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THE SEDONA
CONFERENCE

*Commentary on
Case Management of Patent Damages
and Remedies Issues*

A Project of The Sedona Conference
Working Group on Patent Damages and Remedies (WG9)

SEPTEMBER 2024 VERSION



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Patent Damages and Remedies (WG9)*

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Foreword

As eight-figure and nine-figure patent damages jury verdicts become more common, other patent cases involve damage decisions or settlements for less than the cost of litigation. As a result, at both ends of the spectrum, patent damages law has become increasingly important. Even though the fifty-year-old *Georgia-Pacific* hypothetical negotiation framework for calculating reasonable royalties currently remains good law, patent damages law remains one of the most complex, unpredictable, and rapidly evolving areas of the law. Indeed, in many cases, the parties' expectations with respect to patent damages often differ by orders of magnitude. Such divergent views of patent damages make resolving cases short of trial much more difficult. Moreover, even a jury verdict may not add sufficient clarity or certainty to allow the parties to resolve remaining disputes—many jury verdicts regarding patent damages are being overturned by the Court of Appeals for the Federal Circuit or even by district courts in posttrial rulings.

Accordingly, Working Group 9 (WG9) undertook an effort to add clarity and predictability to the area of patent remedies, specifically to the reasonable royalty paradigm itself, as well as to issues relating to case management of patent damages and remedies issues. Participants and observers of the Working Group included a diverse group of attorneys, including inside counsel for patent holders (including non-practicing entities), inside counsel for practicing entities who often find themselves as defendants in patent litigation, and outside counsel representing both patentees and accused infringers. The Working Group also included expert witnesses who are regularly tasked with writing expert reports assessing patent damages, and testifying at trial about their opinions. Members of the federal judiciary participated as observers to the Working Group.

The efforts of the Working Group initially culminated in a single draft white paper, entitled *Commentary on Patent Damages and Remedies*, covering several topics. That initial white paper was submitted to interested members of the public for feedback and comments, and its various parts were discussed in Sedona Conference Midyear and Annual Meetings in the 2014-16 time frame. All comments were collected and evaluated; many were discussed at length. Each section of the initial draft white paper was reconsidered in light of the comments received and revised to reflect the advanced thinking that resulted from the public community dialogue. After this process, WG9 divided the original paper into two separate Commentaries. The first paper, entitled *Commentary on Reasonable Royalty Determinations*, published in December 2016, addresses the history of the reasonable royalty and discusses principles and best practices to be considered in evaluating reasonable royalty damages. Although no consensus was reached, the dialog was nevertheless beneficial for its illumination of the advantages and disadvantages of different approaches, which are set forth in The Sedona Conference *Commentary on Patent Reasonable Royalty Determinations* (Dec. 2016 ed.). The Working Group is hopeful that the dialog about alternative frameworks for the hypothetical negotiation will continue.

This *Commentary on Case Management of Patent Damages and Remedies Issues* is the second paper and presents principles and best practices for addressing and managing patent damages and remedies issues as they arise in the various stages of litigation, including:

- pretrial management of patent damages and remedies issues: fact discovery; and expert discovery;
- trial management of patent damages and remedies issues: trial time allocation; bifurcation of liability and damages for discovery or trial; and jury instructions and jury verdict forms; and
- posttrial management of patent damages and remedies issues: injunctions, and ongoing royalties.

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I. Introduction

This paper addresses case management of damages and remedies issues and their impact on district court litigation at various stages – pretrial, trial, and posttrial. Evolution of the damages and remedies law has created some challenges to practitioners – new and evolving evidentiary requirements must be satisfied to set forth a cognizable damages theory. New and evolving law also lends itself to varying interpretations in a given case, leading to motions to strike damages theories and/or expert reports, Rule 703 or *Daubert* motions, and motions in limine. It is important for the system for litigants to have clarity of one another’s damages theories, have any challenges heard by the court, and then, without causing prejudice to the opposing party, adjust any deficient damages theory into compliance with the law. The pursuit these goals requires hands-on case management by the court, including a schedule for early damages discovery, early damages contentions, an early *Daubert* motion period, and a clear set of rules for the modification of damages reports following adverse evidentiary or *Daubert* rulings. In addition, in some cases, damages issues are so complex that the case may benefit from bifurcation of damages and liability. Posttrial relief also presents challenges and must also be dealt with efficiently.

Posttrial Rulings on Reasonable Royalty Calculations

Historically, posttrial challenges to reasonable royalty calculations were difficult. For example, the Western District of Wisconsin has upheld a patentee’s expert’s argument that worldwide royalty rates should be adjusted upwards for application in the United States because patent enforcement is much more common in this country.¹ The trial judge did not question that analysis because the jury awarded less than the full measure of damages the expert recommended.² Because the jury adopted a lower figure, the judge determined that even if the patentee had failed to support its view, he would not say that there was “no rational connection between the award and the evidence.”³

Similarly, the District of Minnesota, despite being “initially troubled” by a jury’s damages verdict it declared “certainly generous,” has upheld a damages determination because it had “sufficient basis in the evidence at trial” and did not “reflect a miscarriage of justice.”⁴ Faced with evidence that the damages may exceed the cost of a noninfringing alternative, the court reasoned that “a reasonable jury . . . could have disregarded this proposed noninfringing alternative.”⁵

And, the Northern District of Ohio has upheld a jury’s damages award that was outside the range established by the parties’ experts.⁶ In that case, both parties’ experts agreed that 4% was a

¹ See *Ricoh*, 2010 U.S. Dist. LEXIS 27301, at *28–29.

² See *id.*

³ *Id.*

⁴ *Spectralytics, Inc. v. Cordis Corp.*, 650 F. Supp. 2d 900, 907–08 (D. Minn. 2009), *aff’d in part, remanded on other grounds*, 2011 U.S. App. LEXIS 11981 (Fed. Cir. June 13, 2011).

⁵ *Id.*

⁶ See *Bendix Commercial Vehicle, Sys., LLC v. Haldex Brake Prod. Corp.*, No. 1:09 CV 176, 2011 U.S. Dist. LEXIS 138, at *6–7 (N.D. Ohio Jan. 3, 2011).

reasonable royalty for a hypothetical licensing agreement between two willing parties.⁷ The plaintiff's expert, however, emphasized that the plaintiff licensor was "not anxious to grant a license," and the jury decided on damages exceeding a 4% reasonable royalty.⁸ The court upheld the award, concluding that "when supported by the evidence, a jury may rightfully award damages . . . in excess of any amount advocated by either party."⁹

However, the difficulty of overturning a jury award has changed recently simply because of intervening Federal Circuit decisions that clarified or changed damages precedent. For example, in *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, the court granted a new damages trial on a motion for reconsideration after finding that the plaintiff's expert had failed to apportion as required by the Federal Circuit in *VirnetX*.¹⁰

Posttrial Relief: Injunctions and Ongoing Royalties

Injunctions

The Constitution grants Congress the power "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."¹¹

Congress has exercised that power, and the Patent Act expressly provides for the granting of a permanent injunction to a successful patentee: "The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable."¹²

In *eBay Inc. v. MercExchange, LLC*, the United States Supreme Court took up the issue of the standard that should govern when injunctions are issued in patent cases.¹³ The Supreme Court rejected the Federal Circuit's "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances," and held that the patentee must satisfy the same four-factor test applied in other injunction contexts by showing: (1) irreparable injury; (2) that the remedies available at law are inadequate to compensate for that injury; (3) that the balance of hardships between the plaintiff and the defendant favors an injunction; and (4) the public interest

⁷ See *id.* at *4.

⁸ *Id.* at *6–7.

⁹ *Id.* at *5; Cf., e.g., *Lucent*, 580 F.3d at 1332 (refusing to uphold jury's damages in part because the jury did not choose "a damages award somewhere between maximum and minimum lump-sum amounts advocated by the opposing parties."); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1378 (Fed. Cir. 2005) ("[T]he jury is not bound to accept a rate proffered by one party's expert but rather may choose an intermediate royalty rate.").

¹⁰ *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, No. C-09-5235-MMC, 2014 WL 6859521 (N.D. Cal. Nov. 25, 2014).

¹¹ U.S. CONST. art. 1, § 8, cl. 8.

¹² 35 U.S.C. § 283.

¹³ See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).

would not be disserved by issuance of an injunction.¹⁴ This has made it significantly more difficult for patent holders to obtain injunctions.

The Supreme Court's *eBay* majority decision did not provide any guidance with respect to the weight, if any, that should be given to the previously accepted concept that patents are a property right, which generally should be protected by the right to exclude. This led to two concurring opinions,¹⁵ which, directly or indirectly, address that question.

Since *eBay*, the Federal Circuit has continued to refine the test for injunctions. In *Apple Inc. v. Samsung Elecs. Co.*, the Federal Circuit added to the first prong of the *eBay* test (irreparable injury) the requirement of a causal nexus between the irreparable harm and the alleged infringement.¹⁶ Specifically, the Federal Circuit stated: “to satisfy the irreparable harm factor in a patent infringement suit, a patentee must establish both of the following requirements: 1) that absent an injunction, it will suffer irreparable harm, and 2) that a sufficiently strong causal nexus relates the alleged harm to the alleged infringement.”¹⁷ The court reasoned:

To show irreparable harm, it is necessary to show that the infringement caused harm in the first place. Sales lost to an infringing product cannot irreparably harm a patentee if consumers buy that product for reasons other than the patented feature. If the patented feature does not drive the demand for the product, sales would be lost even if the offending feature were absent from the accused product. Thus, a likelihood of irreparable harm cannot be shown if sales would be lost regardless of the infringing conduct.¹⁸

This “causal nexus” requirement has also generally added to the difficulty of obtaining injunctions by patent holders.

Of course, in some instances injunctions remain appropriate. For example, in *Robert Bosch, LLC v. Pylon Manufacturing Corp.*,¹⁹ the Federal Circuit held that it was an abuse of discretion for the court to decline to award injunctive relief where: (1) the parties were direct competitors; (2) there was a loss of market share and potential customers; and (3) due to financial problems, the infringer might not be able to satisfy a monetary judgment.²⁰ The International Trade Commission also continues to grant injunctions, as it does not have the power to award damages and is not bound by the *eBay* factors.

Alternatives to Injunctions

¹⁴ *Id.* at 391, 393–94.

¹⁵ *Id.* at 394–95 (Roberts, J., concurring); *id.* at 395–97 (Kennedy, J., concurring); *see also* *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp. 2d 901 (N.D. Ill. June 22, 2012), *rev'd*, 2014 WL 1646435 (Fed. Cir. April 25, 2014).

¹⁶ *Apple Inc. v. Samsung Elecs. Co.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012)

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011).

²⁰ *See id.* at 1152–55.

Because courts routinely granted injunctions to successful patentees prior to *eBay*, there was little need to determine an appropriate post-judgment remedy for infringement. Post-*eBay*, determinations regarding ongoing infringement absent an injunction have become important.

Where an injunction is not granted, courts can simply do nothing and await any future suit for further infringement. This approach, however, undoubtedly presents efficiency concerns for the parties and the courts. As such, the issue has arisen whether courts can determine forward damages for ongoing infringement in the same suit. The Federal Circuit has held that “[u]nder some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.”²¹ For example, in *ActiveVideo Networks, Inc. v. Verizon Communications, Inc.*, the Federal Circuit concluded that the district court erred in finding money damages inadequate to compensate for the infringement, as the patent holder had engaged in extensive licensing and licensing efforts, had solicited the defendant for a license over a long period of time preceding and during litigation, and there was no direct competition between the plaintiff and the defendant.²² The Federal Circuit concluded that plaintiff was entitled to an ongoing royalty: “ActiveVideo’s loss of revenue due to Verizon’s infringement can be adequately remedied by an ongoing royalty from Verizon for each of its subscribers. This is what ActiveVideo has sought from Verizon since 2004, and based on the infringement determinations ActiveVideo is certainly entitled to it.”²³ Many district courts have taken this same approach and have awarded ongoing royalties.

The Federal Circuit has also held that “[t]here is a fundamental difference, however, between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement.”²⁴ As a result of the Federal Circuit’s limited guidance, various mechanisms for dealing with ongoing royalties in lieu of a permanent injunction have been utilized by district courts, with no common approach having yet been adopted.²⁵ For instance, may parties ask the jury to determine a fully paid up lump sum to account for future infringement, or must the issue of ongoing infringement absent an injunction be dealt with via an ongoing running royalty? If the jury is permitted to award a lump sum, how should such a lump sum properly be determined?

²¹ *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007).

²² *See ActiveVideo Networks, Inc. v. Verizon Commc’ns, Inc.*, 694 F.3d 1312, 1339–40 (Fed. Cir. 2012).

²³ *Id.* at 1340.

²⁴ *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1361 (Fed. Cir. 2008).

²⁵ *See, e.g., Sovereign Software LLC v. J.C. Penney Corp., Inc.*, 899 F. Supp. 2d 574, 589–90 (E.D. Tex. 2012) (applying a 2.5x enhancement to the jury’s implied royalty rate for ongoing royalties).

II. Pretrial Management of Patent Damages and Remedies

Principle No. 1 – The pretrial period should be used to narrow damages disputes for trial, just as it is used to narrow disputes on merits issues in patent matters. The court should try to address the parties’ concerns regarding defective damages theories or evidence well before the motion in limine process.

