

# Economic Damages in IP

## Litigation

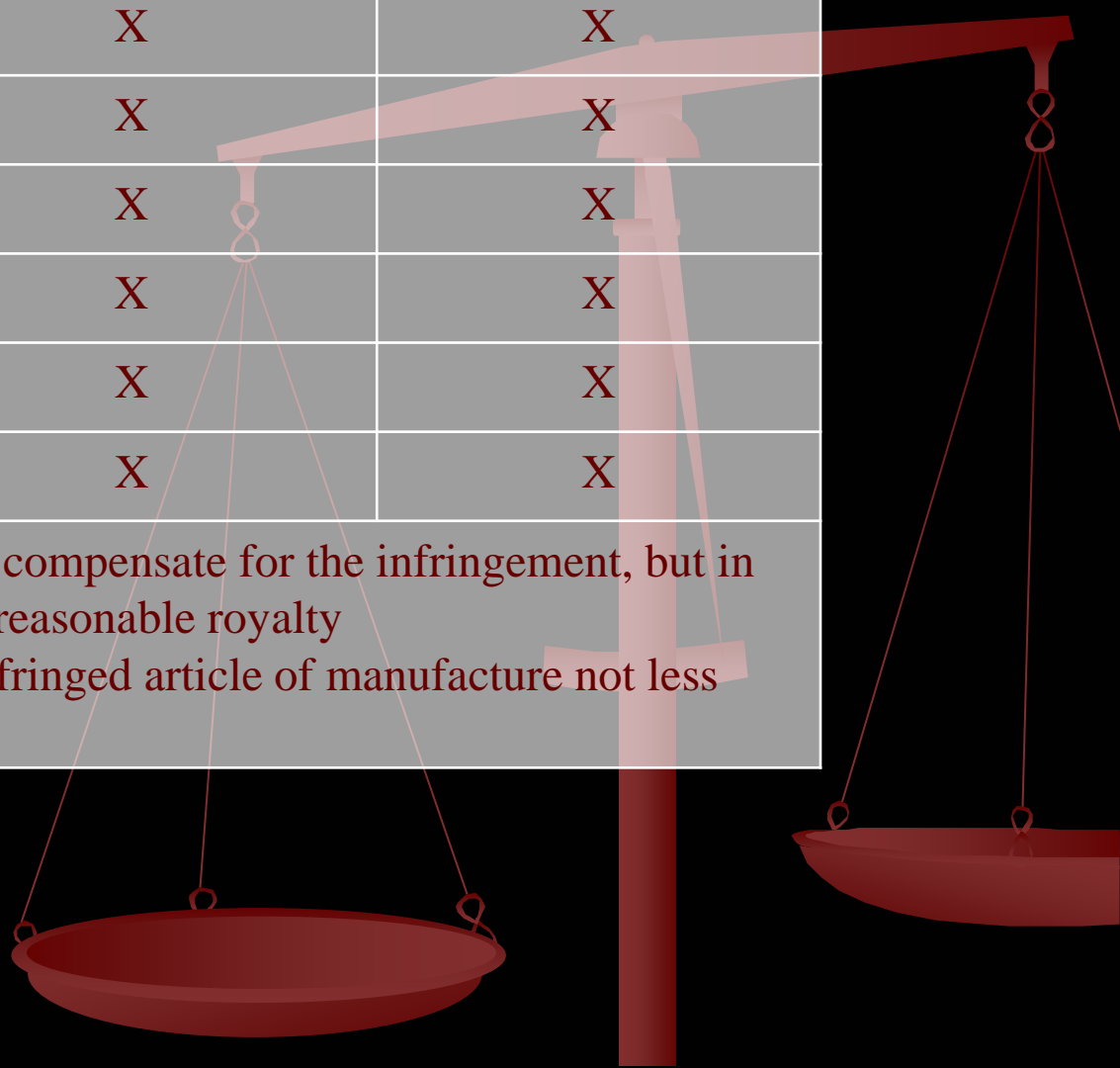
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HCBA, Intellectual Property Section

