

Calculation of Lost Profits Damages in Patent Cases

Part Two of a Two-Part Series

By Michael M. Carlson

Part one of this series, published last month, reviewed the current state of the law governing the availability of lost profits damages in patent infringement cases. This final installment addresses the calculation of these damages based on diverted sales.

THE 'MARKET SHARE'

CALCULATION OF PROFITS LOST ON DIVERTED SALES

If the patentee shows that the infringer did not have an alternative to infringement available, then the patentee can prove its lost profits by showing diverted sales, impaired sales growth, price erosion, or increased expenses caused by the infringer's conduct. See *Hebert v. Lisle Corp.*, 99 F.3d 1109, 1119 (Fed. Cir. 1996). The most common method of establishing lost profits is through proof of diverted sales. Under this approach, the patentee must prove that "but for" the infringement, it would have made some or all of the infringer's sales. 7 Donald Chisum, *Chisum on Patents* §20.03[1][b][i], at 20-76 (2002 ed.). The patentee's damages are the profits that it would have made if it had made these diverted sales instead of the infringer. See, e.g.,

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The Federal Circuit's En Banc Consideration of Claim Construction in *Phillips v. AWH Corp.*

By Robert F. Kramer and Marc J. Pernick

Federal Circuit decisions on how to interpret patent claim language are critically important. Unfortunately, however, recent Federal Circuit decisions do not reflect a unitary approach to patent claim interpretation. On July 21, 2004, the Federal Circuit issued an order granting a petition to rehear *en banc* the appeal in *Phillips v. AWH Corp.*, 363 F.3d 1207 (Fed. Cir. 2004). The court "determined to hear this case *en banc* in order to resolve issues concerning the construction of patent claims," and invited the parties as well as *amicus curiae* to submit briefs on seven very specific questions relating to claim construction methodology and review on appeal. This article analyzes the *Phillips en banc* appeal focusing on the *amicus* briefing and responses to the Federal Circuit's seven questions.

Overall, the response to the court's call for *amicus* briefs was indicative of the keen interest in the bar on these issues. Thirty-three responses were filed, with the majority of them urging the court to interpret claim terms by looking primarily to the patentee's use of the terms in the specification and prosecution history and secondarily to dictionaries and similar sources if useful. The majority of the *amici* also advocated allowing expert testimony to play at least some role in claim construction. Further, most of the *amici* that addressed the final question posed in *Phillips* urged the Federal Circuit to accord deference to varying aspects of trial court claim construction rulings, rather than review these findings entirely *de novo*. A chart summarizing the positions advocated by each of the *amici* on each issue can be accessed at the following Web site address: www.mofo.com/misc/chartphillipsawh.pdf.

PHILLIPS QUESTION NUMBER 1 FOR AMICI CURIAE

"Is the public notice function of patent claims better served by referencing primarily to technical and general-purpose dictionaries and similar sources to interpret a

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Stryker Corp. v. Intermedics Orthopedics, Inc., 891 F. Supp. 751, 825-26 (E.D.N.Y. 1995), *aff'd*, 96 F.3d 1409 (Fed. Cir. 1996). For example, if the infringer's presence in the market caused the patentee to lose 1000 sales, and the patentee's usual net profit on the sale of its product was \$100 per sale, then it is entitled to \$100,000 in damages.

In a two-competitor market, it can be assumed that every sale made by the infringer would have been made by the patentee "but for" the infringement. See *State Indus., Inc. v. Mor-Flo Indus.*, 883 F.2d 1573, 1578 (Fed. Cir. 1989); *Kaufman Co. v. Lantech, Inc.*, 926 F.2d 1136, 1141 (Fed. Cir. 1991). This assumption cannot be made in a multiple-competitor market. The presence of a third party as a competitor means that at least some portion of an infringer's sales would have been made by the third party, rather than by the patentee, if the infringer had not been in the market. In this circumstance, the patentee cannot establish the complete absence of acceptable non-infringing substitutes for the patented product. See *Panduit v. Stablin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978). This is the second inquiry under the second *Panduit* factor: whether the relevant market consists of more than just the patentee's product and the infringing product.

