



# CRA Insights: Intellectual Property

CRA Charles River  
Associates

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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

### ***Microsoft Corporation v. Motorola, Inc., et al., 2014-1089 (CAFC)***

On May 5, 2014, the Court of Appeals for the Federal Circuit (CAFC) issued a nonprecedential order in *Microsoft Corporation v. Motorola, Inc., et al.*, granting a motion by Microsoft to transfer the appeal to the US Court of Appeals for the Ninth Circuit. Motorola had appealed final judgments by Judge Robart in the Western District of Wisconsin setting reasonable and non-discriminatory (RAND) royalty rates for Motorola's H.264 and 802.11 standard essential patent (SEP) portfolios and awarding Microsoft damages of \$14.5 million for Motorola's breach of its contractual commitments to certain standard setting organizations.

The RAND royalty rates for the Motorola portfolios were set by Judge Robart in April 2013 following a bench trial. His methodology for determining the RAND royalty rates was detailed in a 207-page decision. This was the first time a district court judge had established a RAND rate for a standard essential patent portfolio. Motorola's opening brief is due on August 14, 2014.

### ***Apple Inc. v. Samsung Electronics Co., LTD., et al., 5-12-cv-00630 (CAND)***

On May 2, 2014, a jury in the Northern District of California found that Samsung infringed two of Apple's patents and awarded damages of \$119.6 million. The jury also found that Apple infringed one of Samsung's patents and awarded Samsung damages of \$158,400.

Apple had requested total damages of approximately \$2.2 billion for infringement of its patents, including \$40 per unit in reasonable royalties along with lost profits. Samsung's rebuttal expert had estimated Apple's damages at \$38.4 million based on a royalty rate of \$1.75 per unit. Samsung's expert opined to damages of \$6.2 million for Samsung's patents.

After the initial verdict, Judge Koh ordered the jury to resume deliberations regarding one of Apple's patents for which it had found validity and infringement by certain Samsung products but awarded zero damages. The jury returned with a revised verdict form on May 5, 2014 changing the damages awarded for certain products but keeping the total amount of damages at \$119.6 million.

### ***Apple Inc., et al. v. Motorola, Inc., et al., 2012-1548, -1549 (CAFC)***

On April 25, 2014, the CAFC issued a decision in *Apple Inc., et al. v. Motorola, Inc., et al.* that provided guidance on issues related to the admissibility of damages expert testimony and the availability of injunctive relief for SEPs, among others. The CAFC's 73-page majority opinion was written by Judge Reyna. Judges Rader and Prost issued opinions dissenting in part.

In the District Court case, Judge Posner, sitting by designation, issued an order excluding the majority of the damages testimony offered by experts on both sides regarding the relevant claims on summary judgment, and later dismissed the case on the grounds that there was no evidence of damages. The CAFC reversed the District Court's findings.

With regard to damages, the CAFC's discussion indicated that: (1) there may be more than one reliable method for estimating a reasonable royalty, and the fact that one approach may better account for one aspect of a royalty estimation does not make other approaches inadmissible; (2) a rule that would exclude damages evidence simply because it relies upon information from a technical expert or company employee is unreasonable and contrary to Rules 702 and 703 and controlling precedent; and (3) a fact finder may award no damages only when the record supports a zero royalty award.

The CAFC also found that to the extent that the District Court applied a per se rule that injunctions are unavailable for SEPs, it erred. It determined that the framework laid out by the Supreme Court in *eBay Inc. v. MercExchange, L.L.C.*, as interpreted by subsequent decisions of this court, provides ample strength and flexibility for addressing the unique aspects of fair, reasonable, and non-discriminatory (FRAND) committed patents and industry standards in general. Judge Rader's dissent concurred with the majority opinion in its entirety, except on the District Court's denial of Motorola's request for an injunction, arguing that there remained issues of material fact on Apple's posture as an unwilling licensee whose continued infringement caused irreparable harm. Judge Prost's dissent disagreed with the majority's opinion that an injunction would be appropriate for infringement of a SEP where the alleged infringer refused to enter a license agreement. However, Judge Prost agreed that an injunction might be appropriate where the patentee is unable to collect the damages to which it is entitled.

On May 16, 2014, Apple and Google Inc. (Motorola's parent company) entered a global settlement ending all patent litigation between the parties. The parties did not enter a cross-license involving their patents.

#### ***RealTek Semiconductor Corporation v. LSI Corporation, et al., 5-12-cv-03451 (CAND)***

On February 26, 2014, a jury in the Northern District of California rendered a verdict setting RAND rates of 0.12% and 0.07% of RealTek's chip price, respectively, for LSI's US patents 6,452,958 (the '958 patent) and 6,707,867 (the '867 patent). This was the first time a district court jury has set RAND rates for SEPs.

The '958 and '867 patents are part of the 802.11e, 802.11g and 802.11n Wi-Fi standards. In March 2012, LSI and its subsidiary Agere (collectively, LSI) filed a complaint with the International Trade Commission (ITC) seeking an import ban on certain products sold in the US by RealTek and several others. RealTek sued LSI in District Court in June 2012 for breaching its contractual obligation to license its patents on a RAND basis by initiating the ITC action without first offering to license its patents to RealTek at RAND rates. The District Court had determined that the ITC case represented a breach of LSI's obligations. The jury trial involved determining the appropriate RAND rates, along with RealTek's damages in the form of attorneys' fees incurred in defending the ITC suit.

The RAND rates determined by the jury were between the rates presented by RealTek's expert (0.017% for each patent), and LSI's expert (0.145% for each patent). The jury also awarded RealTek damages of \$3.825 million for the breach based on the legal fees it incurred in defending the ITC suit.

On March 4, 2014, the ITC issued a notice of termination of its investigation due to the expiration of the '867 patent and a finding of non-infringement related to the '958 patent.

### ***Robocast, Inc. v. Microsoft Corporation, 1-10-cv-01055 (DED)***

On January 29, 2014, Judge Andrews in the District of Delaware issued a Memorandum Order excluding the testimony of Robocast's expert related to reasonable royalties.

In his report, Robocast's expert discussed the *Georgia-Pacific* factors and concluded that the result of the hypothetical negotiation would be a 50/50 split of the profit from the use of the patented technology between Robocast and Microsoft. Although Robocast's expert did not specifically mention the Nash Bargaining Solution or game theory, the Court concluded that "there is no doubt that the reasoning behind the purported 50/50 profit split is premised on these models." Robocast's expert presented four factors that he claimed supported the 50/50 profit split, but the Court found that those factors provided little or no basis for a 50/50 split. Therefore, the expert's testimony was excluded because he "did not tie his reasonable royalty analysis to the facts of the case."

The Court also excluded the expert's testimony related to a lump sum royalty rate, which was based on Microsoft's history of lump sum licenses for unrelated technology. According to the Court, "[w]hat Microsoft paid for unrelated technology does not help the jury determine what Microsoft would have paid for this technology." As there was nothing else on which Robocast's expert could base his opinion, the Court excluded his testimony about a lump sum royalty in its entirety.

#### **Contact**

##### **Kimberly J. Schenk**

Principal

Chicago

+1-312-377-2249

[kschenk@crai.com](mailto:kschenk@crai.com)

##### **John G. Plumpe**

Principal

Chicago

+1-312-377-9230

[jplumpe@crai.com](mailto:jplumpe@crai.com)

[www.crai.com/ip](http://www.crai.com/ip)



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