

At A Glance

Compensating a Patentee for the Value of a Patented Invention: Apportionment

Introduction

Compensatory damages for patent infringement are often expressed as a reasonable royalty for a license to practice the patent(s) at issue. To anchor the royalty amount to the value of the patented invention(s), the royalty is assumed to be determined by a hypothetical negotiation between the patentee and the infringer occurring on the eve of the first infringement. Economics teaches that, in negotiating the royalty, the parties evaluate the incremental gains and losses from the license. Measuring those gains and losses can be a complex exercise involving various economic and statistical methods. The complexity can be compounded by the possibility that the feature or attribute of a product enabled by the patented invention is only one of many features or attributes of the product. Recognizing this fact, courts have demanded that royalty damages reflect no more than the “footprint” of the invention.

NERA’s Expertise and Experience

NERA experts have provided advice, analysis, and expert testimony related to patent infringement damages in many cases. Those cases have covered a broad range of factual circumstances and spanned a variety of industries, including computer hardware and software, pharmaceutical and biotechnology, consumer products, and telecommunications, among many others. Our experts use a variety of rigorous methods to quantify infringement damages that properly account for the economic value of the alleged infringement. Examples of those analyses are described below.

Citation Analysis

On behalf of defendant CIVIQ Smartscares, Managing Director Richard Eichmann analyzed reasonable royalty damages in a dispute in the District of Delaware involving the alleged infringement of 17 patents related to the

cooling technology for outdoor digital display kiosks.

Mr. Eichmann opined that the plaintiff’s expert used an arbitrary method to determine royalty damages and, in so doing, failed to properly apportion value to the patents-in-suit. Using an analysis of patent citations and a benchmark license, Mr. Eichmann determined a reasonable royalty for the patents at issue that properly reflected their economic value. The court found that Mr. Eichmann’s application of patent citation analysis was admissible and excluded the plaintiff’s expert’s reasonable royalty opinion because it did not conduct a reliable apportionment analysis. NERA’s approach to citation analysis has also survived challenges in other courts, including the Northern District of California and the Eastern District of Texas. Mr. Eichmann is typically supported by a team of NERA economists led by Senior Consultant Dr. Dan Werner.

Direct Measurement of Incremental Profits

Managing Director Dr. Sumanth Addanki testified at the trial of a dispute in the District of Delaware on behalf of the plaintiff Bayer regarding a reasonable royalty for the infringement of a patent asserted against a treatment for hemophilia. Using data on the sales and use of the infringing product, as well as a version of the product without the feature that was enabled by the infringement, Dr. Addanki quantified the incremental benefit accruing to the infringer as a direct result of the infringement. The jury awarded damages to Bayer in the range to which Dr. Addanki testified. Dr. Addanki was supported by a team of NERA economists led by Associate Director Bryan Ray and Senior Consultant Dr. Claire Xie.

Quantifying Infringing Use

Managing Director Dr. Christine Meyer testified regarding damages in the Northern District of California on behalf of Finjan, the owner of several patents involving anti-virus and anti-malware software. Because the patents related to only particular aspects and features of the accused products, Dr. Meyer apportioned the royalty base to reflect the revenue related to the infringing elements of the software that identified potentially suspicious code and transmissions. The jury found damages for the accused products that it determined had infringed valid patents.

Conjoint Analysis

Affiliated Consultant Dr. Kent Van Liere was retained by the plaintiff to perform survey research in connection with a patent infringement case related to network security features. NERA performed a conjoint analysis to assess consumers' willingness-to-pay for patented features and their use of those features. The results of NERA's analyses were critical inputs to the calculation of a reasonable royalty that was properly apportioned to reflect the value of the patented invention. At trial, the jury ruled in favor of NERA's client. Dr. Van Liere was supported by a NERA team specializing in survey research, sampling, and statistical analysis led by Associate Director Dr. Samantha Iyengar.

Evaluation of Survey Evidence

Managing Director Sarah Butler was retained by the defendants to analyze the plaintiff's use of survey evidence in a case involving the alleged infringement of patents covering aspects of multi-media playback of audio and video content. The survey evidence was a critical component of the plaintiff's damages calculation and attempted apportionment. Upon reviewing the analysis, Ms. Butler found that the survey was being improperly utilized to assess the relative use and value of a patented feature. As a result, the plaintiff's expert's calculation of a reasonable royalty did not properly apportion value between the patented and unpatented features.

About NERA

NERA Economic Consulting (www.nera.com) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. We bring academic rigor, objectivity, and real-world industry experience to bear on issues arising from competition, regulation, public policy, strategy, finance, and litigation.

NERA's clients value our ability to apply and communicate state-of-the-art approaches clearly and convincingly, our commitment to deliver unbiased findings, and our reputation for quality and independence. Our clients rely on the integrity and skills of our unparalleled team of economists and other experts backed by the resources and reliability of one of the world's largest economic consultancies. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

Contact

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