The presence of a third-party competitor — and its non-infringing substitute products — does not bar the patentee from recovering lost profits damages. "[A] patent owner may satisfy the second *Panduit* element by substituting proof of its market share for proof of the absence of acceptable substitutes." *BIC Leisure Prods. v. Windsurfing Int'l Inc.*, 1 F.3d 1214, 1219 (Fed. Cir. 1993). As the court held

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in *State Industries v. Mor-Flo Industries*, a patentee is entitled to recover profits on that portion of the infringer's sales which the patentee would have made if the infringer had not been allowed to compete; *ie*, the patentee gets profits on the additional sales it would have made if only it and the non-infringing third party had been competing. 883 F.2d at 1573; *see also Chisum*, §20.03[1][b][vi], at 20-129, 20-130; *BIC Leisure Prods.*, 1 F.3d at 1219.

Assuming an infringer had 40% of sales, a patentee had 40%, and a third party had 20%, then the patentee had a 66.7% share of the market if the infringer is excluded. Under this approach, the patentee would be entitled to lost profits damages determined on the assumption that it would have made 66.7% of the infringer's sales if the infringer had not been selling products. Lost profits damages would be determined by calculating the patentee's incremental profit if it had made 66.7% of the infringer's total sales. "This market share approach allows a patentee to recover lost profits, despite the presence of acceptable, non-infringing substitutes, because it nevertheless can prove with reasonable probability sales it would have made 'but for' the infringement." *BIC Leisure Prods.*, 1 F.3d at 1219.

Additionally, the patentee is entitled to a reasonable royalty on the 33.3% of the infringer's sales that the patentee *would not* have made but for the infringement. *State Indus., Inc.*, 883 F.2d at 1577. These additional sales (33.3% of the infringer's total sales) are

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Recovery of Damages for Use of the Invention Claimed in a Published Patent Application

Part Two of a Two-Part Series

By **Jitendra Malik, Ph.D.**
and **Michael S. Connor**

In last month's issue, we discussed the prerequisites for a patentee to recover a royalty for his provisional rights. Provisional rights are intended to give a patent applicant interim protection for the disclosure of his invention from the date on which a patent application is published through the date of patent issuance. In the absence of provisional rights, infringement of the invention as published in the patent application would leave the patentee without redress for infringement while the application is being prosecuted. Without provisional rights, the patentee can stop infringement when a patent issues, but cannot seek compensation for prior infringement of the published patent application.

To address the vulnerabilities of a patent applicant prior to issuance of a patent, Congress enacted the Provisional Rights subsection as part of the American Inventors Protection Act of 1999. Notable among a patent applicant's provisional rights is the right to assess a "reasonable royalty" for use of an invention as claimed in the published application. 35 U.S.C. §154(d) (2000). As the Director of the USPTO commented, "In practice, this would serve as a brake on potential infringers ... from blatantly infringing because they know once the patent is issued, they're liable [for infringing the patent application]." Sabra Chartrand, *A New Law Removes Some Secrecy From the Applications*, N.Y. TIMES, Dec. 4, 2000, at C6.

Last month's installment of this article described the prerequisites required to raise a patentee's provisional rights. First, the USPTO must

grant a patent from the patent application. Second, the accused infringer must have actual notice of the published patent application. Third, provisional rights are only available if the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application. Last month's installment also described the nuances of each requirement, and also explored unsettled legal questions relating to each. This month's article explores the interplay between the publication requirement and the Provisional Rights Subsection.

THE PUBLICATION REQUIREMENT AND PROVISIONAL RIGHTS

There are at least two unanswered, but interesting, issues for patent applicants to consider in connection with the timing of the publication of a patent application and possible recovery under the Provisional Rights subsection. First, under 35 U.S.C. §122(b), a patent applicant can voluntarily request early publication prior to the 18-month mark when publication is required by §122(b). Does early publication of an application mean a patent applicant's provisional rights begin at an earlier point in time than if publication were delayed until the 18th month? Second, under the Patent Cooperation Treaty ("PCT"), an applicant can use his or her published PCT application to apply for a U.S. patent. This practice raises the question of when a PCT application, which has been previously published in another country, may be considered "published" for the purposes of the Provisional Rights subsection.

