CRA Insights: Intellectual Property

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CRA Insights: Intellectual Property is a periodic newsletter that provides summaries of notable developments in IP litigation.

Recent developments in IP damages

Promega Corporation v. Life Technologies Corporation Nos. 2013-1011, -1029, -1376 (CAFC)

Overview

On November 13, 2017, the US Court of Appeals for the Federal Circuit (CAFC) affirmed the District Court's grant of Life Technologies Corporation's (Life's) motion for judgment as a matter of law (JMOL) that Promega Corporation (Promega) failed to prove the applicable damages for patent infringement and was therefore entitled to no damages. The CAFC held that although "[p]atent owners who prove infringement are typically awarded at least some amount of damages… a patent owner may waive its right to a damages award when it deliberately abandons valid theories of recovery in a singular pursuit of an ultimately invalid damages theory."

Background

In 2006, Promega and Applied Biosystems entered into a cross license agreement that granted Applied Biosystems the right to use the asserted patents in forensic applications. In 2010, Promega filed a complaint against Applied Biosystems and Life (which now wholly owns Applied Biosystems) alleging that Life sold kits (referred to as "STR kits") outside the licensed field of use and therefore infringed the asserted patents.[1]

The accused STR kits are comprised of five components and are assembled in the United Kingdom (UK). At least one component of these kits (*Taq* polymerase) is manufactured in the US and then shipped to Life's manufacturing facility in the UK.

Prior to trial, the District Court ruled that Life's sales outside the forensics field of use meet all of the elements of the asserted claims of the patent at issue, but it did not decide how many of Life's kits were sold, offered for sale, or imported into the US (liability under 35 U.S.C. § 271(a)) or included a substantial portion of their respective components that were supplied from the US (liability under 35 U.S.C. § 271(f)(1)).

[1] The case originally involved five asserted patents, but the CAFC held that four of the five patents-in-suit were invalid for lack of enablement.

The case proceeded to trial where the parties stipulated that gross sales of the accused kits during the damages period were approximately $700 million. During the trial, a dispute arose between the parties about what Promega was required to prove. The District Court clarified that Promega needed to separately prove the amount of damages attributable to infringement under § 271(a) and the amount of damages attributable to infringement under § 271(f)(1). Promega was given a second chance to meet this burden by presenting evidence of infringing sales in its rebuttal case. Promega presented no expert testimony on damages at trial and failed to identify specific amounts of domestic or foreign sales, relying only on the stipulated worldwide sales figure as a potential damages base.

The jury returned a verdict of willful infringement and found that: (1) all of Life's worldwide sales were attributable to infringing acts in the United States; (2) 10% of those sales were for unlicensed uses; and (3) Promega was entitled to $52 million in lost profits.

Life filed a motion for JMOL arguing that Promega was not entitled to any damages since (1) the damages verdict was premised on a misinterpretation of § 271(f)(1), and (2) Promega failed to present adequate evidence to quantify infringing sales separately under § 271(a) or § 271(f)(1). Promega responded that all of the accused products infringed under § 271(f)(1) because they contained the *Taq* polymerase component which qualified as a "substantial portion" of each accused product and that all of the accused products infringed under § 271(a).

The District Court held that a single component could not qualify as a "substantial portion" of the components of the accused products and that no reasonable jury could have found that all of the accused products infringed under § 271(f)(1) or § 271(a). Therefore, since Promega waived any argument that the evidence at trial could support a damages calculation based on any subset of total sales, the District Court granted Life's JMOL motion.

Promega filed a motion for a new trial, which was denied by the District Court. The CAFC then reversed the District Court's decisions on both motions and remanded with instructions to conduct a new damages trial.

Life filed a petition for a writ of certiorari, which the Supreme Court granted on June 27, 2016. On February 22, 2017, the Supreme Court ruled that the "supply of a single component of a multicomponent invention for manufacture abroad does not give rise to §271(f)(1) liability" and remanded back to the CAFC.

Decision

In its November 2017 decision, the CAFC affirmed the District Court's decisions on Life's JMOL motion and Promega's motion for a new trial. The CAFC stated that although 35 U.S.C. §284 "is unequivocal that the district court must award damages in an amount no less than a reasonable royalty," Promega waived its right to any award of reasonable royalties. The Court also explained that "Promega's deliberate strategy to adhere to a single damages theory had the effect of winnowing out from the case any argument about damages based on a figure other than worldwide sales."

Specifically, the CAFC held that although Promega was given the opportunity to meet its burden of separately proving the amount of damages attributable to infringement under § 271(a) and § 271(f)(1) during its rebuttal case, Promega only "elected to make what appears to be a cursory attempt at further proving the fact of damages during its rebuttal case (by showing that some sales were made to United States customers)—as opposed to any particular amount of damages." Promega opted to present no expert testimony on damages at trial, relying instead on exhibits and lay testimony and without using any of this evidence to arrive at any numerical value that could have been used by a reasonable jury to calculate an award of lost profits damages. The CAFC agreed with Life that Promega "did not 'produce a witness who could make sense of the documents' it presented in such a way that could have enabled a reasonable jury to calculate a damages award." According to the Court, "Promega later confirmed its adherence to its all-or-nothing approach by submitting a proposed special verdict form that asked the jury to determine a single 'United States sales' figure for sales falling under both § 271(a) and § 271(f)(1)."

The CAFC held that because there was insufficient evidence to show that all worldwide sales infringed under § 271(a) or the proper interpretation of § 271(f)(1), there was no evidence to support a lost profits damages calculation under Promega's "all-or-nothing" damages theory.

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