3 KEY TAKEAWAYS

What Corporate Counsel Need to Know About Patent Damages

Kilpatrick's Ted Mayle and Kevin Bell recently presented **"What Corporate Counsel Need to Know About Patent Damages"** at the **ACC Colorado In-House Counsel Forum**. With reports of nine-figure jury awards in patent cases being almost commonplace, corporate counsel need a comprehensive understanding of patent damages to effectively navigate intellectual property disputes and protect their company's interests. Mr. Mayle and Mr. Bell discussed cost-effective and efficient ways to maximize (from the point of view of patent owners) or minimize (from the accused infringer's perspective) patent damages. They emphasized that by staying informed about patent damages principles and practices, corporate counsel can effectively advise their companies on intellectual property matters and mitigate risks associated with patent infringement litigation.

Key takeaways from their presentation, include:

1

There are two kinds or relief in patent cases: injunctions (which are relatively rare) and money damages. According to the Patent Act, damages should be "adequate to compensate for the infringement" and shall not be "less than a reasonable royalty for the uses of the invention by the infringer," together with interest and costs as fixed by the Court. Money damages come in two forms: lost profits, and reasonably royalties. To obtain lost profits, the patent owner must show that the patented invention drives demand for the infringing product; there were no acceptable non-infringing alternatives; the patent owner has the capacity to supply products to meet demand; and it must show the amount of profits that were lost.

2

Reasonable royalty damages establish a "fair market value" for a license that the infringer would have obtained from the patent owner. Generally, this is done by multiplying a per-unit royalty rate by the number of infringing products (i.e., the royalty base). Courts will typically employ one or more of 15 "Georgia-Pacific" factors, including for example: royalties paid by others for the infringed patent; royalties paid by the infringer for similar technology; commercial success of the technology; benefits of using the patented invention over other methods or devices; and the opinion of experts. This rubric involves a "hypothetical negotiation" between a willing licensee, at the time of first infringement, and a willing licensor. In this negotiation, the patents are assumed to be valid and infringed.

3

Practical tips include, if defendant, assess exposure early in the case. This includes speaking to finance and marketing to understand what data is available (e.g., component costs, other costs). Collect the data early. Patent damages can include up to six years of "past damages" prior to the filing of the complaint; be prepared to address old sales (including finding old sales data). Speak to engineers / designers about potential "design arounds," which can limit or negate damages. If plaintiff, develop your damages theories early. This includes the potential availability of recovering damages for foreign use of the patented invention, and aggressive use of "comparable" licenses to the technology.

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