Requesting Early Publication under 35 U.S.C. §122(b) Means That a Patentee's Provisional Rights Will Accrue Earlier

Assuming all other prerequisites are met, requesting early publication under 35 U.S.C. §122(b) means a patentee's provisional rights will accrue earlier. While no decisional authority exists, commentators suggest early publication under §122(b)

can be used by patentees to commence their provisional rights more rapidly. According to the Provisional Rights subsection, no provisional rights to reasonable royalties exist before publication of the patent application. 35 U.S.C. §154(d)(1). When discussing the publication of patent applications, the Provisional Rights subsection makes reference to 35 U.S.C. §122(b). 35 U.S.C. §122(b) provides for the 18-month publication rule but also provides for early publication of the patent application at the request of the applicant.

As Chisum notes, "The incentive for requesting voluntary publication and republication [before the 18-month time period] would be to obtain reasonable compensation rights." DONALD S. CHISUM, CHISUM ON PATENTS §11.02[4][e] n.74. Other commentators agree with Chisum's conclusion. "[Infringing] activities that take place before the publication are ... excluded. This limitation may encourage applicants to request an early publication. ... " Philippe Signore, *The New Provisional Rights Provision*, 82 J. PAT. & TRADEMARK OFF. SOC'Y 742, 742 (2000). Nothing in the statutory language of 35 U.S.C. §154(d) prevents accelerating a patentee's provisional rights by requesting early publication under 35 U.S.C. §122(b). But, this proposition has not been tested before a court. Therefore, while no decisional authority exists, there are suggestions that early publication of patent applications under §122(b) will be used by patentees to commence their provisional rights more rapidly.

Provisional Rights under an International Application

Provisional rights arise under an international application on the date the USPTO receives a copy of the publication if the application is in English, but if the application is in a language other than English, then provisional rights commence on the date the USPTO receives an English translation.

The second interesting publication twist is the effect of the PCT on U.S. provisional rights. The PCT allows a patent applicant to designate

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Claim Construction

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claim term or by looking primarily to the patentee's use of the term in the specification? If both sources are to be consulted, in what order?"

The majority of *amici* responded to this question by arguing that the public notice function of patent claims is best served by referencing primarily to the patentee's use of the term in the specification. Indeed, 24 of the 33 *amici* subscribed to this view. A consensus voiced by the *amici* is that looking primarily to the specification, rather than dictionaries, best reflects how a person of ordinary skill in the art would determine the meaning of a disputed claim term at the time of the patent application. Many *amici* criticized dictionaries for being unduly malleable. The *amici* explained that a court or litigant can have its pick of 72,785 readily available dictionaries. Some *amici* pointed out that dictionaries can lag woefully behind the pace of innovation, leading to unpredictable claim construction results. Other *amici* noted that the Federal Circuit has employed 24 different general-purpose dictionaries to perform claim construction in the last decade. The USPTO explained that the use of dictionary definitions has resulted in litigants converting claim construction disputes into what the PTO characterized as a "battle of dictionaries." The PTO argued that the "increased reliance on dictionaries as a foundation for claim meaning has generated inconsistent and unpredictable results, and therefore has not improved the state of the law of claim construction."

Four of the 33 *amici* argued that dictionaries should enjoy primacy. These *amici* expressed concern that favoring the specification would unnecessarily narrow claim terms. Some found support for emphasizing dictionaries in the patent statute, 35 U.S.C. §112, which, they noted, does not require the patentee to set forth all relevant definitions. Other *amici*

maintained that dictionaries are widely available, are authored by neutral parties, and place a premium on accurately reflecting consensus about what particular words mean at a given time.

Still other *amici* advocated nuanced, context-specific approaches. These parties attacked the propriety of distilling meaning from a single source. The Federal Circuit Bar Association, for example, argued that a mechanical approach is impracticable given the vast range of claim construction issues. Similarly, other *amici* opined that a person of ordinary skill in the art would look both to the specification and to dictionaries to understand a claim term. However, such methodologies drew fire from other *amici*, who argued that this approach would shift the key inquiry from a patentee's drafting choices to an ad-hoc, totality-of-the-circumstances assessment by a judge.