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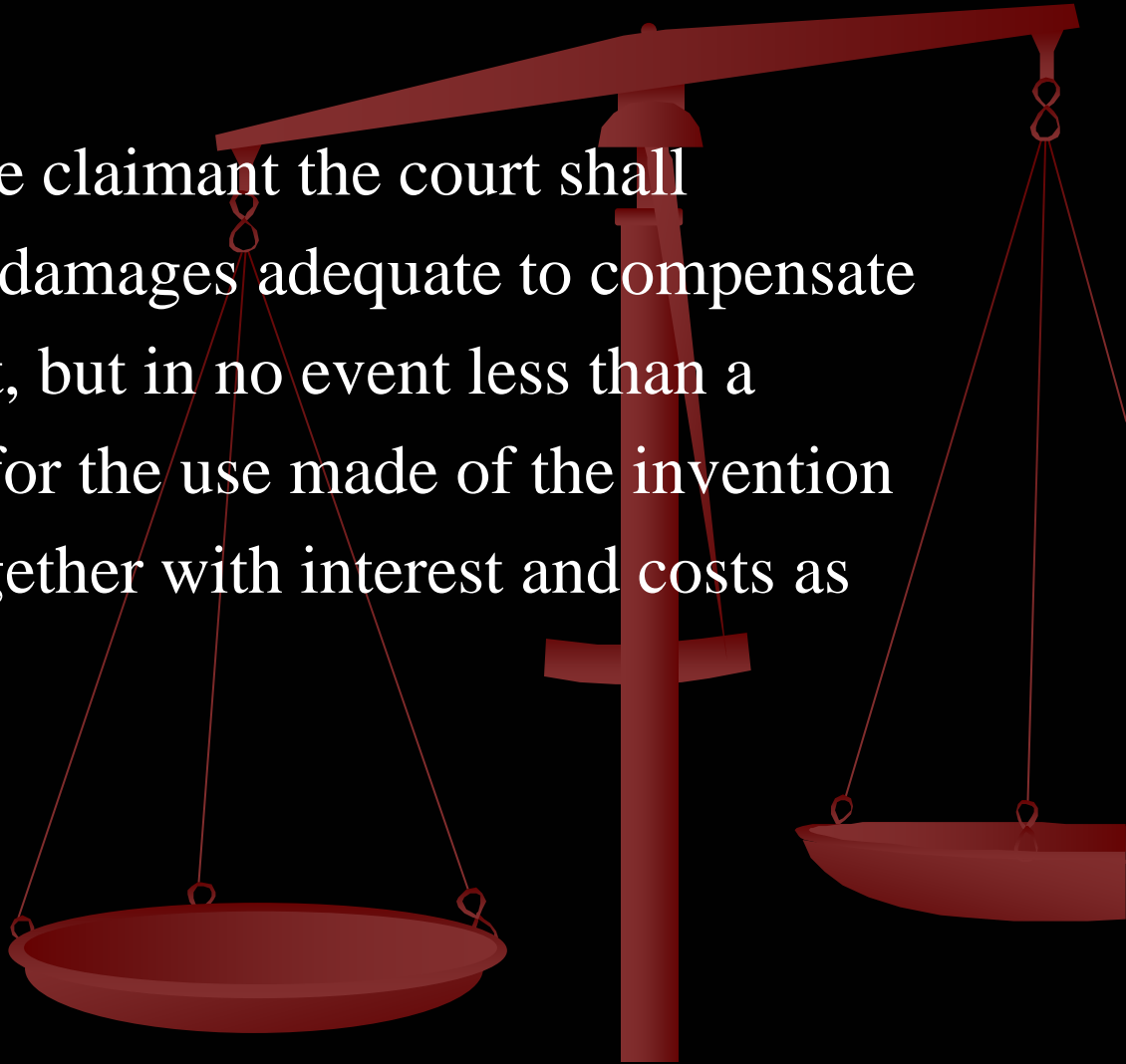
	Lost Profits	Reasonable Royalty
* Patent		
• Utility	X	X
• Plant	X	X
** Design	X	X
Trademark	X	X
Copyright	X	X
Trade Secrets	X	X
* Damages adequate to compensate for the infringement, but in no event less than a reasonable royalty		
** Total profits on the infringed article of manufacture not less than \$250		



# The Legal and Economic Framework

The starting point for estimating patent damages is 35 U.S.C. § 284, which states:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.



# The Panduit Test - Lost Profits

- In order to recover lost profits from patent infringement, the patent owner must satisfy a four-part test that was put forth in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.* and adopted by the Federal Circuit. The four-part assessment, known as the Panduit test, requires that the patent owner prove all of the following factors:
  1. Demand existed for the patented product.
  2. Acceptable non-infringing substitute products were not available to satisfy demand.
  3. The patent owner possessed the manufacturing and marketing capability to exploit demand.
  4. Lost profits can be quantified.