Currently, there is no standard procedure or time for courts to consider the reliability or admissibility of damages-related testimony, theories, or evidence. Damages expert reports are often exchanged towards the end of discovery, near or even after the summary judgment deadline. Disputes regarding damages issues therefore are infrequently raised in summary judgment motions. Instead, motions attacking damages theories and evidence are raised in motions *in limine* or in *Daubert* motions. Indeed, parties in patent litigation routinely move to exclude damages experts’ testimony, theories, or evidence under Federal Rule of Evidence 702,²⁶ 402, and 403.²⁷

Given the complexity and number of *in limine* and *Daubert* motions that are often filed on merits issues in patent cases, as well as all of the other pretrial issues the court must address (e.g., voir dire and jury instructions), it may be difficult for the court to devote its time and attention to damages motions—which can involve complex economic theories—just before trial.²⁸

Furthermore, leaving motions regarding the viability of a damages theory to just before trial can create difficulties. First, a lack of attention to the parties’ damages disputes may bring settlement discussions to a standstill. Even where the parties are interested in settlement, closing the gap between them often requires clarity about the damages evidence that will be permitted at trial, and, particularly, the damages numbers that will be presented to the factfinder. Without this information, the parties may feel compelled to continue forward with litigation until they can conduct robust settlement discussions once the damages disputes are resolved.

Second, delayed resolution of damages disputes may result in the total exclusion of damages experts, damages theories, or evidence on the eve of (or during) trial. Exclusion of such evidence so late in the process is likely to significantly impair a party’s ability to present its case at trial and may force an unfair settlement.

²⁶ See FED. R. EVID. 702; *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579 (1993); *Kumho Tire Co. v. Carmichael*, 526 U.S. 137 (1999).

²⁷ See FED. R. EVID. 402, 403.

²⁸ See e.g., *Emcore Corp. v. Optium Corp.*, 2009 U.S. Dist. LEXIS 96305, at *2–3 (W.D. Pa. Oct. 16, 2009) (“A motion *in limine* is not the proper procedural vehicle to raise these issues Optium’s Motion does not involve evidentiary rulings, or any other type of issue usually considered on an *in limine* basis. Rather, this Motion resembles a motion for summary judgment The time for filing Motions for Summary Judgment has long passed.”); *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 2006 U.S. Dist. LEXIS 67562, at *3 (D. Del. Sept. 20, 2006) (“[T]he Court concludes that Defendant’s second Motion *In Limine* is akin to a summary judgment motion. In this case, the jury will decide how many infringing sales and offers for sale took place in the United States based on the evidence submitted by the parties. Accordingly, the Court will deny Defendants’ motion.”).

There are several reasons for requiring early damages disclosures. Early disclosure may facilitate early resolution or settlement of a case. Early disclosure may facilitate proper proportionality determinations for purposes of discovery. The resolution of damages-related motions during the pretrial period will allow the parties to make adjustments to their damages theories in advance of trial,²⁹ so as to not unfairly tip the scales against a party whose damages theories are rejected. Thus, rather than waiting until late in the litigation to address damages disputes, it would be beneficial for courts to enter case management orders that provide for the early disclosure of damages theories so that one or both parties may seek summary adjudication or summary judgment, or bring other motions as appropriate, in advance of the *in limine* period. In addition, early damages disclosures will cause each party to focus on damages issues early in the process, leading to more streamlined analysis and discovery requests, and likely leading to more efficient use of expert and client time.

The Working Group recognizes that the damages theories and calculations are highly dependent on the infringement issues, and specific and detailed infringement allegations are subject to substantial changes throughout the course of a case.

On net, the Working Group recommends limited early damages exchanges. We suggest that both parties identify the forms of relief that they will likely pursue (e.g., lost profits, price erosion, reasonable royalty, injunctive relief), a limited set of documents that support their damages theories and likely damages calculations (further identified below), and an identification of whether this is a likely small (less than \$1 million), mid-sized (\$1 million to \$50 million), or large (over \$50 million) case. The Working Group also recommends supplemental damages exchanges through the course of discovery, such as for example, after substantial completion of document production or completion of key depositions in the case, and in any event, no later than one month before the close of fact discovery.

A. FACT DISCOVERY

1. Early Case Management

Best Practice 1 – The parties and the court should focus on damages issues early in the case, including at the required meeting of counsel under Fed. R. Civ. P. 26(f), during the initial case management conference, and in their initial disclosures.

An early focus on damages issues is important for overall case management.³⁰ The earlier the parties develop damages theories and damages estimates, the earlier they can frame their damages discovery

²⁹ In order for a party to change or modify its damages theories or evidence on which it relies, it must properly disclose any new theories and evidence in accordance with the court's rules regarding such disclosures. See The Sedona Conference, *Commentary on Patent Litigation Best Practices: Use of Experts, Daubert, and Motions in Limine* Chapter, available at https://thesedonaconference.org/publication/Commentary_on_Patent_Litigation_Best_Practices_Use_of_Experts [hereinafter *Sedona WG10 Use of Experts Chapter*].

³⁰ See The Sedona Conference, *Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter* (Dec. 2015 Edition), at Sec. II.B.3. (Preliminary Statements Regarding Value of the Case for

and assist the court in making proportionality determinations necessary to resolve discovery disputes. Moreover, by focusing on damages issues in the early stages of the case, the parties may be able to develop a framework for settling the case earlier than they might otherwise.

Thus, it would be helpful in patent cases, but not deemed mandatory, to require that attention be given to damages issues at the Rule 26(f) meetings of counsel, in Rule 16 reports, and during Rule 16 initial case management conferences. This would include discussion between the parties and with the court of the appropriate timing and extent of early damages discovery or exchanges, including the exchange of formal damages contentions. To the extent one or both parties agree that an early focus on damages or damages contentions would not be beneficial for a given case, the parties should discuss their views during the Rule 26(f) meeting and should expect to explain their views to the court at the Rule 16 conference.

Requiring the party seeking damages to provide an early disclosure of its claimed damages is consistent with the existing initial disclosure requirements set forth in FRCP 26(a)(1)(A)(iii), which require a party seeking damages to provide:

(iii) a computation of each category of damages claimed by the disclosing party—who must also make available for inspection and copying as under Rule 34 the documents and other evidentiary material, unless privileged or protected from disclosure, on which each computation is based . . .³¹

Historically, compliance with this provision has been more of the exception than the rule in patent litigations, largely due to the complexity of damages computations and party assertions that fact and expert discovery is necessary before a damages computation can be made. Yet, some judges and some district court local rules have required early damages disclosures notwithstanding these challenges.³² Even when a damages estimate cannot be computed due to missing information, a

Determining Discovery Limits), *available at* https://thesedonaconference.org/publication/Commentary_on_Patent_Litigation_Best_Practices_Case_Management_Issues_from_the_Judicial_Perspective [hereinafter *Sedona WG10 Case Management Chapter*].

³¹ In a recent opinion, the Federal Circuit stated: “Rule 26 explains that the disclosures required under section (a)(2) [that governs the disclosure of expert testimony] are in “*addition* to the disclosures required by Rule 26(a)(1).” Fed. R. Civ. P. 26(a)(2) (emphasis added). And Rule 26(a)(1)(A)(iii) requires parties seeking damages to provide in their initial disclosures “a computation of each category of damages” as well as “the documents or other evidentiary material, unless privileged or protected from disclosure, on which each computation is based.” *MLC Intellectual Prop., LLC v. Micron Tech., Inc.*, No. 2020-1413, 10 F.4th 1358, 1371 (Fed. Cir. Aug. 26, 2021). *See also id.* n.2 (“Thus, to the extent possible, this initial disclosure should include a claimed royalty rate and the evidence that supports such a rate, even though subsequent discovery may eventually warrant a modification of the calculation.” (citing *Brandywine Commc'ns Techs., LLC v. Cisco Sys., Inc.*, No. C 12-01669, 2012 U.S. Dist. LEXIS 162165, 2012 WL 5504036, at *2 (N.D. Cal. Nov. 13, 2012))).

³² See, e.g., N.D. Cal. Patent Local Rule 3-8 (requiring *inter alia* identification of “each of the category(-ies) of damages [plaintiff] is seeking for the asserted infringement, as well as its theories of recovery, factual support for those theories, and computations of damages within each category;” N.D. Cal. Patent L.R. 2-1(b)(5), 3-8, 3-9; W.D. Pa. LPR 3.5, 3.6; D. Utah LPR 2.2(a)(6), 2.2(b)(4)) See also, e.g., *Brandywine Communs. Techs., LLC v. Cisco Sys.*, No. C 12-01669 WHA, 2012 U.S. Dist. LEXIS 162165, at *4-7 (N.D. Cal. Nov. 13, 2012)] (requiring as part of Rule 26(a)(1)(A)(iii) disclosure, “on pain of preclusion, subject to supplementation” for plaintiff to state the claimed royalty rate and state the claimed royalty base, and then multiply the two for a total, specifying the information by

party seeking damages should be able to set forth its methodology(-ies) for computing damages, consistent with prevailing law. Moreover, the expectation is that more judges may require early disclosure of damages methodologies and, where possible, a computation estimate, such as for example the range of damages, including because of the December 1, 2015 amendments to the Federal Rules of Civil Procedure, which explicitly require proportionality to be considered in the evaluation of discovery disputes. Under FRCP 26(b)(1), the “proportionality” analysis is to include consideration of the “amount in controversy.” This information will assist the courts in determining the “value” of the case, and to evaluate discovery disputes in light of that value or range of values; without such information, proportionality determinations may be more difficult to make.

2. Initial Damages Discovery

Best Practice 2 – Within a reasonable period of time after the Rule 16 conference, the parties should produce to each other initial discovery sufficient to allow the parties to set forth meaningful damages contentions.

Parties in litigation often contend that they are unable to provide damages contentions because they lack information from the other party (or in some instances from third parties). Relatedly, accused infringers often contend that such discovery is premature, or that it would be unduly burdensome due to highly generalized descriptions of accused instrumentalities, e.g., broad product categories. Therefore, it is useful for the court to require (absent agreement) the parties to exchange certain limited damages-related information within a short period of time following the Rule 16 conference, focused on the specified accused instrumentalities,³³ in order to encourage the parties to focus on damages-related issues and to be in a position to prepare meaningful damages contentions. Such discovery would include, but would not necessarily be limited to:

- a. sales, revenue, cost, and profit data for specifically accused instrumentalities and the patent owner’s competing alternatives;
- b. market share data for the market covering the accused instrumentalities;
- c. license or other agreements that include the patent(s) in suit or related/comparable patents;

year, and to modify later, if required, based on subsequent discovery; requiring identification of any of the Georgia Pacific factors (if plaintiff intends to use the analysis) and identification of all evidence it relies on for that factor, “save and only except for such evidence as it could not be reasonably expected to possess (and does not possess) at the outset of the litigation;” and identification of any license agreement that the plaintiff may rely on it as a comparable for reasonable royalty purposes, then it should be so disclosed under Rule 26(a); and stating with particularity the reasons why any of the information is missing).

³³ With the elimination of Form 18, the courts require more specificity in the initial complaint as to the accused instrumentalities which should aid the process of earlier damages disclosures. *See* The Sedona Conference, *Commentary on Patent Litigation Best Practices: Pleading Standards Under Iqbal-Twombly Chapter*, available at https://thesedonaconference.org/publication/Pleading_Standards.

- d. license or other agreements that (i) a party may use to support its claims or defenses; or (ii) involve patents within the scope of an agreed upon technology area of potential relevance;
- e. actual or likely non-infringing alternatives, whether available from the alleged infringer or a third party;
- f. documents sufficient to show marking of embodying accused instrumentalities; and
- g. any documents comprising or reflecting a F/RAND commitment or agreement with respect to the asserted patent(s).

In order to address the concern of overbreadth and undue burden, the court should consider requiring discovery to be provided only for “accused instrumentalities” described by name, model number, or functional description as part of the Rule 26 damages computation or methodology description. So as to not allow functional descriptions to create an overwhelming discovery obligation, they should be specific. At a minimum, in order to trigger a discovery obligation, a functional description should provide a technical description of an accused product, and not merely a product category, that is sufficiently detailed so that the accused infringer easily can identify by name or model number any accused instrumentality not already identified in that way.

3. Damages Contentions

Best Practice 3 – If the court does not require damages contentions, the parties should work together on a schedule that would permit the exchange of damages contentions significantly in advance of the exchange of damages expert reports.

Good faith damages contentions, by both parties, are helpful in patent litigation for several reasons: they may provide guidance to the court and the parties for managing discovery in accordance with the “proportionality” doctrine now embodied in the Federal Rules; they may improve the productivity of settlement discussions that might otherwise be lacking in an understanding of damages theories or evidence; and they may help identify disputes that can be appropriately addressed early in the case as a matter of law, and which would materially shape the litigation. For example, where damages theories of one side or the other are legally deficient, early identification of that deficiency may reduce or eliminate needless and burdensome discovery, as well as any associated late-stage motion practice.

During the initial public comment period, some commenters have raised the concern that requiring damages contentions may give rise to additional discovery disputes. As with new discovery requirements generally, there is always this concern. The Working Group members also share the concern that if the disclosures are required too early in the case, they may be too expensive and with limited utility that is caused by limited information provided early in the case. To balance these concerns, the Working Group believes that the exchange of initial damages discovery and damages contentions—at least at the level of the identification of the legal theories, licenses that support the legal theories, royalty base, and where possible, royalty rate—in most cases will have a net helpful

effect on patent litigation, in that they will allow for earlier understanding of positions, earlier settlements or resolutions of significant damages disputes, and ideally allow for cost savings in narrowing the potential field of substantive and discovery disputes that would have to be pursued in discovery. Further, once parties and courts have experience with damages contentions requirements, the case law should provide guidance to reduce the frequency of disputes over time.