PHILLIPS QUESTION NUMBER 2 FOR AMICI CURIAE

"If dictionaries should serve as the primary source for claim interpretation, should the specification limit the full scope of claim language (as defined by the dictionaries) only when the patentee has acted as his own lexicographer or when the specification reflects a clear disclaimer of claim scope? If so, what language in the specification will satisfy those conditions? What use should be made of general as opposed to technical dictionaries? How does the concept of ordinary meaning apply if there are multiple dictionary definitions of the same term? If the dictionary provides multiple potentially applicable definitions for a term, is it appropriate to look to the specification to determine what definition or definitions should apply?"

This question generated a comparatively sparse response, perhaps because few *amici* accepted the threshold proposition that dictionaries should serve as the primary source for claim interpretation.

Most *amici* that answered Question Number 1 in the affirmative — advocating that dictionaries

should serve as the primary source for claim construction — contended that the specification should limit the scope of claim language only in two circumstances, namely when the patentee has acted as his own lexicographer or the specification reflects a clear disclaimer of claim scope. There was limited discussion among the *amici* of what language in the specification or prosecution history should be sufficient to limit the scope of a claim.

The *amici* split on whether courts should favor general or technical dictionaries. Several *amici* preferred technical dictionaries, arguing that one of ordinary skill in the art would more likely consult specialized or scientific sources. Others argued that the two types of dictionaries should carry equal weight or that the choice should hinge on whether the disputed term was "general" or "technical."

Finally, most *amici* opined that it was appropriate to look to the specification if the dictionaries provide multiple potentially applicable definitions of a term. Some argued that considering the specification should be mandatory in such circumstances. Others explained that doing so would restrict the number of definitions upon which each side could rely.

PHILLIPS QUESTION NUMBER 3 FOR AMICI CURIAE

"If the primary source for claim construction should be the specification, what use should be made of dictionaries? Should the range of the ordinary meaning of claim language be limited to the scope of the invention disclosed in the specification, for example, when only a single embodiment is disclosed and no other indications of breadth are disclosed?"

Although *amici* generally agreed that courts should consult dictionaries if the specification is not dispositive, some remained ambivalent about the prospect of consulting dictionaries at all. Some contended that dictionaries should be vetted to make sure that they provide relevant, technically accurate information.

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Seven of the eight *amici* that addressed the issue agreed that the range of the ordinary meaning of claim language should not be limited to the scope of the invention disclosed in the specification when only a single embodiment, and no other indication of breadth, is disclosed. At least one trade association brief argued that limiting the range of claim language in this manner would increase the size and cost of patent applications.

PHILLIPS QUESTION NUMBER 4 FOR AMICI CURIAE

"Instead of viewing the claim construction methodologies in the majority and dissent of the now-vacated panel decision as alternative, conflicting approaches, should the two approaches be treated as complementary methodologies such that there is a dual restriction on claim scope, and a patentee must satisfy both limiting methodologies in order to establish the claim coverage it seeks?"

The *amici* who addressed this issue unanimously rejected the concept of harmonizing the claim construction methodologies of the majority and dissent in this manner. Some *amici* argued that the proposed dual methodology would add another layer of complexity to claim construction, undermining a chief objective of the public notice function: creating predictable results. Other *amici* commented that the dual methodology would be inconsistent with how a person of ordinary skill in the art would view the meaning of a claim term. Still other *amici* contended that the proposed

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dual methodology would be too onerous and thus would chill the issuance of patents.

PHILLIPS QUESTION NUMBER 5 FOR AMICI CURIAE

"When, if ever, should claim language be narrowly construed for the sole purpose of avoiding invalidity under, *eg.*, 35 U.S.C. §§102, 103 and 112?"

Twenty-two of the 33 *amici* addressed this question. Among these *amici*, there was a clear consensus against a general rule or requirement that courts must construe claim language narrowly to preserve validity. Only four *amici* were in favor of such a blanket rule. The rest of the *amici* contended to varying degrees that courts should not narrowly construe claim language to avoid invalidity.