# Income Statement

INCOME

COST OF SALES (INCREMENTAL)

GROSS PROFIT

SELLING, GENERAL & ADMIN  
(INCREMENTAL)

LOST PROFITS

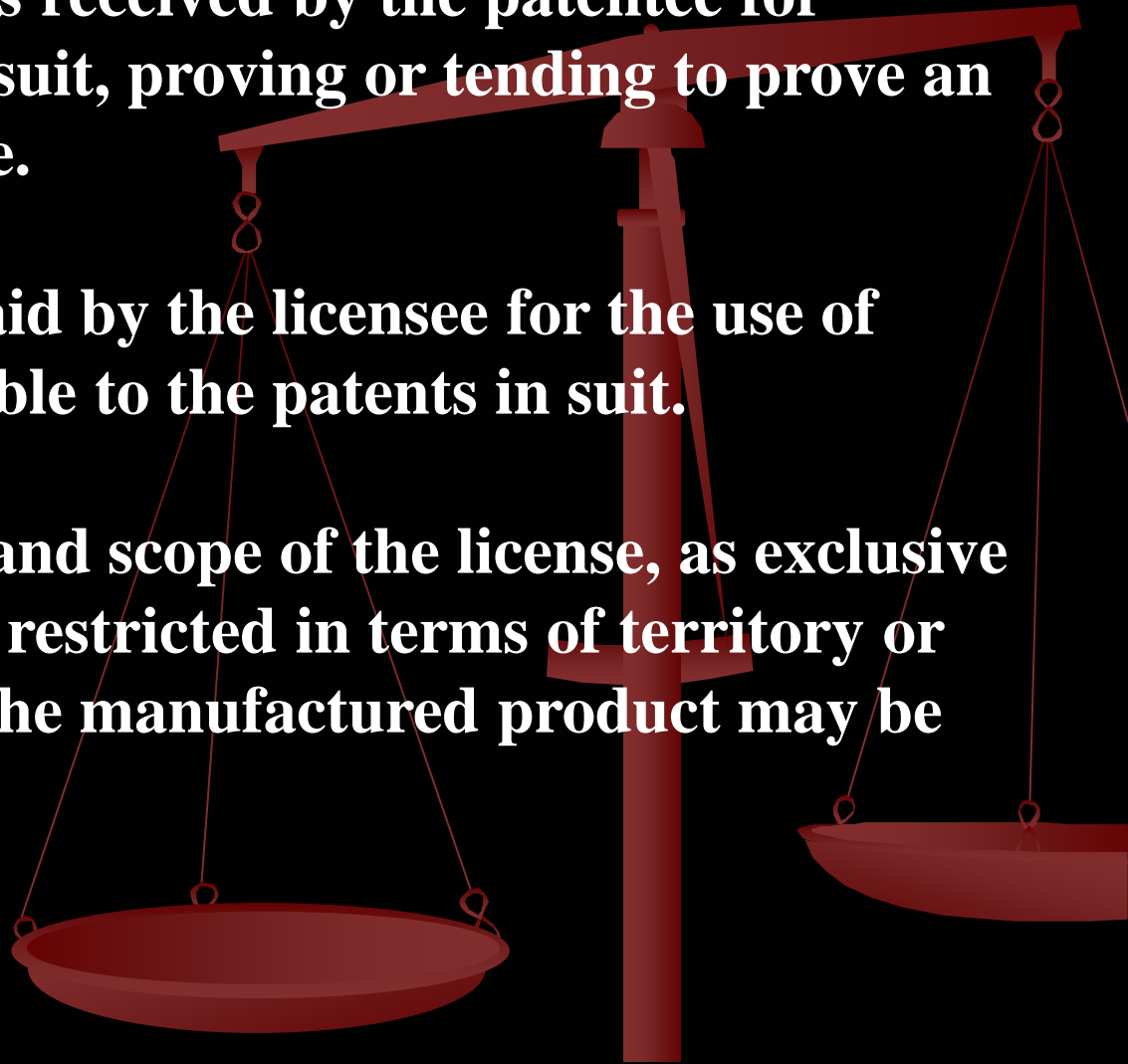


# Georgia-Pacific Factors – Reasonable Royalty

**Factor 1** – The royalties received by the patentee for licensing the patent in suit, proving or tending to prove an established royalty rate.