B. EXPERT DISCOVERY

In addition to disclosing early damages contentions, the Working Group recommends that parties work with their damages experts early in the case and that those experts work with other experts and in-house personnel from the client well before the deadlines for expert reports. Damages experts in performing their analyses often must interact with other outside experts as well as in-house personnel knowledgeable about facts that are relevant to the damages analysis. The information and opinions from those other experts or in-house personnel can be important to the damages work because it encompasses areas for which the damages expert may not have adequate knowledge or expertise.

Interactions often occur in several substantive areas as follows:

- i. Financial
 - i. Company financial records (including revenue, invoice, purchase order and shipment records);
 - ii. Cost apportionment/profitability reports;
 - iii. Price and price variability reports; and
 - iv. Cost variability studies and reports;
- ii. Technical
 - i. Advances of the patented technology;
 - ii. Contributions of the patented technology over the prior art (technical and business contributions);
 - iii. Contributions made by the accused infringer (technical and business contributions);
 - iv. Design-around alternatives / non-infringing alternatives; and
 - v. Relative value of the patented technology (technical).
- iii. Licensing
 - i. Patent coverage, relative importance of technology and its benefits;
 - ii. Relevant in-bound and out-bound licenses;
 - iii. Company licensing policies (if any);

- iv. Comparability of existing licenses.
- iv. Market
 - i. Competitive environment;
 - ii. Market share estimates;
 - iii. Capacity constraints;
 - iv. Market studies (in-house and commissioned/purchased);
 - v. Consumer/end-user surveys.

In a significant number of patent cases, damages experts rely on technical or other specialized experts and rely on facts from in-house personnel. Because of the need for reliance on other experts and in-house personnel, alignment and communication between the liability team and the damages team is essential. Consideration should be given also to the timing and impact of the Markman hearing.

1. Role of Damages Expert Witnesses in Patent Infringement Cases and Interactions with Other Experts and In-House Personnel

Principle No. 2 – A damages expert witness is required to have specific knowledge or proficiency in a particular field that is relevant to the subject matter of the patent infringement case. The role of the damages expert witness is important, thus, identifying that role and selecting the right expert witness are key.

In virtually all patent infringement cases, a damages expert witness is very important. In any patent infringement case, an expert will help investigate the facts and issues surrounding the case and assist the court in understanding the complex technical and economic issues. They are hired to provide their opinions and testify in court. Under the Federal Rules of Evidence (“FRE”), a “witness is a person who is qualified as an expert by knowledge, skill, experience, training, or education” to offer opinion-based testimony to help the judge or jury understand the relevant science, technology or economic issues in the case.

A damages expert often is retained to testify regarding the accounting, financial and economic issues of the case and determine the appropriate damages taking into consideration several factors, such as licensing policies and practices, market demand, the extent of lost sales, profit margins, and reasonable licensing fees. Some of the underlying information needs to come from others who are more expert in a certain area.

Damages experts ordinarily rely upon other experts and in-house personnel knowledgeable about the facts that the damages experts may need to rely on. In-house personnel often can provide useful information and insight on some of the above topics, including company financials, market studies and marketing information, product / service information, licensing policies and practices, and the like. Damages experts routinely rely upon other outside (retained) experts who serve in a similar role as the economic expert, but have different areas of expertise. Such other experts can often provide useful information and opinions on some of the above topics as well, including patent

coverage, relative importance of the technology and its benefits, technical comparability of licenses, design-around and non-infringing alternatives, market studies, survey information and the like.

As discussed in further detail below, experts in general take on an important role in patent infringement cases and it is beneficial for the parties to retain all the experts that are necessary to put on a case to a trier of fact, and retain them early enough in the case to be able to coordinate and drive discovery based on input from the experts.

Best Practice 4 – The parties should focus on damages issues early on and make every effort to involve the experts early in the case so the experts have sufficient time to form their opinions and the parties can drive discovery with the aid of their experts.

Experts, in general, are an important part of a patent litigation, from assessing the merits of a case to giving their expert testimony during a trial. An expert plays an essential role as a person with the knowledge and skillset, who under the guidance of the attorneys, can be instrumental in assisting the trier of fact.

Selecting the best expert requires careful consideration, which can be time consuming given that the parties often look at not only the expert's professional and personal qualities and prior work experience, but also consider any potential conflicts of interest. However, by focusing on the damages issues early on, the party will have the time to consult various sources and identify the best experts that are right for the case.

Retaining a damages experts early on in the case can have many benefits. First, the damages expert can assist with developing a case strategy and identify different damages categories and theories that may not have been considered by the legal team or the client. Second, the damages experts' experience can be a valuable asset as they can assist with discovery requests, interrogatories and depositions. Third, a damages expert can also be a valuable source in recommending other experts. Lastly, the damages expert can often bridge the gap between evidence of liability and damages at trial. Therefore, it is important to retain the experts as soon as possible to provide sufficient time for all the experts to research relevant facts and properly gather information from other experts and sources.

Best Practice 5 – The other experts that damages experts rely upon should be clearly identified.

Damages experts are critical in quantifying the value of the harm and determining the monetary amount to be awarded; however, the other experts that the damages expert relies upon are equally important in helping the damages expert undertake his or her evaluation. Thus, in a patent infringement case, when multiple experts have been retained, it is important for the litigation team to properly identify the role of each expert to avoid duplicating or conflicting opinions.

The damages expert usually makes several key assumptions. Some assumptions fall within the scope of the damages expert area of expertise while other assumptions are based on the opinions of other experts, facts from in-house personnel, or simply instructions from counsel. The assumptions may relate to facts that are being disputed in court or they may also relate directly to inputs to the damage calculations provided by other experts such as technical, survey or licensing experts. It is important

to identify the source of various assumptions and for the damages expert to be clear about the assumptions relied upon based on other experts.

2. Information Relied Upon by Damages Experts in Patent Infringement Cases

Principle No. 3 – All information and produced documents in the case relevant to the quantification of damages and the bases and reasoning should be made available to the expert witnesses allowing them to properly form their opinion.

Generally, the damages expert's role is to understand the case, gather the relevant documents and information, undertake a variety of analyses, calculate the damages and present the bases and reasoning and, finally, tell the story in a form of an expert report and testimony at deposition and trial. Retaining the damages expert early on allows the damages expert to understand the complete picture of the facts and circumstances surrounding the case, which in turn allows the damages expert to assist the legal team to (i) make an effective and targeted request for document production and (ii) help identify individuals that the legal team should consider interviewing/deposing and the type of content the interview/deposition should include. Understanding the background of the case and these facts and circumstances are crucial as the experts consider the qualitative aspects of the damages, which is an important prerequisite to quantifying the damages.

Best Practice 6 – The information and opinions that damages experts rely upon should be clearly identified and the basis for the information and opinions relied upon should be clearly laid out.

The damages expert opinions are based on the expert's observation of the facts, discovery made about those facts, and the assumptions made based on those facts. In a patent infringement case, there are several important categories of documents that a damages expert often relies on. First, and foremost, the historical financial data, such as the financial statements, accounting records and/or any other historical data, that can provide an insight on how the business functions can be used as the basis for projecting what the scenario would have been but-for the infringement.

Secondly, other discovered facts surrounding the case, such as opposing expert reports, valuation reports, depositions and/or other expert reports providing licensing, marketing and/or technical information, can also assist in calculating the damages that are reasonable and appropriate given the but-for scenario. Examples of these discovered facts in a patent infringement case may include, for example, situations where there is a licensing expert, the damages expert may rely on this expert to understand the comparable licenses and the valuation of the technology or product at issue; if the case has a survey expert, the damages expert may rely on the survey expert's opinions to understand the consumer decisions related to the technology or product at issue and if the case has a technical expert, the damages expert relies on the technical expert to understand the (non)infringement and (in)validity of the technology or product at issue. Thus, having access to these "other experts" early on and the basis of the "other expert" opinions provides the damages expert valuable information related to the facts and assumptions made in forming their own opinions.

Lastly, as discussed above, based on the data and the facts available to the damages expert, the damages expert can make several key assumptions either based on their expertise, other expert opinions or on the instructions from counsel. A fairly common assumption for a damages expert is to assume liability of validity and infringement of the claims asserted solely for the purpose of

evaluating the potential amount of the economic damages in the patent infringement case. However, the damages expert is expected to clearly identify the necessary steps taken to determine the reasonableness of the assumptions they made.

Principle No. 4 – The opinions of the experts, whether it is a damages expert or any other expert, should be supportable and reasonable.

For an opinion to be supportable, reasonable, and admissible, an expert's analysis should rely on sufficient facts and data of the case and be premised on sound principles and methods. The basis for the expert testimony is governed by the Federal Rules of Evidence and together “these rules provide, among other things, that:

- an expert witness is a person whose “knowledge, skill, experience, training, or education” qualifies them to offer opinion-based testimony;
- an expert may only offer testimony if their “scientific, technical, or other specialized knowledge” will help the court “understand the evidence or to determine a fact in issue”;
- testimony offered by an expert must be “based on sufficient facts or data,” must be “the product of reliable principles and methods,” and the expert must have reliably applied those “principles and methods to the facts of the case”;
- experts may base their opinions on facts or data they “personally observed,” or have “been made aware of”;
- if a fact or data is of a kind that “experts in the particular field would reasonably rely on,” opinions based on those facts or data are admissible regardless of whether the underlying fact or data is itself admissible; and
- an opinion offered by an expert is “not objectionable just because it embraces an ultimate issue,” for example, validity, infringement or the measure of damages.”

Best Practice 7 – The above elements, optimally, should be laid out in a declaration or report by each expert and should be consistent with interrogatory responses regarding the same.

The opinions formed by each of the other experts that the damages expert relies upon and the conclusions reached should be laid out in either a declaration or an expert report. The expert report or declaration should include all the facts, documents and sources relied on by the other expert in forming the other expert’s opinion, however, the reports should be limited to their scope of the assignment, thereby not providing opinions on matters beyond their area of expertise.

In typical cases, opening damages reports coincide with opening infringement reports of the plaintiff. In the next round, responsive damages reports are usually served on the same day as the non-infringement reports. However, it is not unusual for the technical liability reports to be finalized on the day of the deadline, and that makes it difficult for the damages experts to fully assimilate and incorporate the technical expert’s analysis into their reports. For example, liability technical experts typically describe the technology in a way that forms the basis of the damages expert’s analysis regarding the patented technology and its impact (or lack thereof) on the accused

products and in the field. It is also typical for liability technical experts to opine on the scope of licensed technology in the licenses that the damages expert is opining on, or the scope of non-infringing alternatives. Given the difficult timing in coordinating both the opening and responsive reports with technical and other experts, this group proposes that the opening damages reports are scheduled for one week after the opening liability reports, and that the responsive damages reports are scheduled for one week after the responsive liability reports are submitted. This should give damages experts more time to assimilate the final opinions by technical liability experts, and at the same time, such schedule is not going to extend meaningfully the overall time to trial.

Best Practice 8 – To the extent the above elements that the damages experts rely upon cannot be laid out in a declaration or report of the other expert(s) due to the scheduling order, while not ideal, those elements should be laid out in the damages expert report and cited to the other experts or in-house personnel who provided the information that the damages expert relies upon.

Under the Rule 26(a)(2)(B), experts who are “retained or specially employed to provide expert testimony in the case or whose duties as an employee of the party regularly involve giving expert testimony” must provide expert reports to the other parties in the case. Damages expert reports are written reports that should effectively communicate the work and conclusions of the damages expert and lead the reader to reasonable conclusions. The damages expert reports are generally organized as follows:

- Introduction – introduction of the case, the parties involved, expert qualifications and experience and the scope of the analysis and opinions;
- Background – facts relating to parties involved, details of the event causing the alleged infringement;
- Documents considered – materials considered and relied upon in reaching the conclusion such as produced documents, inputs from other experts and publicly available information;
- Claimed loss – information related to each component of the claimed loss and a reference to the total claimed loss calculation prepared;
- Analysis of the claimed loss – a clear description of the findings and facts based on documents, research, assumptions, and inputs based on other experts and in-house personnel, and a logical explanation of the components used from these findings in calculating the damages;
- Conclusion – a summary of the damages calculations and the opinions.

The Rules of Civil Procedure do not provide any specific requirements for the expert report per se, therefore, credibility of the damages expert is based on their own due diligence and supporting evidence identified in forming their opinion. The expert testimony, on the other hand, is admissible in court if it is relevant and reliable in the sense that it is based on scientifically valid reasoning that can properly be applied to the facts at issue in the case.