Eight *amici* argued against taking validity into account at all during claim construction. These *amici* maintained that permitting the court to take validity into consideration during claim construction improperly removed the validity question from the jury, making validity essentially moot during a jury trial. Another eight *amici* argued against generally construing claim language narrowly to preserve validity. These *amici* encouraged the Federal Circuit to authorize a narrow construction only when two equally possible interpretations of a claim existed, and one interpretation would render the claim invalid, while the other would preserve its validity. The remaining two *amici* distinguished between newly discovered prior art and art of record. They asserted that, because the PTO had allowed the claims over the prior art of record, the claims should be construed to avoid such art. But for prior art that the PTO had not considered, there would be no basis for narrowly construing the claims to avoid that art.

PHILLIPS QUESTION NUMBER 6 FOR AMICI CURIAE

"What role should prosecution history and expert testimony by one of ordinary skill in the art play in determining the meaning of the disputed claim terms?"

Thirty of the *amici* addressed at least some portion of this question, and there was a consensus regarding the role of prosecution history in construing the claims. Twenty-seven *amici* stated that the prosecution history was a primary source of intrinsic evidence that courts should use along with the specification to interpret claim terms. The *amici* split, however, on the specific role the file history should play. While 21 *amici* thought that the file history should be consulted on the same level as the specification, eight felt that it should only be consulted to see whether the applicant disavowed claim scope, or that it should not be permitted to enlarge claim scope.

There was no clear consensus among *amici* regarding the use of expert testimony, although a majority (24) argued that experts should play some role during claim construction. Among those in favor of using experts, seven argued that expert testimony should be used so long as it does not contradict the intrinsic evidence. Six advocated using experts to educate the court on the subject technology and on how a person of ordinary skill would interpret terms. Seven favored using experts only where there clearly was an ambiguity in the claim language, and six cautioned that courts must scrutinize expert testimony for bias. Five *amici* argued that expert testimony must always be allowed because claim construction should focus on one of ordinary skill in the art, and only an expert can provide that perspective.

PHILLIPS QUESTION NUMBER 7 FOR AMICI CURIAE

"Consistent with the Supreme Court's decision in *Markman v. Westview Instruments*, 517 U.S. 370 (1996), and our *en banc* decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998), is it appropriate for this court to accord any deference to any aspect of trial court claim construction rulings? If so, on what aspects, in what circumstances, and to what extent?"

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secondary countries to acquire patent rights in them. PCT art. 22-23. The secondary country's patent office then prosecutes the patent application according to its own laws. PCT art. 27(5). The PCT process saves the applicant time and expense. However, the PCT application is published not by the USPTO but by the International Bureau. Therefore, when is a "published" PCT application considered "published" in the United States for asserting provisional rights under §154(d)? While no clear interpretation exists, if an international application under the Patent Cooperation Treaty is in English, then a patentee's provisional rights accrue when the international application is received by the USPTO. But, if the international application is in any language other than English, then the patentee's provisional rights commence when the USPTO receives an English language translation of the patent application.

35 U.S.C. §154(d)(1) extends provisional rights to international applications designating the United States under the PCT. For applications not in English, 35 U.S.C. §154(d)(4)(A) provides that provisional rights shall commence "on the date on which the Patent and Trademark Office receives a translation of the publication in the English language." Therefore, for a non-English PCT patent application, provisional rights can commence when the USPTO receives an English language translation of the patent application.

35 U.S.C. §154(d)(4)(A) states, "The right ... to obtain a reasonable royalty based upon the publication under the [PCT, which is in the English language] ... shall commence on the date of publication under the treaty of the international application. ... " Publication of international applications under the PCT is governed by 35 U.S.C. §374. According to §374, "The publication under the treaty ... of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an

application for patent published under section 122(b), *except as provided in ... 154(d). ...*" By its exclusion of §154(d), §374 fails to explain what happens when an English language PCT application is published for the purposes of asserting provisional rights.