**Factor 2** – The rates paid by the licensee for the use of other patents comparable to the patents in suit.

**Factor 3** – The nature and scope of the license, as exclusive or non-exclusive; or as restricted in terms of territory or with respect to whom the manufactured product may be sold.



# Georgia-Pacific Factors

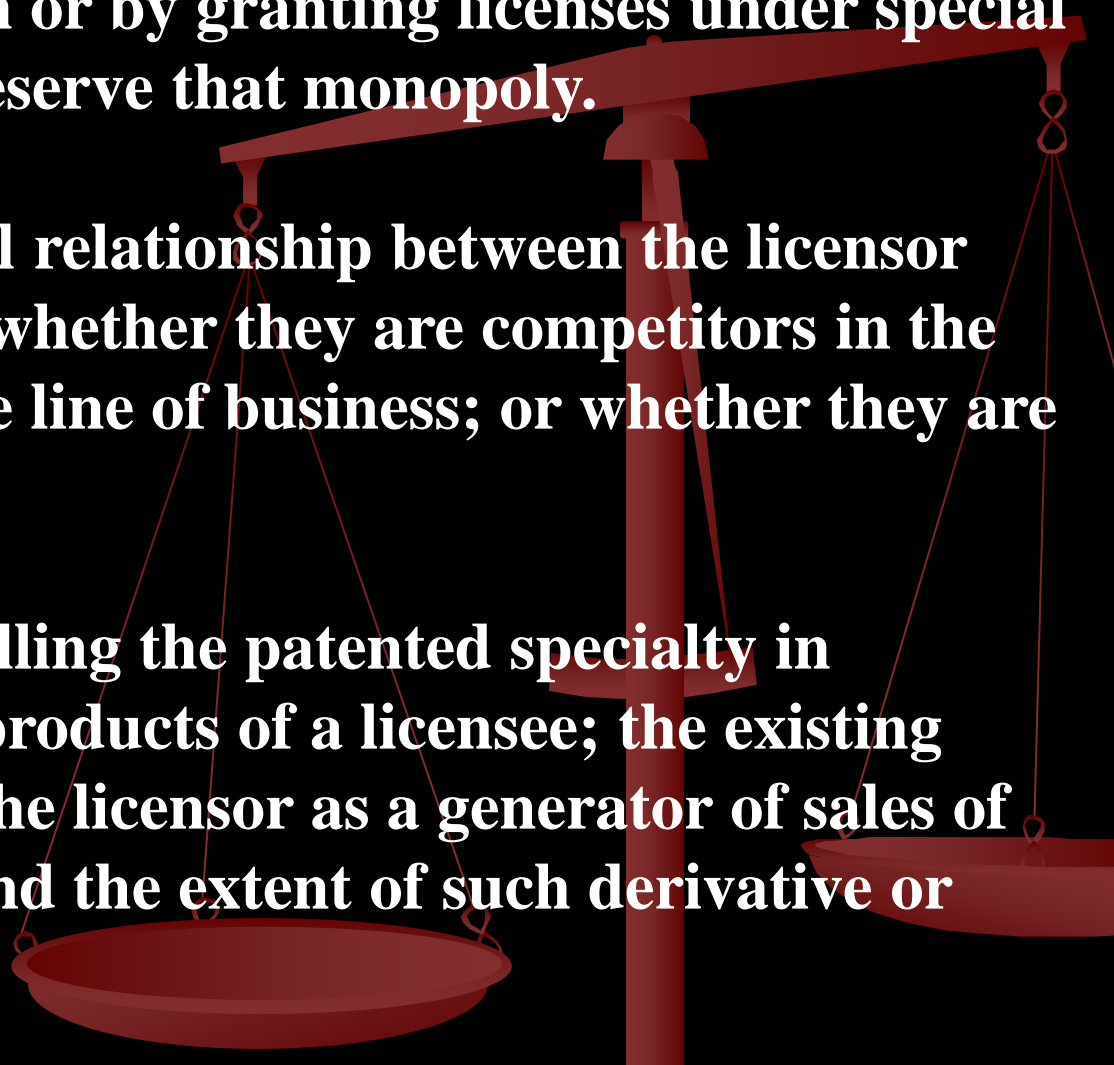
**Factor 4** – The licensor’s established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.