With respect to the expert testimony under Rule 702, the Supreme Court in *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579 (1993) (“*Daubert*”) made it clear that the courts need to play a gate-keeping role. The Rule 702 and *Daubert* provided a framework for the courts to determine admissibility of an expert testimony. This framework, which applied to all scientific and non-scientific experts testimonies, consisted of various factors, that could prove whether the expert’s evidence is reliable and relevant, both in theory and in methodology:

- Factor 1: Whether the scientific theory or techniques can be and has been tested?
 - i. For a scientific or technical expert, the test would be related to (a) whether there is a relevant body of pre-litigation research and methodology? (b) Does the expert’s approach conform to those generally accepted by other experts in the same field of research or expertise? (c) Has the expert adequately considered and applied the facts to the correct methodology?
 - ii. For a financial or damages expert, there are no general or basic economic theories underlying this field. The experts most frequently rely on Panduit (Lost Profit) and/or Georgia-Pacific factors (Reasonable Royalty).
- Factor 2: Has the theory or technique been subjected to peer review including publication?
 - i. Peers for academics are relatively easy to find, however, for certified public accountants, consulting firms, trade-specific and other professionals, it is a bit more challenging. Similarly, for academic journals, it is important to look at the journals, identify the acceptance rates, determine the ranking lists in economics, etc.
- Factor 3: Is there a known or potential rate of error?
 - i. To determine the potential rate of error, it is important to determine the following: (a) Is statistical significance required? (b) Has the expert adequately considered and accounted for the potential for error? and (c) Has the expert utilized controls and accounted for potential?
- Factor 4: Is there “general acceptance” of the theory or methodology in the relevant scientific community?
 - i. To determine general acceptance, it is important to identify the following: (a) Is the approach found in the public literature? (b) Is the approach novel to the particular facts or circumstance of the case? (c) Does the approach conform to those generally accepted by others in that particular field of study? (d) Is the application to the facts sound?

Therefore, to avoid a *Daubert* challenge or to withstand a *Daubert* challenge in a patent infringement case, the damages expert should always ensure that his/her opinions and conclusions, which are included in an expert report, are based on: (a) expert’s specialized knowledge that will help the trier of fact to understand the evidence and the facts of the case; (b) sufficient facts or data; and (c) reliable principles and methods that have been properly applied to the facts of the case

Best Practice 9 – Courts should make clear to the parties early on whether amendments or supplementation will be allowed in the event of a successful *Daubert* motion and if such will be allowed, and should set the time for *Daubert* motions sufficiently in advance of trial to prevent prejudice to the opposing party or delay to the trial schedule.

Another practical reality facing litigants and district court judges in patent cases is the increased prevalence of *Daubert* motions and motions *in limine* during pretrial proceedings to challenge damages expert testimony, theories, and evidence for a variety of reasons that include reliability, applicability, relevance, and undue prejudice.

“The legal framework for admission of expert testimony is provided by the Federal Rules of Evidence, along with *Daubert v. Merrell Dow Pharms.*,³⁴ and its progeny. . . . Under these rules and precedent, a district court judge, acting as a gatekeeper, may exclude evidence if it is based upon unreliable principles or methods, or legally insufficient facts and data.”³⁵ A district court judge’s gatekeeper role in evaluating reasonable royalty calculations is complicated by the fact that “estimating a ‘reasonable royalty’ is not an exact science,” that there may be “a range of ‘reasonable’ royalties, rather than a single value,” and that “there may be more than one reliable method of estimating a reasonable royalty.”³⁶ In addition, parties may also seek to exclude specific damages theories and evidence pursuant to Federal Rules of Evidence 402 and 403.

There is currently no standard procedure or time for courts to consider the reliability or admissibility of damages expert testimony, theories, and evidence. There is also no current consensus as to whether a party should be allowed to amend a damages expert report to respond to an adverse admissibility ruling. Some courts have refused such requests to amend, citing such considerations as whether the amendment would cause prejudice to the other party, whether the failure to disclose the amended theory earlier was substantially justified, and whether allowing a “second bite” at damages

³⁴ 509 U.S. 579 (1993)

³⁵ *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1314 (Fed. Cir. 2014).

³⁶ *Id.* at 1315.

would encourage overreaching on the “first bite.”³⁷ Other courts have been more lenient in granting leave to amend after weighing other similar considerations.³⁸

The Working Group recommends that courts consider adopting procedures—such as early damages discovery and meaningful damages contentions, as proposed above—to facilitate the early resolution of motions challenging the admissibility of damages expert testimony, theories, and evidence. In the event the court determines it will allow amendment or supplementation of expert reports after resolution of *Daubert* motions, the court should consider issuing an order early on in the case setting forth the dates by which the parties may supplement or amend their expert reports in light of any ruling and the parameters for such amendment or supplementation. Such a schedule should allow the parties an opportunity to respond to any adverse rulings without causing unfair prejudice to the opposing party or undue delay to the trial schedule. After much discussion, the Working Group ultimately concluded that this is the better course, i.e., allowing the parties to amend and/or supplement expert reports in response to adverse rulings along an appropriate timeline that is set forth early in the case and that avoids causing unfair prejudice.

³⁷ See, e.g., *Nelson v. Tenn. Gas Pipeline Co.*, 243 F.3d 244, 250 (6th Cir. 2001) (“[F]airness does not require that a plaintiff, whose expert witness testimony has been found inadmissible under *Daubert*, be afforded a second chance to marshal other expert opinions and shore up his case before the court may consider a defendant’s motion for summary judgment.”); *In re Pfizer Inc. Sec. Litig.*, No. 4-CV-9866-LTS-HBP, 2014 WL 3291230, at *12-18 (S.D.N.Y. July 8, 2014) (denying motion to amend damages expert report after adverse admissibility ruling because amended disclosure came on the eve of trial, would be unduly prejudicial to the defendants if the court maintained the current trial schedule, and the plaintiff offered no substantial justification for failing to present its amended economic analysis earlier in the case); *Allen v. Dairy Farmers of Am., Inc.*, No. 5:09-CV-230, 2014 WL 2040133, at *15-26 (D. Vt. May 16, 2014) (rejecting the plaintiff’s contention that FRCP 26(e) allows a party to “correct” an expert opinion in response to an adverse evidentiary ruling, and striking expert’s amended testimony because it was neither harmless nor substantially justified); *Network Prot. Scis., LLC v. Fortinet, Inc.*, No. C 12-01106 WHA, 2013 U.S. Dist. LEXIS 138890, at *25-26 (N.D. Cal. Sept. 26, 2013) (“Over the course of many years and more than a dozen patent trials, the undersigned judge has concluded that giving a second bite simply encourages overreaching on the first bite (by both sides). A second bite may be appropriate where the expert report can be salvaged with minimal disruption to an orderly trial, but where the report is not even close, there is a positive need to deny a second bite in order to encourage candor in the first place.”).

³⁸ See, e.g., *ZF Meritor, LLC v. Eaton Corp.*, 696 F.3d 254 (3d Cir. 2012) (holding that district court in antitrust case abused its discretion in refusing plaintiffs’ request to amend its damages estimate in response to an adverse admissibility ruling because the proposed amendment would not have caused substantial prejudice, involved only the substitution of inputs in an arithmetic calculation based on the same data and same methodologies disclosed in the original expert report, there was no evidence of bad faith, and public policy supported allowing plaintiffs to proceed to a damages trial); *ThinkOptics, Inc. v. Nintendo of Am., Inc.*, No. 6:11-CV-455, 2014 U.S. Dist. LEXIS 84529, at *10 (E.D. Tex. June 21, 2014) (excluding expert testimony in patent case on *Daubert* motion, but allowing expert to “amend his report and recalculate his reasonable royalty in light of the Court’s ruling”); *Krueger v. Johnson & Johnson Prof'l, Inc.*, 160 F. Supp. 2d 1026, 1031-32 (S.D. Iowa June 29, 2001) (reopening discovery in design defect case after excluding the plaintiff’s technical expert because of the difficulty of obtaining a satisfactory expert and the centrality of such testimony to proving the plaintiff’s case).

III. Trial Management of Patent Damages and Remedies

A. TRIAL TIME ALLOCATION TO DAMAGES ISSUES

Principle No. 5 – A sufficient amount of trial time should be made available for the analysis of the damages portion of a patent case.

Courts should allocate sufficient time for both sides to fairly address all triable issues, including all triable damages issues. This will typically involve both testimony and the presentation of documentary evidence. While two hours for a damages case may have been appropriate in years past, it may not be sufficient today—the increased scrutiny on damages proof requires parties to present a well-developed, factually robust damages case. In particular, damages experts must thoroughly explain their methodologies, show the evidence they considered, and demonstrate how the evidence impacted their conclusions. Allocating sufficient time to damages can be a challenge, however, given the limited time often placed on patent trials. Whether or not the court will place strict time limits on the trial, the court and the parties should work together to ensure that there is a sufficient amount of trial time for the damages evidence to be presented.

Best Practice 10 – Parties should consider stipulating to the admissibility of summaries under Rule 1006 of the Federal Rules of Evidence,³⁹ including summaries that include an expert’s calculations, demonstrating the mathematical support for the opinion.

Damages experts may perform a significant amount of work to calculate the total number of infringing products, as well as the royalty base and royalty rate values used for the determination of the overall royalty damages for that total number of infringing products. It is important for damages experts to testify about the methodologies used in arriving at these numbers. However, the numbers themselves, and the calculations performed to arrive at damages subtotals and totals, need not be the subject of extensive testimony. Instead, the parties should work together to agree on summaries of an experts’ calculations that may be presented in a Rule 1006 exhibit, rather than through detailed testimony. This will save valuable trial time for the presentation of proof on the evidence considered by the experts in arriving at their royalty base and royalty rate values.

³⁹ FED. R. EVID. 1006.

B. BIFURCATION OF LIABILITY AND DAMAGES FOR DISCOVERY OR TRIAL

Principle No. 6 – Bifurcation of a patent infringement case into separate liability and damages phases – for discovery and trial, or just for trial – may be appropriate, after consideration of the complexity of the case, the efficiencies to be gained, and the unfair prejudice that may result.

Under the Federal Rules, bifurcation is proper for “convenience, to avoid prejudice, or to expedite and economize.”⁴⁰ District courts have broad discretion in determining whether to bifurcate.⁴¹ The party seeking bifurcation bears the burden of demonstrating that it is proper given the facts of the case.⁴²

There are two aspects to bifurcation – bifurcation of discovery and trial, or merely bifurcation of trial. The latter case generally refers to separation of a trial before a jury (or the judge) into two phases, with a verdict rendered on liability before evidence and argument on damages is permitted. In the former case—where damages discovery has not occurred before the liability trial, damages will be tried to a different jury.

Bifurcation has both advantages and disadvantages which differ from case to case. The advantages of bifurcating the trial (irrespective of bifurcated discovery) include reduced complexity of the trial on liability, and reduced complexity on damages, as each is tried in its own separate phase. Where discovery is bifurcated, the advantages include potential cost savings and efficiencies, particularly in cases with multiple defendants and multiple accused products. In certain cases, it may make little sense to incur the costs associated with fact and expert damages discovery, which can be quite substantial, unless and until a determination is made on the extent to which any defendant is liable. Another advantage is that the defendant case is not biased by that party having to introduce evidence as to damages, giving the impression that damages/liability should be assumed.

The disadvantages of bifurcation of the trial (irrespective of bifurcated discovery) include depriving the jury of damages-related evidence during the liability phase that may be relevant to liability, but that is viewed as better suited for the damages phase and potentially too prejudicial during the liability phase. Where discovery is bifurcated, the bifurcation may result in duplicative efforts and increased costs, especially where evidence on liability issues overlaps with the proof required to support damages theories, such as technical evidence necessary to an apportionment analysis. Further, should damages be determined by a different jury, bifurcation may put either, or both, patentee and defendant at a strategic disadvantage. A patentee loses the benefit of the jury having full knowledge of all of the proof of the defendant’s wrongdoing when it is determining the royalty to be awarded.⁴³ Similarly, an accused infringer may be at a disadvantage where the damages jury has

⁴⁰ Fed. R. Civ. P. 42(b).

⁴¹ *See, e.g.*, *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1319–20 (Fed. Cir. 2013) (making clear that “district courts, in their discretion, may bifurcate willfulness and damages issues from liability issues in any given case” and that “[d]istrict court judges, of course, are best positioned to make [the determination to bifurcate issues] on a case-by-case basis”); *Shum v. Intel Corp.*, 499 F.3d 1272, 1276 (Fed. Cir. 2007); *York v. AT&T*, 95 F.3d 948, 957 (10th Cir. 1996); *Idzotic v. Pa. Railroad Co.*, 456 F.2d 1228, 1230 (3d Cir. 1972).

⁴² *See, e.g.*, *Brown v. Toscano*, 630 F. Supp. 2d 1342, 1345 (S.D. Fla. 2008); *Windsor Indus., Inc. v. Pro-Team, Inc.*, 87 F. Supp. 2d 1129, 1131 (D. Colo. 2000).

⁴³ 35 U.S.C. § 284.

no knowledge of its noninfringement and/or invalidity arguments. Bifurcation may also impede settlement efforts in cases where damages discovery and the exchange of damages contentions are stayed pending a trial on liability, since the parties may not ultimately know what is at stake in those cases.

Certain districts have local rules regarding bifurcation and individual judges may have “a preference [on bifurcation] based on past experience” from which “they rarely deviate.”⁴⁴ For several years one judge in the District of Delaware adhered to a standard patent scheduling order under which damages and willfulness were bifurcated from liability “unless good cause is shown.”⁴⁵ The Judge’s rationale was that “discovery disputes related to document production on damages and the *Daubert* motion practice related to damages experts are a drain on scarce judicial resources.”⁴⁶ In each instance in which no liability is found, the time spent mediating discovery disputes or making damages *Daubert* determinations is utterly wasted. This Judge also believed that parties are likely to settle after liability has been found to avoid an unpredictable damages award.⁴⁷ Settlement discussions after a liability determination are believed to “give the parties—those with the most expertise in the market—the first opportunity to translate the [court]’s final legal decision on liability into practical commercial consequences.”⁴⁸ More recently, this Judge has revised her standard patent scheduling order to no longer bifurcate issues of willfulness and damages from liability issues.⁴⁹

Other courts have also routinely bifurcated cases, taking the view that, in all but exceptional patent cases:

[T]he burden imposed on a jury in a patent trial is extraordinary. More specifically, juries are tasked with resolving complex technical issues regarding infringement and invalidity, many times with respect to multiple patents and/or multiple prior art references. Absent bifurcation, jurors then are expected to understand the commercial complexities of the relevant market (or, even more impenetrable, the commercial complexities of the hypothetical market) in order to determine the economic consequences of their liability decisions.⁵⁰

⁴⁴ *Bifurcation Ruling Highlights Divergent Approaches to Patent Case Management*, THE DOCKET REPORT (Aug. 31, 2009, 10:41 AM), <http://docketreport.blogspot.com/2009/08/bifurcation-ruling-highlights-divergent.html>.