***[W]hile suggestions exist
that an English language
PCT application does not
accrue provisional rights
until the USPTO gets a copy
of the PCT application, this
is an unsettled interpretation.***

One approach is to look to the language of 35 U.S.C. §154(d)(4)(B). 35 U.S.C. §154(d)(4)(B) provides that the USPTO "may require the applicant to provide a copy of the international application and a translation thereof." Chisum argues that §154(d)(4)(B) gives residual authority to the USPTO to require copies of a published English language PCT application before any provisional rights accrue. CHISUM ON PATENTS, at §11.02[4][e]. According to Chisum, §154(d)(4)(B) extends provisional rights to an English language PCT application only when the USPTO receives a copy. Then again, this interpretation is far from clear. Section 154(d)(4)(B) refers to copies of "the international application *and* a translation thereof." The use of the word "and" could be interpreted as limiting 35 U.S.C. §154(d)(4)(B)'s discretionary authority to PCT applications requiring an English language translation *ie*, those that are not in English. Chisum's argument would be stronger if the statutory language used the conjunction "or" in place of "and."

The ambiguity in §154(d) may yield to the practicality of the USPTO's administration of the patent system. According to 37 C.F.R. §1.417:

Submission of translation of international publication. The submission of the international publication or an English language translation of an international application pursuant to 35 U.S.C. 154(d)(4) must clearly identify the international application to which it pertains (§1.5a) and ... be clearly identified as a submission pursuant to 35 U.S.C. 154(d)(4). ... Such submissions should be marked 'Mail Stop PCT'.

37 C.F.R. §1.417 requires an identification and submission to the USPTO indicating that the English language PCT application is being submitted pursuant to 35 U.S.C. §154(d). Until this identification and submission is complete, no provisional rights can accrue. Arguably, §1.417 may preclude an applicant from acquiring provisional rights by mere publication of an English language application by a foreign International Bureau. However, §1.417 is titled "Submission of translation of international publication." The title of the §1.417 could easily convince a court that it does not apply to English language PCT applications.

As the foregoing discussion indicates, while suggestions exist that an English language PCT application does not accrue provisional rights until the USPTO gets a copy of the PCT application, this is an unsettled interpretation. Until this question is settled, a prudent approach for an alleged infringer who receives actual notice from a patent applicant would be to assume when planning its business activities that the application has been published for the purposes of the Provisional Rights subsection if the patent application is a published English language PCT application.

CONCLUSION

35 U.S.C. §154(d) lays out three prerequisites before pre-infringement royalties may be assessed. First, a patent must be granted from the
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still infringing products sold by an infringer, and upon a finding of infringement, "the court shall award the claimant damages ... in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. §284.

The approach just described is usually an oversimplification of the actual market impact of removing an infringer as a competitor. Whether a patentee would have received its market share of an infringer's sales will depend on the interchangeability of the third party's and the patentee's products with the infringing products. It is possible that if an infringer had not been present in the market, consumers would have been more likely to buy the patentee's product than a third party's product because the patentee's product was the closest competitive product to the infringer's product. At trial, a patentee would probably present expert economic testimony designed to show that it would have received more than its market share of an infringer's sales, if the infringer were eliminated, and an infringer would probably present testimony to show that a patentee would have received less.

In *King Instruments Corp. v. Perego*, the Federal Circuit identified an alternative method of determining a patentee's market share: the patentee's market share before infringement began. 65 F.3d 941, 953 (Fed. Cir. 1995). Thus, the patentee in *King Instruments*, which had a 70% market share before infringement, was entitled to lost profits damages calculated on the basis that it would have made 70% of the infringer's sales but for the infringement. Again, the patentee would also be entitled to a rea-

Damages

continued from page 6

sonable royalty on the remaining 30% of sales made by the infringer. The Federal Circuit has not required district courts to adopt a market share approach when non-infringing alternatives exist. *Comair Rotron, Inc. v. Nippon Densan Corp.*, 49 F.3d 1535, 1538 (Fed. Cir. 1995). In *Comair*, "there were many competitors, some of whom were asserted to be infringers and some of whom were conceded to be noninfringing." The

lost profits damages. There is very little law on this topic, however. In one district court case that did address the issue, *Mars Inc. v. Conlux USA Corp.*, 818 F. Supp. 707, 717 (D. Del.), *aff'd*, 16 F.3d 421 (Fed. Cir. 1993) (unpublished), the district court barred a patentee from presenting evidence at the damages phase of an infringement trial of infringement by a third party's competing product. The court held that "although facts tending to show that [the third-party's product] infringed [the patentee's] patents may be relevant to establish [the patentee's] claim for lost profits, the Court would not admit those facts into evidence as the probative value of the facts was outweighed by considerations of relative value of the evidence, the acceptability of alternative measures of damages, and undue delay, burden, and expense that would be required in allowing such facts into evidence." *Id.*; see Fed. R. Evid. 404.

