Reducing damage compensation to NPEs by own patents

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NPEs seek for “reasonable royalties” as damage compensation

Japan

The damage by a patent infringement can be "the amount of royalty the patentee would have received." (Patent Act Article 102(3))

US

Patent damages cannot be less than "a reasonable royalty for the use of the invention by the infringer." (35 U.S. Code § 284 - Damages)

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Non patented features must be considered for determining “reasonable royalty” in both JP and US

Japan

Non patented features should be considered to establish the relations between the infringement and the sales decrease of products. (February 28, 2020, IP High Court)
It should also be considered for "reasonable royalty".

US: Litigation testimony (Georgia-Pacific factor #13)

The testimony for establishing a reasonable royalty must include application of fifteen factors.

#13: “the portion of realized profits attributable to non-patented elements”

The Japan IP High Court reduced the "reasonable royalty" based on other patents

Samsung v. Apple (Japan IP High Court, 2014)

The court calculated the reasonable royalty by multiplying the following factor to 5%, "**reasonable accumulated royalty**"

Sales of standard portion / Sales of product
Number of asserted patents / Number of all patents

This calculation is called as "Top down approach"

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Non patented features reduce the "Royalty Rate" in the US as well.

The component also performed non-infringing filtering functions so even if the component was the smallest identifiable component, it "does not insulate them from the 'essential requirement that the '**ultimate reasonable royalty awarded must be based on the incremental value that the patented invention adds to the end product**.'"

"[F]urther **apportionment was required to reflect the value of the patented technology compared to the value of the unpatented elements**." The damage award was vacated and remanded.

Finjan, Inv. v. Blue Coat Sys. (Fed. Cir. 2018).

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Own patents reduced royalty rate

The expert acknowledged that Briggs and its co-defendant … have patents covering other components of the accused mowers. But she ignored those components, opining without support that they do not relate to the quality of cut, which she considered "paramount" to selling mowers.

We are skeptical that other patented components of the mower bear no relation to the overall value of the accused mowers, **which would influence the relative value of the patented baffle and thus the royalty rate**. The damage award was vacated and remanded.

Exmark v. Briggs & Stratton Power Prods.
(Fed. Cir. 2017)

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Own patents help reduce “royalty base”

Royalty = Royalty Base x Royalty Rate

The court found that the product as a whole infringes other patents to be significant in overturning application of the entire market value rule. The whole product cannot be the royalty base, because it is clear that other components have their own significant value.

Power Integration v. Fairchild Semiconductor
(Fed. Cir. Sept, 2018)

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Suggestions for defending from NPEs

- Obtaining patents that cover own products
- Letting group corporations obtain patents
- Letting parts suppliers obtain patents
- Making overall cross licenses

NPEs will argue:

- Defendant’s patents are not necessary
- Defendant’s patents have less values

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Suggestions for countering NPE's arguments

- Obtaining patents for key inventions
- Building a large patent portfolio for increasing the costs for proving relative value of plaintiff patents

  In Samsung v. Apple (JP IP High Court), Samsung couldn't prove it.
- Explaining patented inventions in advertisements
- Making sure that advertising features do not infringe others' patents

Because:

Under the Top down approach,
NPEs can only claim the damage compensation multiplied by:
Number of asserted patents / Number of all patents

Owning more patents makes the percentage of asserted patents (owned by NPEs) less.
Thus, the damage compensation NPEs can claim will be less.

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