⁴⁵ See Hon. Sue Robinson, *Standard Patent Scheduling Order*, para. 2(a) (revised 12/4/09), available at <https://web.archive.org/web/20100527104709/http://www.ded.uscourts.gov/SLR/Forms/SchedOrder-Patent.pdf> (“The issues of willfulness and damages shall be bifurcated for purposes of discovery and trial, unless good cause is shown otherwise.”).

⁴⁶ *Robert Bosch, LLC v. Pylon Mfg. Corp.*, Civ. No. 08-542-SLR, 2009 WL 2742750, at *1 (D. Del. Aug. 26, 2009); *Dutch Branch of Streamserve Dev., AB v. Exstream Software LLC*, Civ. No. 08-343-SLR, 2009 U.S. Dist. LEXIS 76006, at *2 (D. Del. Aug. 26, 2009).

⁴⁷ See *Robert Bosch*, 2009 WL 2742750, at *1.

⁴⁸ *Id.*; *Dutch Branch*, 2009 U.S. Dist. LEXIS 76006, at *3.

⁴⁹ Judge Robinson’s recently revised standard patent scheduling order no longer bifurcates willfulness and damages issues from liability issues. See Hon. Sue Robinson, *Standard Patent Scheduling Order* (revised 3/24/14), available at <http://www.ded.uscourts.gov/sites/default/files/Chambers/SLR/Forms/Sched-Order-Patent-03-24-14.pdf>.

⁵⁰ *Dutch Branch*, 2009 U.S. Dist. LEXIS 76006, at *2–3.

By contrast, in the Northern District of Georgia the local rules state that “[t]here shall be a rebuttable presumption against the bifurcation of damages from liability issues in patent cases for purposes of either discovery or trial.”⁵¹ Similarly, individual judges from the District of Utah, Northern District of Texas, Southern District of Florida, Northern District of Illinois, and the Northern District of Indiana have also stated a presumption against bifurcation.⁵² In the view of these judges, bifurcation results in duplicative discovery, witnesses and evidence, and simply delays final resolution.⁵³ They believe that the requisite level of complexity that warrants bifurcation simply does not exist when there is only one patent-in-suit, where the technology is straightforward and easy to understand, or where the court will only have to grapple with issues common to many (or all) patent cases, including claim construction, an assessment of the prior art, or the resolution of inventorship disputes.⁵⁴

Some courts have considered the patentee’s chances of success when deciding whether bifurcation would be more efficient. In a case in the Eastern District of Wisconsin, the court denied the defendant’s motion to bifurcate in part because it believed the plaintiff was likely to succeed and that a second trial would then be necessary.⁵⁵ Similarly, in a case in the District of Delaware, the court denied a motion to bifurcate because the defendant had not demonstrated that its “probability of prevailing in its infringement defense [was] incontrovertibly greater than” the patentee’s.⁵⁶

Courts also consider whether evidence related to liability impacts a determination on damages. For example, a motion to bifurcate was denied by a district court judge who held the view that “damages and liability are not easily compartmentalized.”⁵⁷ A jury may need to consider sales and financial information when determining whether the patentee had proven “commercial success”; that same information “is inherently intertwined with damages,” likely requiring the parties and court to “wade into the morass inherent in drawing lines between discovery relevant to damages and discovery relevant to liability.”⁵⁸ Other secondary indicia of non-obviousness, such as the failure of others, and a long-felt need in the industry for the patented invention, may also involve evidentiary overlap with the determination of a reasonable royalty. A patented invention’s commercial success may, for example, reflect the utility and advantages of the invention over old modes or devices, which can involve considering noninfringing alternatives (both technical and commercially feasible) as

⁵¹ Patent L.R. 5 (N.D. Ga.), *available at* <http://www.gand.uscourts.gov/pdf/NDGARulesPatent.pdf>.

⁵² *See* Lutron Elecs. Co., Inc. v. Creston Elecs., Inc., No. 2:09-cv-707 DB, 2010 U.S. Dist. LEXIS 49623 (D. Utah May 19, 2010); Nielsen v. Alcon, Inc., Civ. A. No. 3:08-CV-02239-B, 2010 U.S. Dist. LEXIS 26804 (N.D. Tex. Mar. 22, 2010); Baratta v. Homeland Housewares, LLC, No. 05-cv-60187 (S.D. Fla. Oct. 27, 2008); DSM Desotech Inc. v. 3D Sys. Corp., 2008 U.S. Dist. LEXIS 87473 (N.D. Ill. Oct. 28, 2008); BASF Catalysts LLC v. Aristo, Inc., No. 2:07-cv-222, 2009 U.S. Dist. LEXIS 16263 (N.D. Ind. Mar. 2, 2009).

⁵³ *See Baratta*, 05-cv-60187, slip op. at 9; *Nielsen*, 2010 U.S. Dist. LEXIS 26804, at *5.

⁵⁴ *See id.*

⁵⁵ *See* Kimberly-Clark Worldwide, Inc. v. First Quality Baby Prods., LLC, No. 09-C-0916, 2010 U.S. Dist. LEXIS 98573, at *5-6 (E.D. Wis. Sept. 7, 2010). *See also* Briggs & Stratton Corp. v. Chongqing RATO Power Co., 2013 U.S. Dist. LEXIS 159472, *13 (N.D.N.Y. 2013) (“At this early stage of the proceedings, the defendants have not made an adequate showing with respect to the merits of their position on liability to support . . . bifurcation at trial”).

⁵⁶ *Masimo Corp. v. Philips Elecs. N. Am. Corp.*, 742 F. Supp. 2d 492, 500–01 (D. Del. 2010).

⁵⁷ *Kimberly-Clark*, 2010 U.S. Dist. LEXIS 98573, at *5.

⁵⁸ *Id.*

identified by expert testimony/analysis (*Georgia-Pacific* factor 9). Additionally, the failure of others and existence of a long-felt need bear on the amount an accused infringer would have been willing to pay for the invention (*Georgia-Pacific* factors 12 and 15).

Separately, courts are disinclined to bifurcate when doing so would severely prejudice a patentee by creating unnecessary delay, or when a defendant's principal goal appears to be to slow the proceedings.⁵⁹ Extensive motion practice regarding the admissibility of evidence following bifurcation—such as motion practice related to whether certain evidence should be presented to the jury during the liability trial or reserved for the damages trial—may cause excessive delays in a bifurcated case.⁶⁰ Additionally, a patentee is prejudiced by the fact that the appellate process is prolonged in bifurcated cases as each trial may be appealed separately. These separate appeals can cause significant delays in reaching finality, since the litigation must be entirely concluded such that nothing is left except to execute the judgment.⁶¹ A patentee is further prejudiced by the fact that these delays allow for intervening judgments which may vacate an earlier liability judgment.⁶²

To be sure, bifurcation is not guaranteed in multi-defendant cases. Courts may take the view that limiting instructions will suffice to prevent any juror confusion.⁶³ Alternatively, courts may prefer to manage the complexities of a multi-defendant case in unique ways that are tailored to the parties. For example, the court in the Eastern District of Texas denied a bifurcation motion in a consolidated, multi-defendant case involving 124 defendants.⁶⁴ Recognizing that this was not a “typical” patent case—and that the district's local patent rules made defending the case prohibitively expensive—the court set an early *Markman* and summary judgment hearing, and stayed all unrelated discovery.⁶⁵ The court's rationale for declining to bifurcate damages was based in part on the patentee's stated strategy of seeking early settlements based on an analysis of each defendant's sales

⁵⁹ See, e.g., *BASF Catalysts*, 2009 U.S. Dist. LEXIS 16263, at *6, 10; *Baratta*, 05-cv-60187, slip op. at 9.

⁶⁰ See *BASF*, 2009 U.S. Dist. LEXIS 16263, at *6 (quoting *Trading Technologies Intern., Inc. v. eSpeed, Inc.*, 431 F. Supp. 2d 834, 840 (N.D. Ill. 2006)) (“Given the nature of this case thus far, we would not be surprised if the parties engaged in extensive motion practice wrangling over whether certain pieces of discovery were applicable to the liability case or the willfulness/damages case. Thus we do not think that defendants have carried their burden of establishing that bifurcation of discovery and trial would promote judicial efficiency.”). See also *Baratta*, No. 05-cv-60187, slip op. at 9 (“In particular, the Court is concerned in this case, and in light of the lack of progress that has occurred in the past three and a half years, that bifurcation would serve to further prolong this matter by creating additional discovery periods, additional trials, and additional motions for relief.”).

⁶¹ See e.g., *Fresenius USA, Inc. v. Baxter Intern., Inc.*, 721 F.3d 1330, 1341 (Fed. Cir. 2013) (*en banc* rehearing denied); see also, *Robert Bosch*, 719 F.3d at 1305 (holding that the Federal Circuit has jurisdiction to entertain appeals from patent infringement liability determinations when a trial on damages has not yet occurred).

⁶² *Fresenius USA*, 721 F.3d at 1332 (The Federal Circuit remanded the initial case to the district court to reconsider its damages verdict. While the litigation was pending on remand, the United States Patent Office completed its re-examination proceedings and determined that all of the claims were invalid. The Federal Circuit affirmed the USPTO's determination, vacated the district court's judgment, and remanded with instructions to dismiss the case.).

⁶³ See *Lutron Elec.*, 2010 U.S. Dist. LEXIS 49623, at *6.

⁶⁴ See *Parallel Networks LLC v. AEO, Inc.*, No. 6:10-cv-00111, Dkt. No. 338, slip op. at 8 (E.D. Tex. Mar. 15, 2011).

⁶⁵ *Id.* at 6.

and the cost of defense.⁶⁶ Given this strategy, damages discovery was necessary in order for the parties to be able to “fully and fairly” evaluate the case for settlement purposes.⁶⁷

Defendants seeking bifurcation should be mindful of the ramifications of a final liability determination. If, following such an outcome, the parties do not settle a case, the plaintiff’s strategy during the damages trial will likely include multiple references to the defendant as an “infringer.” Such language has the potential to put the defendant at a distinct disadvantage.

Best Practice 101 – Where the trial will be bifurcated, litigants should consider and discuss with the court whether discovery should also be bifurcated in light of their damages theories and the damages phase tried to a separate jury, or whether it is preferable to conduct all discovery at once and try both phases to the same jury.

Courts that consider bifurcation generally consider bifurcation during the case management phase of the case, or in the pre-trial phase. In the case management phase, there may be an opportunity for the parties to discuss with the court whether the reasons for bifurcating the trial also support bifurcation of discovery. Generally speaking, it will be less efficient to conduct two phases of discovery rather than just one, as there is often some degree of overlap between damages and liability witnesses and /or documentation. However, each case will need to be assessed on its own facts. In some cases, damages evidence may be especially complex and/or unusually difficult or expensive to collect. For those cases, it may be useful to hold off on conducting damages discovery until the liability phase of the case has been tried, notwithstanding some minimal inefficiency that will be created by such bifurcation. In other cases, the inefficiency of bifurcation will outweigh its potential benefit. As part of this calculus, litigants should be mindful that any significant delay in taking damages discovery creates the risk that discovery closest in time to the date of first infringement will be lost. Thus, depending on the situation, it may be preferable to conclude all discovery and then have a staged trial with the same jury rather than different juries.

Best Practice 12 – In a typical case, a willfulness allegation should not itself dictate a bifurcation of damages from liability. To the extent possible, where a case is bifurcated, and willfulness is tried after liability is determined, it is preferable to have a staged trial with the same jury rather than different juries.

Courts have the authority and discretion to try the issues of willfulness and damages together or separate from liability.⁶⁸ Appeals may be entertained on patent infringement liability determinations when willfulness issues are outstanding and remain undecided.⁶⁹

⁶⁶ *See id.* at 4.

⁶⁷ *Id.* at 8.

⁶⁸ *Robert Bosch*, 719 F.3d at 1319–20.

⁶⁹ *Id.* at 1317.

Some courts have refused to bifurcate willfulness from liability because “[m]any of the witnesses and evidence needed to address the willfulness issue are the same as that needed to address the liability issue.”⁷⁰

By contrast, other courts have bifurcated liability from willfulness and damages to avoid juror confusion when there are multiple defendants, which requires inquiry into the state of mind of each of the defendants, as well as into the attendant facts and circumstances.⁷¹

However, because it is preferable to have the same jury determine liability and any factual issues involved in the willfulness determination, discovery on willfulness should be completed before the liability trial, so the trials can be staged one after another with the same jury.

If a court decides to completely bifurcate liability discovery and trial from damages discovery and trial, it should consider also allowing time for an appeal to the Federal Circuit between trials.

C. JURY INSTRUCTIONS AND JURY VERDICT FORMS

Best Practice 13 – Jury instructions that are tailored to the case will be more suitable than rote application of model jury instructions.

