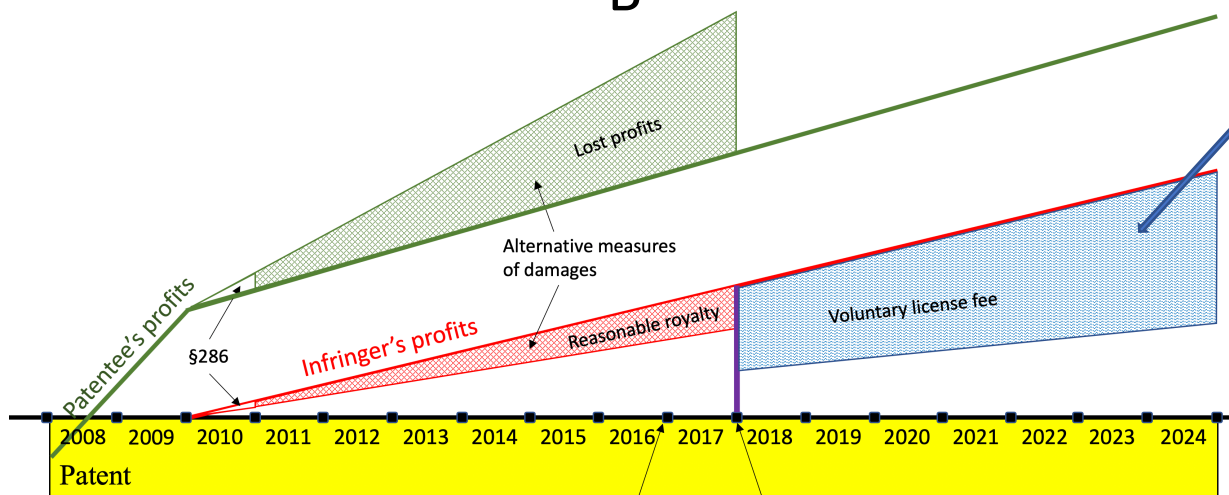
If an injunction is not granted, the outcome is usually this.

C



... or this.

B



Primary policy argument for denying injunctive relief is that voluntary licenses will be “too high,” because:

- (a) Holdup power of the patentee;
- (b) The patent at issue is socially pernicious (e.g., business method patent);
- (c) The patentee is socially pernicious (e.g., NPE); or
- (d) “Royalty stacking”



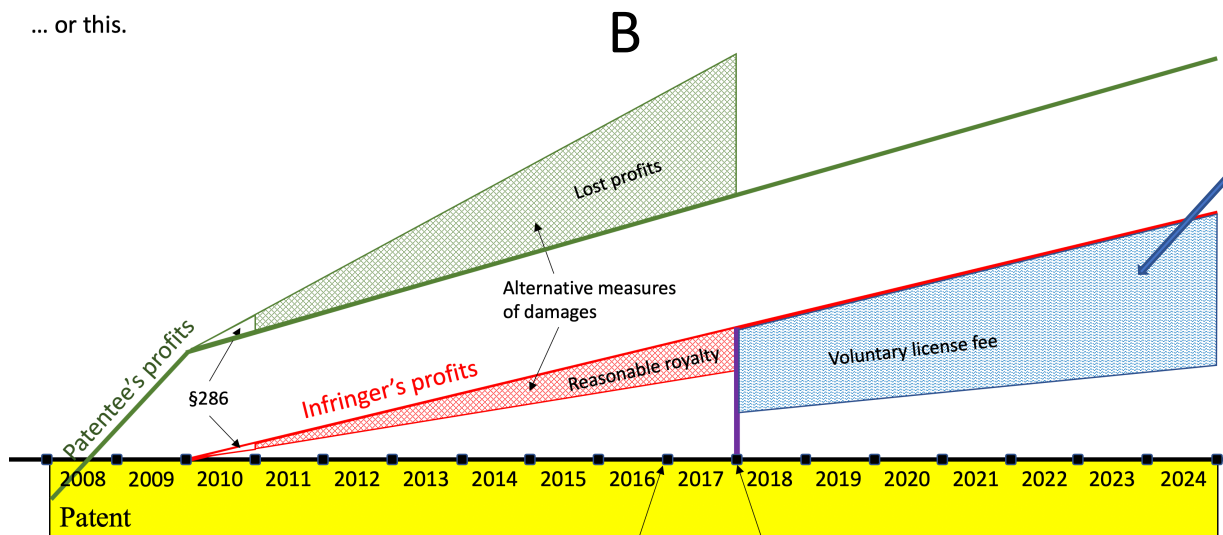
## Theoretical critique

- (a) Failure to identify the socially optimal level of incentive for innovation;
- (b) Patentees can and likely will use devices to avoid royalty stacking
  - 1) “repeated games”
  - 2) Informational asymmetry
  - 3) Norm-based limits on bargaining

## Empirical critique

- (a) Strategies to avoid royalty stacking are indeed commonly used;
- (b) Little evidence that innovation has been curtailed in industries characterized by patent thickets

... or this.



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