Lost profits damages are available so long as the patentee can show that it would have made additional sales 'but for' the sale of the infringing product.

CONCLUSION

Congress has provided that a patentee "shall have a remedy by civil action for infringement of his patent." 35 U.S.C. §281. In awarding monetary damages, courts seek to fully compensate the patentee for its losses. When the patentee either sells a product that uses the invention of its patent or sells a product that competes with the product sold by the infringer, lost profits damages are often necessary to provide full compensation. Lost profits damages are available so long as the patentee can show that it would have made additional sales "but for" the sale of the infringing product. This showing can be made even when some alternatives to the patentee's product are available in the marketplace.

Federal Circuit held that "[s]uch economic complexities have not led to a bright line rule, and indeed precedent emphasizes the discretionary deference that is available to trial courts in connection with damage awards." The possibility therefore exists that the complexities presented by the product market might lead a district court to refuse to apply the market share approach to lost profits damages.

On a related note, "market share" analysis assumes that the third parties present in the market are themselves selling non-infringing alternatives. In theory, if the patentee could show that a third party's products are also infringing, then they are not "non-infringing" alternatives, and the patentee should be able to recover full

claimed in the published patent application." Assuming these three prerequisites are met, requesting early publication under 35 U.S.C. §122(b) should cause a patentee's provisional rights to accrue more rapidly. Finally, while no clear interpretation exists, if an international application under the PCT is in English, then a patentee's provisional rights should, we believe,

accrue when the international application is submitted to the USPTO. If the international application is in any language other than English, then the patentee's provisional rights should commence when the USPTO receives an English language translation of the patent application.

Claim Construction

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This was the only question that did not address claim construction methodology on the merits. Instead, question seven focused on whether and to what extent the Federal Circuit should accord deference to a trial court's claim construction. Twenty-three of the 33 *amici* responded to at least some part of this question.

On the bottom-line question of whether the Federal Circuit should defer, there was a clear consensus. Seventeen *amici* urged the Federal Circuit to defer on at least certain aspects of a trial court claim construction, while only two *amici* argued that there should be no deference. Four *amici* did not provide a direct answer. Some of the *amici* in the majority maintained that the Federal Circuit should only defer on very limited issues such as, for example, when the trial court had heard live witnesses and potentially made credibility determinations. Other *amici* thought the deference should be far more sweeping. These *amici* contended that deference should apply to findings such as the level of ordinary skill in the art, the scope and content of the prior art, whether the applicant had acted as a

lexicographer or expressly disavowed claim scope, the best tools to use in construing terms, the qualifications of a person of ordinary skill, what materials one skilled in the art would look at in construing claim language, and how one skilled in the art would understand claim terms and statements in prosecution.

***These responses suggest
that there is a groundswell
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of the patent bar for the
Federal Circuit to accord
some deference to trial
court claim constructions.***

There was also a clear majority on the question of whether according deference would be consistent with the Supreme Court's *Markman* decision. On that question, 11 *amici* stated that deferring would be consistent with *Markman*, while only two thought that it would be inconsistent. There was again a clear

majority — although in the opposite direction — in answer to the question of whether it would be consistent with the *Cybor* case to accord deference. On that question, 11 *amici* stated that deference would be inconsistent with *Cybor*. None argued that granting deference would be consistent with *Cybor*.

These responses suggest that there is a groundswell of support among members of the patent bar for the Federal Circuit to accord some deference to trial court claim constructions. Based on the submissions, however, the *Phillips en banc* court would probably need to overrule the prior *en banc* decision in *Cybor*.

CONCLUSION

It will soon be possible to assess whether the court shares the views of the majority of the *amici*. The Federal Circuit held oral argument in the *Phillips* case on Feb. 8, 2005. If *Knorr-Bremse* is any indication, a decision may be expected to issue by the end of the year. There is, however, a chance that the court will be more fractured than it was in *Knorr-Bremse*, in which case we may have a longer wait.



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