Specific jury instructions that align with the evidence presented to the jury will generally be more helpful than statements of the law that may not be relevant to the case. For instance, when a jury is charged with making a reasonable royalty determination, the court and the litigants should carefully evaluate what the jury is told about the *Georgia-Pacific* factors. It is not necessary, and may even constitute legal error, for the jury to be instructed on factors that do not apply in the case before it. It is preferable to craft instructions tailored to the case so that the jury can focus on the invention, its contribution over the prior art, and the *Georgia-Pacific* factors present in the case.⁷²

In addition, because damages law has been evolving relatively rapidly, it is important for the court and practitioners to bear in mind that model jury instructions may not reflect the most recent Federal Circuit or Supreme Court rulings. Thus, the parties may need to craft instructions for consideration by the court. For example, the parties may need to craft an instruction regarding how a royalty base should be apportioned when the entire market value rule does not apply, or the considerations involved in determining whether an existing license is comparable to the hypothetical license.⁷³

⁷⁰ *Robotic Vision Sys., Inc. v. View Eng'g., Inc.*, No. 96-cv-2288, 1997 U.S. Dist. LEXIS 19157 at *8 (C.D. Cal. Nov. 6, 1997).

⁷¹ *See Medpointe Healthcare Inc. v. Hi-Tech Pharmacal Co.*, No. 03-5550, 2007 U.S. Dist. LEXIS 4652 at *16–17 (D.N.J. Jan. 22, 2007).

⁷² *See Ericsson, Inc. v. D-Link Sys.*, 773 F.3d 1201, 1230-1231 (Fed. Cir. 2014) (In *Ericsson* a patentee brought an infringement action relating to Wi-Fi internet technology. The district court included all fifteen *Georgia-Pacific* factors in its damages instruction without considering their relevance to the record created at trial. The Federal Circuit Court of Appeals concluded that some of the factors were not relevant and held the district court had erred “by instructing the jury on multiple *Georgia-Pacific* factors that [were] not relevant, or [were] misleading, on the record before it.”).

⁷³ *See* Chapter II, *supra*.

Best Practice 14 – Jury verdict forms that are tailored to the case will be more suitable than general verdict forms. Thus, in most cases, the verdict form should ask the jury to determine an amount of damages adequate to compensate for the infringement, on a per patent/per claim basis. Also, special verdict forms may be preferable in patent cases, especially those involving running royalties (rather than lump sums) or ongoing damages.

Litigants should be aware of the risks and advantages of different verdict form formats. The jury verdict form should be sufficiently detailed to avoid the need for remand and retrial after appeal. For example, where there are multiple patents, damages should be identified for infringement of each patent and on each claim found infringed so that reversal of validity or infringement of one patent would not require remand and retrial of damages on all patents-in-suit. On the other hand, increased specificity can increase the risk of juror confusion and inconsistent verdicts.

A jury might simply be asked to determine a number adequate to compensate for infringement. In cases in which ongoing infringement is a concern, juries should be asked to determine both the damages base and the applicable royalty rate but should not be asked to perform the ultimate calculation.

In the alternative, jurors could be presented with special verdict forms where they are asked to make factual determinations, allowing the judge to apply the relevant law. Or special verdict forms might be drafted to include special interrogatories. For example, the parties may desire that a jury determine whether a running royalty, or a lump sum payment, is appropriate. In other cases, where one party asserts that the reasonable royalty should take the form of a lump sum, but the parties do not agree to submit the question of future damages to the jury, it may be beneficial to instruct the jury as to the dates covered by the reasonable royalty the jury awards.

In cases involving multiple patents and/or multiple accused products, the parties should consider whether a special verdict form is warranted to ensure clarity on remand. On the other hand, a patentee may take the approach that it is the defendant's burden to appeal any part of a damages determination that it wishes to challenge on remand.

IV. Posttrial Management of Patent Damages and Remedies

A. PERMANENT INJUNCTIONS

1. The *eBay* Factors and the Presumption of Irreparable Harm.

Principle No. 7 – When determining whether to grant an injunction, the court should not ignore the patentee’s fundamental right to exclude.

The Supreme Court in *eBay, Inc. v. MercExchange, LLC*,⁷⁴ held that to obtain a permanent injunction, a patentee must demonstrate that: (1) it has suffered an irreparable injury; (2) the remedies available at law are inadequate to compensate for that injury; (3) hardships between the plaintiff and the defendant favor an injunction; and (4) the public interest would not be disserved by issuance of an injunction.⁷⁵

The question of whether there is a rebuttable presumption of irreparable harm was left unanswered in *eBay*, but addressed in the concurring opinions of Chief Justice Roberts and Justice Kennedy.

Chief Justice Roberts’s concurrence (joined by Justices Scalia and Ginsburg) paralleled the prior view of the Federal Circuit:

[The] ‘long tradition of equity practice’ [granting injunctive relief upon finding infringement] is not surprising, given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes—a difficulty that often implicates the first two factors of the traditional four-factor test.⁷⁶

Justice Kennedy’s concurrence (joined by Justices Stevens, Souter, and Breyer) expressed concern over the Federal Circuit’s prior view:

In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder presents considerations quite unlike earlier cases.⁷⁷

Justice Kennedy’s concurrence specifically called out the following issues a court should consider when deciding whether to issue an injunction:

1. non-practicing entities (NPEs) (“An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. For these firms, an

⁷⁴ 547 U.S. 388 (2006).

⁷⁵ *Id.* at 391, 393–94.

⁷⁶ *Id.* at 395.

⁷⁷ *Id.* at 396.

injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.”);⁷⁸

2. small, patented components of a larger accused device (“When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”);⁷⁹ and
3. business method patents (“In addition injunctive relief may have different consequences for the burgeoning number of patents over business methods, which were not of much economic and legal significance in earlier times. The potential vagueness and suspect validity of some of these patents may affect the calculus under the four-factor test.”).⁸⁰

Subsequent to *eBay*, the Federal Circuit has interpreted the Supreme Court’s decision to have removed the presumption of irreparable harm. However, consistent with Chief Justice Roberts’s concurrence, the Federal Circuit in *Robert Bosch, LLC v. Pylon Manufacturing Corp.* clarified that although “*eBay* jettisoned the presumption of irreparable harm as it applies to determining the appropriateness of injunctive relief,” the right to exclude, fundamental to patent law, should not be ignored.⁸¹ Specifically, the Federal Circuit stated:

[a]lthough *eBay* abolishes our general rule that an injunction normally will issue when a patent is found to have been valid and infringed, it does not swing the pendulum in the opposite direction. In other words, even though a successful patent infringement plaintiff can no longer rely on presumptions or other short-cuts to support a request for a permanent injunction, it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude. Indeed, this right has its roots in the Constitution, as the Intellectual Property Clause of the Constitution itself refers to inventors’ “*exclusive* Right to their respective . . . Discoveries.” U.S. Const. Art. I, § 8, cl. 8 (emphasis added).⁸²

Similarly, in *Edwards Lifesciences AG v. Corevalve, Inc.*, the Federal Circuit reiterated that “[t]he Court in *eBay* did not hold that there is a presumption *against* exclusivity on successful infringement litigation.”⁸³ Rather, “[a]bsent adverse equitable considerations, the winner of a judgment of validity

⁷⁸ *Id.* (citations omitted).

⁷⁹ *Id.* at 396–97.

⁸⁰ *Id.* at 397.

⁸¹ *Robert Bosch*, 659 F.3d at 1149.

⁸² *Id.*

⁸³ *Edwards Lifesciences AG v. Corevalve, Inc.*, 699 F.3d 1305 (Fed. Cir. 2012) (emphasis added).

and infringement may normally expect to regain the exclusivity that was lost with the infringement.”⁸⁴

Best Practice 11 – Analysis of the *eBay* irreparable harm factor includes whether there is a sufficient causal nexus between the allegations of infringement and irreparable harm.

The Federal Circuit has reiterated that there is neither a presumption for nor against an injunction. Whether an injunction should issue depends on the facts of the case and a proper weighing of the equitable considerations. However, it should be noted that after *eBay* the Federal Circuit has made the *eBay* test even more difficult to satisfy by adding to the first prong of the *eBay* test (irreparable injury) the requirement of a causal nexus between the irreparable harm and the alleged infringement.⁸⁵

Thus, a district court must consider the patentee’s right to exclude in determining whether an injunction is an appropriate remedy. However, the district court must weigh the equities as set out by the Supreme Court in *eBay* and may not presume irreparable harm or the inadequacy of monetary relief and must also evaluate if there is a causal nexus between the infringement found by the jury and the irreparable harm alleged.⁸⁶

⁸⁴ *Id.* at 1314.

⁸⁵ *Apple Inc. v. Samsung Elecs. Co.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012) (“Apple II”). *See also* *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352 (Fed. Cir. 2013) (“Apple III”) (“rather than show that a patented feature is the *exclusive reason* for consumer demand, Apple must show some connection between the patented feature and demand for Samsung’s products. There might be a variety of ways to make this required showing, for example, with evidence that a patented feature is one of several features that cause consumers to make their purchasing decisions. It might also be shown with evidence that the inclusion of a patented feature makes a product significantly more desirable. Conversely, it might be shown with evidence that the absence of a patented feature would make a product significantly less desirable.”) (emphasis in original); and *Apple Inc. v. Samsung Elecs. Co.*, 809 F.3d 633, 639 (Fed. Cir. 2015) (“Apple IV”) (“[A] causal nexus linking the harm and the infringing acts must be established regardless of whether the injunction is sought for an entire product or is narrowly limited to particular features.”); *Genband US LLC v. Metaswitch Networks Corp.*, 861 F.3d 1378, 1384 (Fed. Cir. 2017) (“The clarified standards set forth in *Apple III* and *Apple IV* govern the causal-nexus inquiry, at least in a multi-purchaser, multi-component situation in which only a component of a larger product or system is covered by the patent in suit. The formulations in those decisions avoid a too-demanding causal-nexus requirement that might be attributed to the ‘drive demand’ language. The standard prescribed by *Apple III* and *Apple IV*, as appropriate to the multi-purchaser, multi-component context, lies between the unduly stringent ‘sole reason’ standard we rejected in *Apple III* and *Apple IV* and the unduly lax ‘insubstantial connection’ standard we rejected in *Apple II*. The standards seek to reflect ‘general tort principles of causation,’ and to make proof of causal nexus practical ‘from an evidentiary standpoint,’ in a multi-purchaser, multi-component setting.” (citations omitted)).

⁸⁶ *See e.g.*, *Apple Inc. v. Samsung Electronics Co.*, No. 14-1802, slip op. (Fed. Cir. Dec. 16, 2015) (“Apple IV”) (“in a case involving phones with hundreds of thousands of available features, it was legal error for the district court to effectively require Apple to prove that the infringement was the sole cause of the lost downstream sales. The district court should have determined whether the record established that a smartphone feature impacts customers’ purchasing decisions.”).

*a. The USITC and the Presumption of Irreparable Harm*⁸⁷

The Federal Circuit has held that the *eBay* decision does not apply to exclusion orders in patent cases before the International Trade Commission. In *Spansion, Inc. v. International Trade Commission*, the Federal Circuit found that the applicable statute requires the Commission to issue an exclusion order upon finding a violation under Section 337, noting that “[t]he legislative history of the amendments to Section 337 indicates that Congress intended injunctive relief to be the normal remedy for a Section 337 violation and that a showing of irreparable harm is not required to receive such injunctive relief.”⁸⁸ Rather, the statute requires consideration of specific public interest factors that include: the public health and welfare; competitive conditions in the United States economy; the production of like or directly competitive articles in the United States; and United States consumers.⁸⁹ Denial of exclusionary relief by the Commission based on public interest concerns is extremely rare.⁹⁰

2. Selected Factors that May Weigh For or Against an Injunction

Best Practice 16 – The court should consider the following circumstances which, if present, may weigh in favor of granting a permanent injunction, in the context of a full analysis of the *eBay* factors:

- a. Where the patent owner practices the patent in direct competition between the parties, which may lead to irreparable harm; and**

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https://thesedonaconference.org/publication/Commentary_on_Patent_Litigation_Best_Practices_ITC_Section_337_Investigations

⁸⁸ *Spansion, Inc. v. International Trade Comm’n*, 629 F.3d 1331, 1358 (citing to 19 U.S.C. § 1337(d)(1)).

⁸⁹ *Id.*

⁹⁰ *See e.g.*, *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, Comm’n Op. at 105-114 (July 5, 2013); and *Certain Electronic Digital Media Devices and Components Thereof*, Inv. No. 337-TA-796, Comm’n Op. at 109-132 (Sept. 6, 2013) (both declining to modify exclusionary order based on public interest concerns). Ultimately, the USTR overturned the Commission decision to issue an exclusion order and cease and desist order against Apple products in 337-TA-794, but denied a similar request from Samsung in 337-TA-796. *See* Letter from Ambassador Michael B.G. Froman, US Trade Representative, to Hon. Irving A. Williamson, Chairman, US Int’l Trade Comm’n (Aug. 3, 2013)(disapproving of Commission determination); and Statement of the U.S. Trade Representative Regarding the Determination of the United States International Trade Commission in the Matter of Certain Electronic Digital Media Devices and Components Thereof, Investigation No. 337-TA-796 (Oct. 8, 2013) (allowing Commission determination to become final). In rare cases, the Commission has tailored the remedies. *See*, for example, Inv. No. 337-TA-1068, Final Determination at 45; LEO at 2-3 (exemption for researchers who are using the products as of the date of the order; and have a documented need to continue current ongoing research and that need cannot be met by an alternative product; specific questionnaire attached to the LEO to document such need); *see also Inv. No.* 337-TA-1100, Commission Op. at 80-84, 86-89 (similar) (exempted researchers, applying the same conditions from 1068 but limited to consumables (not exempting instruments), and exempted service or repair of articles for servicing/repairing systems previously imported and under existing warranty).