**Factor 5** - The commercial relationship between the licensor and the licensee, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor and promoter.

**Factor 6** – The effect of selling the patented specialty in promoting sales of other products of a licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or



convoyed sales.

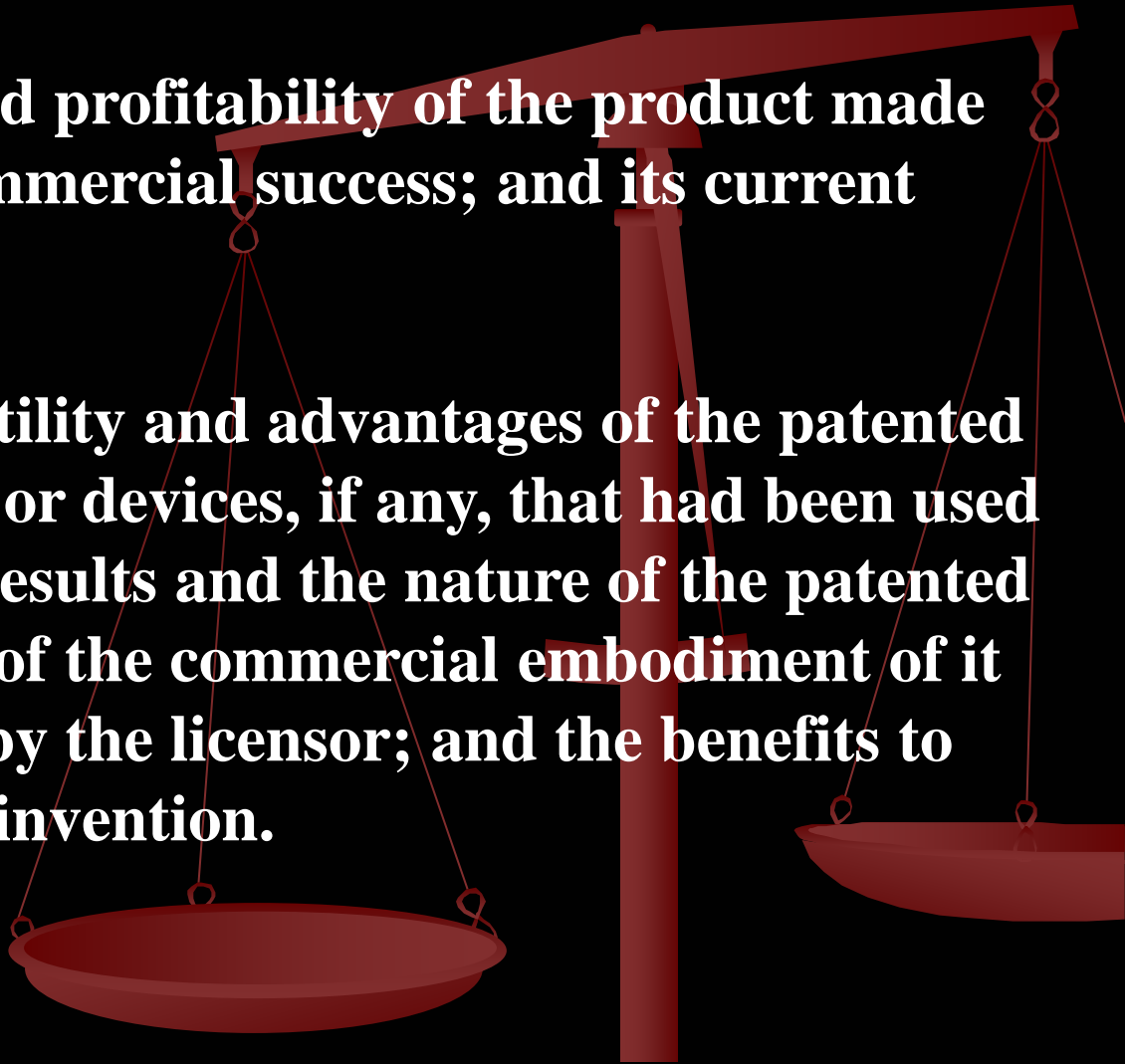


# Georgia-Pacific Factors

Factor 7 – The duration of the patent and the term of the license.