- b. Where the patent owner’s exclusive licensee practices the patent in direct competition with the infringer, which may lead to irreparable harm.**

Certain factors may tend to favor the granting of an injunction. The factors identified in Best Practice 16 relate generally to the existence of direct competition between the rights holder and the alleged infringer. In these circumstances, the party asserting patent rights may argue that harms from infringing competition are irreparable and cannot be adequately compensated with money damages. These may include, for example, lost market share, price erosion, loss of goodwill, or other harms in the marketplace that may be difficult to quantify.⁹¹ Analysis of the *eBay* factors should consider the unique circumstances of each case, without assuming that any single type of factor is necessarily dispositive. This is not meant to capture all potentially relevant factors, nor to suggest that the same factors will always be sufficient to favor or disfavor an injunction.

Best Practice 127 – The court should consider the following circumstances which, if present, may weigh against granting a permanent injunction, though in the context of a full analysis of the *eBay* factors:

- a. Where neither the patentee nor its exclusive licensee practices the patent, whether or not there is direct competition, which may present challenges to establishing irreparable harm;**
- b. Where the patent owner has widely licensed the patent, which may indicate the sufficiency of monetary damages.**

Certain factors may tend to disfavor the granting of an injunction. The factors identified in Best Practice 17 relate generally to circumstances where there is no direct competition or where the patent holder has widely licensed its patent rights. In these circumstances, the party resisting the injunction may argue that monetary damages should be adequate to compensate any alleged harm, either because there are no difficult-to-quantify competitive harms at issue, or because the patent holder has demonstrated the adequacy of monetary compensation by accepting payment for license rights.⁹² As with Best Practice 17, analysis of the *eBay* factors should consider the unique circumstances of each case, without assuming that any single type of factor is necessarily dispositive or given the same weight in every scenario.

⁹¹ *See, e.g.,* *Celsis in Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 930 (Fed. Cir. 2012) (citing *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1362 (Fed. Cir. 2008); *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1382-83 (Fed. Cir. 2006)) (“Price erosion, loss of goodwill, damage to reputation, and loss of business opportunities are all valid grounds for finding irreparable harm.”).

⁹² *See, e.g.,* *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1380 (Fed. Cir. 2008) (where “reasonable royalties awarded to [patentee] include an upfront entry fee that contemplates or is based upon future sales by [infringer] in a long term market,” and “a patentee requests and receives such compensation, it cannot be heard to complain that it will be irreparably harmed by future sales”); *Nichia Corp. v. Everlight Ams., Inc.*, 855 F.3d 1328, 1343 (Fed. Cir. 2017) (observing that “[w]hile evidence of licensing activities cannot establish a lack of irreparable harm per se, that evidence can carry weight in the irreparable-harm inquiry”).

3. Procedural Considerations

a. *Timing and Management of Permanent Injunction Proceedings*

Best Practice 138 – The court and the parties should discuss, starting at the earliest reasonable opportunity (*e.g.*, the scheduling conference), whether injunction proceedings will require discovery beyond the usual discovery period, for example to ensure that relevant market evidence is reasonably current at an injunction hearing.

The timing and management of permanent injunction proceedings is dependent upon the circumstances of the case, the availability of the evidence and the preferences of the Court and the parties. In some cases, it will be appropriate for the parties to introduce the evidence they intend to rely upon if and when they reach the permanent injunction phase during the underlying liability and damages trial. For example, if there are overlapping fact or expert witnesses, it may be more efficient to elicit from such witnesses any additional evidence that is relevant to the question of whether a permanent injunction should issue during their testimony in the underlying liability and damages trial. In that situation, the parties are positioned to move forward after a finding of liability with a motion and briefing on the question of whether a permanent injunction should issue. It would be prudent to add to the scheduling order or the pretrial order the procedure for how and when the injunction-related testimony may be offered into evidence.

In other cases, it may be more appropriate to schedule a separate evidentiary bench trial after the trial on liability and damages has concluded. In particular, if the evidence is not overlapping, or if the parties are prepared to have witnesses appear again in a separate hearing, it may be more efficient to wait until after the liability determination to move to the permanent injunction phase. After all, there may never be a liability finding, in which case the evidence and arguments in support of or opposing a permanent injunction will not be necessary. Isolating the permanent injunction evidence and argument from the liability and damages trial also avoids any risk that the finder(s) of fact may be inappropriately influenced by the potential for an injunction or by evidence which is not otherwise probative on the issues of liability and damages. Finally, separating the permanent injunction proceedings from the liability and damages trial avoids the inherent tension that often exists between the position of the plaintiff's damages expert, who is required to quantify the damages for past infringement in the form of lost profits or a royalty, and the injunction expert, who will testify that the harm from future infringement cannot be compensated by money damages.

In certain cases, the parties may need or be entitled to additional discovery before the record can be complete for the permanent injunction decision, which also argues for a separate proceeding. Typically, fact and expert discovery for the liability and damages trial closes several months before trial. In some cases, the parties may have a legitimate need for additional discovery, because the Court is required to consider the injunction factors – including the public interest factor - as of the date of the injunction. For the Court to consider the public interest factor, it may be important for the parties to present the Court with up-to-date evidence (*e.g.*, in a pharmaceutical case, the number or percentage of patients who are currently taking the infringing medicine and might be impacted by an injunction). Similarly, in order for the Court to assess irreparable harm, the parties may need to present up-to-date evidence of the parties' financial positions and/or update expert opinions on the impact an injunction would have on the parties respectively. It may also be important for the Court to assess the current availability or status and feasibility of any design arounds.

b. Stay Pending Appeal

Best Practice 149 – Where requested, a stay of the injunction pending appeal should be considered as part of the overall injunction analysis. Stay analysis proceeds under its own set of factors distinct from *eBay*.⁹³

Where appropriate, a permanent injunction may be stayed pending appeal. A court may issue such a stay pursuant to Fed. R. Civ. P. 62(c), which states that “[w]hile an appeal is pending from an interlocutory order or final judgment that grants, dissolves, or denies an injunction, the court may suspend, modify, restore, or grant an injunction on terms for bond or other terms that secure the opposing party’s rights.”⁹⁴ A stay of an injunction pending appeal may be obtained at the district court or the Federal Circuit.⁹⁵

In determining whether to stay an injunction pending appeal, the district court and the Federal Circuit apply the same test, by considering the following four factors:

- a. whether the stay applicant has made a strong showing that he is likely to succeed on the merits;
- b. whether the applicant will be irreparably injured absent a stay;
- c. whether issuance of the stay will substantially injure the other parties interested in the proceeding; and
- d. where the public interest lies.⁹⁶

Thus, for example, in a case in which the claim construction or other issues on the merits were not clearly in favor of one party, the presiding district court that enters an injunction in favor of a patent owner could stay the injunction pending resolution of the appeal. Under those circumstances, any settlement negotiations will be based on the parties’ evaluation of the strength of their respective positions on appeal, not on the *in terrorem* effect of the threat of being excluded from the market before the appeal can be decided.⁹⁷

⁹³ See *Robert Bosch*, 659 F.3d at 1151 (“[t]he existence of a two-player market may well serve as a substantial ground for granting an injunction—for example, because it creates an inference that an infringing sale amounts to a lost sale for the patentee.”); *i4i v. Microsoft*, 598 F.3d 831, 861 (Fed. Cir. 2010).

⁹⁴ FED. R. CIV. P. 62(c).

⁹⁵ FED. R. APP. P. 8(a)(1)–(2).

⁹⁶ *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990) (quoting *Hilton v. Braunskill*, 481 U.S. 770, 776 (1987)).

⁹⁷ *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. 2:07-cv-335, 2010 WL 2522428, at *4 (E.D. Tex. June 18, 2010) (injunction stayed pending appeal, finding that “the facts and legal issues of this case are particularly close on the issue of infringement”); *Smith & Nephew, Inc. v. Arthrex, Inc.*, 453 Fed. Appx. 977, 981 (Fed. Cir. 2011) (vacating infringement decision); *i4i Ltd. P’ship v. Microsoft Corp.*, 670 F. Supp. 2d 568, 602–03 (E.D. Tex. 2009) (stay on injunction pending appeal); *i4i Ltd. P’ship v. Microsoft Corp.*, 343 Fed. Appx. 619 (Fed. Cir. 2009) (affirming the finding of infringement and reinstating the injunction but modifying the effective date of the injunction); *Verizon*

Guidance for various scenarios with respect to permanent injunctions is provided below, although each case should be decided on its specific facts:

Best Practice 20 – In cases where an adjudged infringer has demonstrated willingness and ability to implement a design change that will avoid infringement (also called a “design around”), potential use of a sunset period may be considered as part of the injunction analysis.

As an alternative to staying an injunction pending appeal, another option available in appropriate circumstances is for a court to issue a permanent injunction, but provide for a sunset period for the defendant to implement a noninfringing alternative.⁹⁸ In these circumstances, the patentee is typically compensated for the continued use of its patent through the payment of sunset royalties.⁹⁹

B. ALTERNATIVES TO INJUNCTIONS

The Federal Circuit has held that “[t]he award of an ongoing royalty instead of a permanent injunction to compensate for future infringement is appropriate in some cases.”¹⁰⁰

For example, in *Edwards Lifesciences AG v. Corevalve, Inc.*, the Federal Circuit outlined that:

Precedent illustrates the variety of equitable considerations, and responsive equitable remedy in patent cases; for example, the grant of a royalty-bearing license instead of imposing an injunction in situations where the patentee would experience no competitive injury, as in *ActiveVideo Networks, Inc. v. Verizon Communications, Inc.*, or where there is an overriding public interest in continued provision of the infringing product, as in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, where the Gore vascular graft materials were not available from the successful patentee Bard. Another form of equitable response is illustrated in *Broadcom Corp. v. Qualcomm Inc.*,

Servs. Corp. v. Vonage Holdings Corp., 228 Fed. Appx. 986 (Fed. Cir. Apr. 24, 2007) (issued a stay pending appeal, after the district court stayed the injunction pending appeal with respect to present or existing customers, provided Vonage escrowed the 5.5% royalty quarterly.⁹⁷ The Federal Circuit later affirmed the injunction as to two patents but vacated the judgment of infringement with respect to a third patent, and remanded for a new trial; see also No. 1:06-CV-682 (E.D. Va. Apr. 12, 2007) (D.I. 549); 503 F.3d 1295 (Fed. Cir. 2007); NTP, Inc. v. Research in Motion, Ltd., No. 3:01CV767, 2003 WL 23100881 (E.D. Va. Aug. 5, 2003) (stay of permanent injunction pending appeal); NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1325 (Fed. Cir. 2005) (vacating damages award and injunction).

⁹⁸ See, e.g., *Broadcom Corp. v. Emulex Corp.*, 732 F.3d 1325, 1339 (Fed. Cir. 2013) (“[T]he district court’s selection of an eighteen month sunset period was not an abuse of discretion. The eighteen months allowed for time to remove the infringing product from the market without causing significant downstream disturbance for OEMs and consumers. And the eighteen-month period is a compromise between the wide range of time estimates in the record relating to the design process and product qualification.”).

⁹⁹ See e.g., *Active Video Networks, Inc. v. Verizon Commc’ns, Inc.*, 694 F.3d 1312, 1342–43 (Fed. Cir. 2012) (affirming district court’s imposition of a sunset royalty).

¹⁰⁰ *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 670 F.3d 1171, 1192 (Fed. Cir. 2012) (citing *Paice*, 504 F.3d 1314).

where the court postponed the effective date of an injunction for twenty months, to relieve hardship on the infringer.¹⁰¹

A judgment of an ongoing royalty for post-verdict infringement will only be granted where equitable relief, in the form of a permanent injunction, is not granted.

Federal Circuit case law has explored the tension between awarding damages to a patentee, as opposed to issuing an injunction. In *Paice LLC v. Toyota Motor Corp.*, the court stated that in certain cases, awarding the patentee with an ongoing royalty, rather than an injunction, may be the appropriate course of action.¹⁰² The Federal Circuit stated that the text of Section 283, that “empowers ‘courts . . . [to] grant injunctions in accordance with the principles of equity . . . on such terms as the court deems reasonable,’ leaves no doubt that Congress did not intend to statutorily entitle patentees to a jury trial for the purposes of awarding relief thereunder.”¹⁰³ The court accepted Paice’s argument that “the determination of damages is a legal question which carries a Seventh Amendment right to a jury trial,” but qualified this statement by stating that “not all monetary relief is properly characterized as ‘damages.’”¹⁰⁴ Several years later, the court addressed the same issues in *Telecordia Techs., Inc. v. Cisco Sys., Inc.*,¹⁰⁵ and affirmed the views stated in *Paice*.

According to the Federal Circuit in *Paice*, the Seventh Amendment does not apply to an ongoing royalty determination because the court can determine the mandatory royalty as an *equitable* alternative to an injunction.¹⁰⁶ This holding appears to present an inconsistent result in the following scenario: if a patentee sues only for back damages, never asking for an injunction or a forward royalty, and then sues every six months for damages, the patentee would be entitled to a jury trial in each of those cases. This practice would be highly inefficient, both for the patentee and the courts. While it is unclear why the result should be different when the patentee acts more efficiently by suing for both back damages and a forward royalty at once, *Paice* is the current law, although the Federal Circuit did not explain why patent damages should be treated differently than any other continuing tort.

Opponents of the Federal Circuit’s *Paice* decision have advanced the following arguments: The Patent Act provides for the award of damages to the patentee on a finding of infringement in Section 284. Title 35 also provides that in appropriate circumstances, a court *may* grant an injunction to a prevailing party “in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”¹⁰⁷ Section 283 authorizes a court to grant an injunction if the circumstances warrant it, but does *not* authorize monetary damages as an equitable alternative to be determined *by the court* if it declines to enter an injunction. Further, Section

¹⁰¹ *Edwards Lifesciences*, 699 F.3d at 1315.

¹⁰² *Paice*, 504 F.3d at 1314. The Federal Circuit also stated that should the district court decide that an ongoing royalty is the more appropriate remedy, the district court has the discretion to permit the parties to negotiate a license agreement themselves before imposing an ongoing royalty on the parties. *Id.* at 1315. In this way, the district court attempts to most closely approximate the hypothetical negotiation described *supra* in Chapter II.

¹⁰³ *Id.* at 1293, n.16 (emphases added).

¹⁰⁴ *Id.* at 1316.

¹⁰⁵ *Telecordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365, 1378–79 (Fed. Cir. 2010).

¹⁰⁶ *Id.*

¹⁰⁷ 35 U.S.C. § 283.

284 does not authorize monetary damages without a jury trial. The Seventh Amendment supports this view as well. It is well-established that if an issue was tried before a jury at common law at the time this country was founded, or is analogous to an issue that was so tried, the Seventh Amendment mandates a jury trial on that issue unless the parties waive this right.¹⁰⁸ Under *Markman* and related precedent, the Federal Circuit should conclude that the assessment of monetary damages in patent cases is analogous to issues tried before a jury at common law, thus requiring a jury determination in cases today. Accordingly, contrary to the holding in *Paice*, both Section 284 and the Seventh Amendment require a jury to resolve the royalty rate applicable to post-verdict infringement.

As discussed below in Best Practice 21, an ongoing royalty for future damages should fairly compensate the patent holder for the actual use made by the infringer of the patented invention. This view is consistent with the statutory mandate that damages should be “adequate to compensate for infringement.” An ongoing royalty awarded at the conclusion of a trial is in lieu of the patent holder’s filing a later suit(s) for damages for the ongoing use. Of course, if the jury awarded a fully paid-up lump sum amount, depending on how that award was calculated (i.e., what evidence was admissible and considered as part of the lump sum award), no ongoing royalty may be owed.¹⁰⁹

Best Practice 21 – Courts should adhere to the following principles in addressing a post-verdict royalty:

- a. As a part of the final pre-trial report, the parties and the Court should consider how the proposed verdict form might impact a post-verdict royalty analysis, should such an analysis become necessary.**
- b. Rather than simply applying the pre-verdict royalty rate to post-verdict conduct, specific evidence should be presented as to a post-verdict royalty.**
- c. Post-verdict royalties should apply to infringing activity occurring post-verdict.**
- d. The ongoing royalty should fairly compensate the patent holder for the ongoing use made by the infringer of the patented invention.**
- e. The ongoing royalty should not reflect any hold-up value.**
- f. The ongoing royalty should reflect adequate compensation only for the patent(s) found to be infringed.**

¹⁰⁸ See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (holding that claim construction is a matter of law for the court to determine and distinguishing claim construction from issues historically left for the jury).

¹⁰⁹ If a lump sum award was only based on past known infringement or for only certain accused instances of infringement, a lump sum awarded at trial may not provide full compensation to the patent owner, and an additional lump sum or ongoing royalty for future infringement may be necessary.

During the final pre-trial proceedings and as part of the final pre-trial order, the litigants can request to include damages questions on the jury verdict form directed to the form of the damages award such that the form of the award can inform any post-verdict royalty analysis necessary. For example, the litigants may request a damages question asking the jury to determine (a) whether the award is to compensate the patent owner through the date of trial or through the life of the patents; or (b) whether the award is a one-time, lump sum or a per unit royalty. The court will determine the final verdict form based on the evidence presented. The court can fashion the verdict form to determine the form and scope of the damages awarded clearly.¹¹⁰

Best Practice 22 – Courts should consider the following with respect to determining a post-verdict royalty:

- a. How does the change in bargaining positions and/or economic conditions resulting from the determination of liability affect the royalty rate?¹¹¹**
- b. Is the “willing licensee” and “willing licensor” paradigm still appropriate?¹¹²**
- c. Should the Georgia-Pacific factors be applied and, if so, which date should be set as the date of the hypothetical negotiations and which Georgia-Pacific factors should be considered? Should the focus be on factors that may have changed from the original hypothetical negotiation, such as the existence of design around products, the value of the technology, and the willfulness of the post-verdict infringement?**
- d. Should there be a single ongoing royalty rate, or a varying rate (e.g., one that increases over time)?**
- e. Should different industries and/or technologies be treated differently? This consideration stems from the idea that what makes sense in one technical field might make little sense in**

¹¹⁰ *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1300-01 (Fed. Cir. 2015) (“the district court properly denied [patent owner’s] request for an ongoing royalty because the jury award compensated [patent owner] for both past and future infringement through the life of the patent.”); *Telcordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365, 1379 (Fed. Cir. 2010) (“An award of an ongoing royalty is appropriate because the record supports the district court’s finding that [patent owner] has not been compensated for [accused infringer’s] continuing infringement.”); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1303 (Fed. Cir. 2009) (“A damages award for pre-verdict sales of the infringing product does not fully compensate the patentee because it fails to account for post-verdict sales of repair parts.”)

¹¹¹ *See Amado* at 1362 (“Prior to judgment, liability for infringement, as well as the validity of the patent, is uncertain, and damages are determined in the context of that uncertainty. Once a judgment of validity and infringement has been entered, however, the calculus is markedly different because different economic factors are involved.”).

¹¹² *See Sovereign Software*, 899 F. Supp. 2d at 589–90 (applying a 2.5x enhancement to the jury’s implied royalty rate for ongoing royalties).

another technical field, and a “one size fits all” approach is not good practice.

- f. Is an acceptable design around available for implementation?**
- g. Should the expiration date of the infringed patent(s) be considered?**
- h. Should the parties and the court plan to revisit the ongoing royalty determination at a later time, for example, after an adjudged infringer has implemented a design around that avoids infringement of one or more of the patents-in-suit?**

Before determining whether an ongoing royalty should be awarded and, if so, the amount of any ongoing royalty, the court should invite the litigants to present evidence on the issues. Even though the Federal Circuit has held “there is a fundamental difference between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement,”¹¹³ the court’s guidance on the analysis to determine whether to award an ongoing royalty and for what amount is limited. The Federal Circuit cases in the aggregate suggest the district courts “should take into account the change in the parties’ bargaining positions, and the resulting change in economic circumstances, resulting from the determination of liability.”¹¹⁴ Changes in bargaining positions and in economic circumstances may include “changes related to the market for the patented products”¹¹⁵; a newly-developed non-infringing alternative that takes market share from the patented products¹¹⁶; and stronger bargaining positions post-appeal.¹¹⁷ The analysis should focus on post-verdict factors.¹¹⁸ The Federal Circuit has also described a liability verdict (*i.e.*, not invalid and infringed) as a “substantial shift in the bargaining position of the parties.”¹¹⁹ In some cases, the litigants have performed a post-verdict hypothetical negotiation analysis using the *Georgia-Pacific* factors.¹²⁰ In others, the Federal Circuit has directed district courts to determine an ongoing royalty based on a post-verdict hypothetical negotiation using the *Georgia-Pacific* factors.¹²¹ In still others, district courts

¹¹³ *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1297 (Fed. Cir. 2018) quoting *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1360 (Fed. Cir. 2008).

¹¹⁴ *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1362 (Fed. Cir. 2008).

¹¹⁵ *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1315 n.15 (Fed. Cir. 2007).

¹¹⁶ *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1298 (Fed. Cir. 2018).

¹¹⁷ *ActiveVideo Networks, Inc. v. Verizon Commc’ns, Inc.*, 694 F.3d 1312, 1342 (Fed. Cir. 2012).

¹¹⁸ *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1297 (Fed. Cir. 2018) (“post-verdict factors should drive the ongoing royalty rate calculation in determining whether such a rate should be different from the jury’s rate”).

¹¹⁹ *ActiveVideo Networks, Inc. v. Verizon Commc’ns, Inc.*, 694 F.3d 1312, 1342 (Fed. Cir. 2012).

¹²⁰ *Mondis Tech. Ltd. v. Chimei Innolux Corp.*, 822 F. Supp. 2d 639, 647 (E.D. Tex. 2011), *aff’d sub nom. Mondis Tech. Ltd. v. Innolux Corp.*, 530 Fed. Appx. 959 (Fed. Cir. 2013) (“The parties make various arguments regarding the application of the *Georgia-Pacific* factors. Because the Court is using the jury’s determination of a 0.5% royalty rate for monitors as a starting point, the Court focuses on any new evidence that was not before the jury and additionally any changed circumstances (other than willfulness) between a hypothetical negotiation that occurred (which the jury determined) and a hypothetical negotiation that would occur ... after the judgment (which this Court is determining).”).

¹²¹ *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1303 (Fed. Cir. 2009).

have ordered the parties to engage in an actual negotiation within the *Georgia-Pacific* framework post-verdict.¹²²

Many district courts have determined post-judgment infringement to be willful based on the verdict alone and have awarded ongoing royalty rates exceeding the jury's verdict.¹²³ Some courts have determined the jury verdict already considers "the result that has now been formally reached through a verdict—that the patents are valid and infringed—and the Court need not alter the post-verdict hypothetical negotiation in light of these now confirmed assumptions."¹²⁴

Best Practice 23 – The timing that may be used to hear evidence on the post-verdict royalty is dependent on the facts and circumstances of a particular case and should be sensible and equitable based on those facts and circumstances.

- a. **The most efficient approach for addressing post-verdict royalties is to resolve any such issues prior to any appeal.**
- b. **If the patent owner is not seeking injunctive relief, then post-verdict royalty issues should be considered as a part of post-trial motions/briefing.**
- c. **After the motion for permanent injunction is denied; and**
- d. **During trial, while the jury is empaneled (e.g., presenting the issue of an ongoing royalty rate to the jury, notwithstanding that the patentee intends to seek an injunction).**

The timing and management of proceedings related to ongoing royalties will depend on the court's preferences. Many courts entertain motions for ongoing royalties as part of post-trial briefing in cases not involving a permanent injunction.¹²⁵ Typically, courts rule on motions for ongoing royalties at the same time they rule on motions under Rules 50 and 59 of the Federal Rules of Civil Procedure. As a result, courts resolve the ongoing royalty issue prior to any appeal.

¹²² *Artic Cat Inc. v. Bombardier Recreational Products, Inc.*, 2016 WL 4267375 at *8 (S.D. Fla. Aug. 15, 2016) *affirmed in part, vacated in part* by 876 F.3d 1350 (Fed. Cir. 2017).

¹²³ See, e.g., *Artic Cat Inc. v. Bombardier Recreational Products, Inc.*, 2017 WL 7732873 at *4 (S.D. Fla. Jan. 3, 2017) *affirmed in part, vacated in part* by 876 F.3d 1350 (Fed. Cir. 2017); *Mondis Tech. Ltd. v. Chimei Innolux Corp.*, 822 F. Supp. 2d 639, 647 (E.D. Tex. 2011), *aff'd sub nom. Mondis Tech. Ltd. v. Innolux Corp.*, 530 Fed. Appx. 959, 652-53 (Fed. Cir. 2013); *Affinity Labs of Tex., LLC v. BMW No. Am., LLC*, 783 F. Supp. 2d 891, 898 (E.D. Tex. 2011) ("Without the risk of a post-judgment enhancement, a defendant would be encouraged to bitterly contest every claim of patent infringement, because in the end, only a reasonable royalty would be imposed and there would essentially be no downside to losing.").

¹²⁴ *Cioffi v. Google, Inc.*, 2017 WL 4011143, at *6 (E.D. Tex. Sept. 12, 2017); see also, *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, 2017 WL 303465124, at 6-7 (E.D. Tex. July 18, 2017); *EMC Corporation v. Zerto, Inc.*, 2017 WL 3434212, at *3 (D. Del. Aug. 10, 2017); *Cummins-Allison Corp. v. SBM Co.*, 584 F. Supp. 2d 916, 918 (E.D. Tex. 2008) ("a jury finding of infringement and no invalidity ... merely confirms the original assumption of those facts.").

¹²⁵ See e.g., *Artic Cat Inc. v. Bombardier Recreational Products, Inc.*, 2016 WL 4267375 at *8 (S.D. Fla. Aug. 15, 2016) *affirmed in part, vacated in part* by 876 F.3d 1350 (Fed. Cir. 2017).

C. ATTORNEYS' FEES AND FEE SHIFTING¹²⁶

See The Sedona Conference Commentary on Patent Litigation Best Practices: Section on Exceptional Case Determinations

(https://thesedonaconference.org/publication/Commentary_on_Patent_Litigation_Best_Practices_Case_Management_Issues_from_the_Judicial_Perspective).

¹²⁶ This paper does not address willful patent infringement or the potential enhanced damages and attorneys' fees recoverable after such a finding.