Factor 8 – The established profitability of the product made under the patent; its commercial success; and its current popularity.

Factors 9 and 10 – The utility and advantages of the patented property over old modes or devices, if any, that had been used for working out similar results and the nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention.

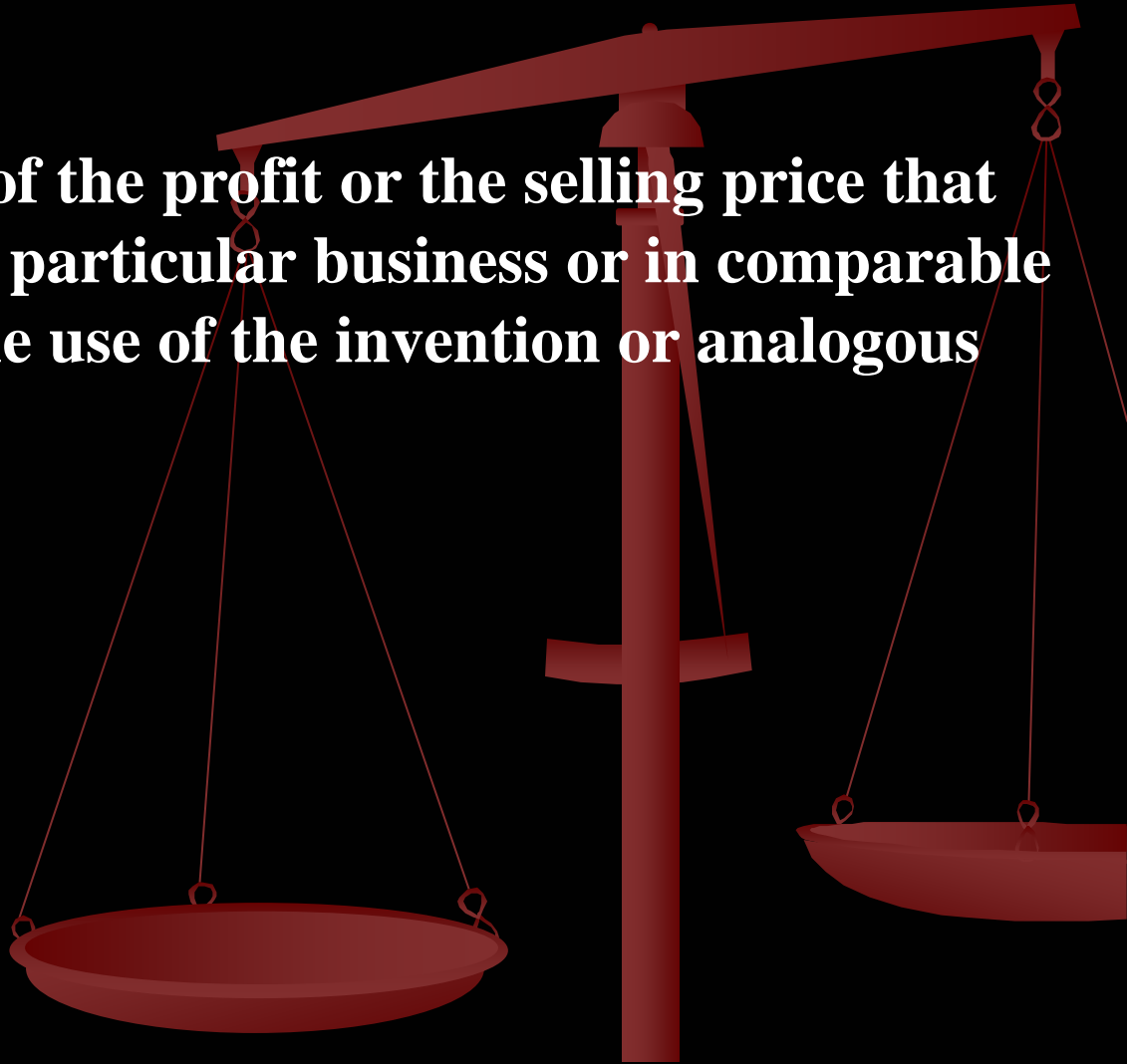




# Georgia-Pacific Factors

**Factor 11** – The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.

**Factor 12** – The portion of the profit or the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions.

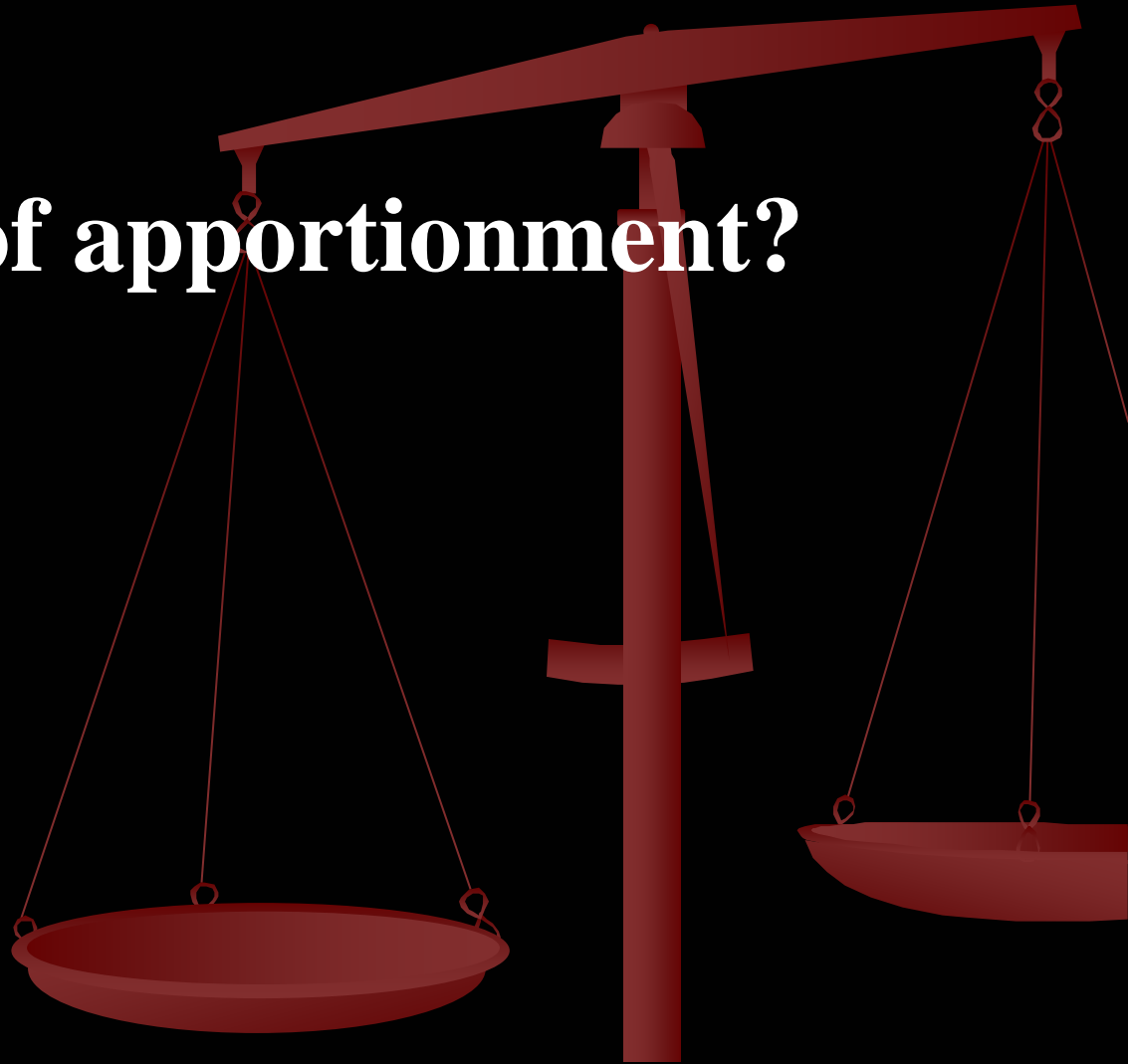


Design Patent

v.

Utility Patent

**A matter of apportionment?**



Nike  
v.  
Wal-Mart

**Dealt with a shoe design**

Court concluded: Total Profits



# Apple v. Samsung

## Dealt with Design and Utility issues

- graphical interface
- flat-contoured front face
- flat....front surface



# Apple v. Samsung

Court concluded:

- Total profits of Samsung
- Supreme Court currently pending



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LOST PROFITS

