

# To Apportion or Not to Apportion

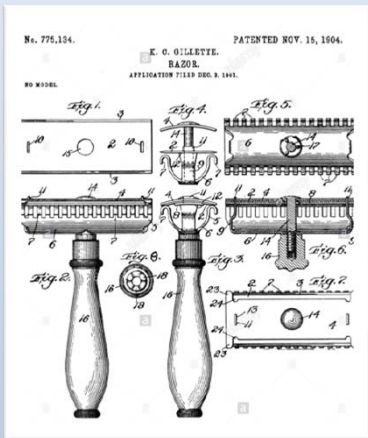
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Renée Rothauge

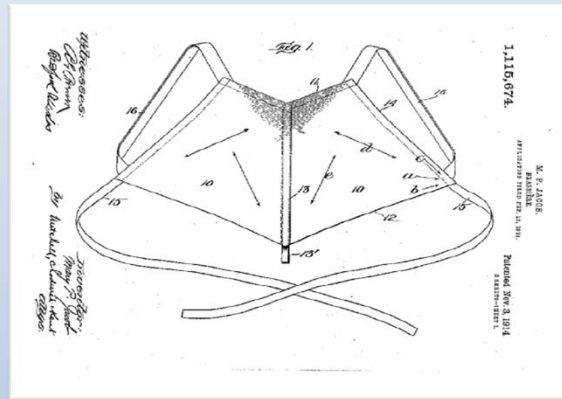


# Simpler Times

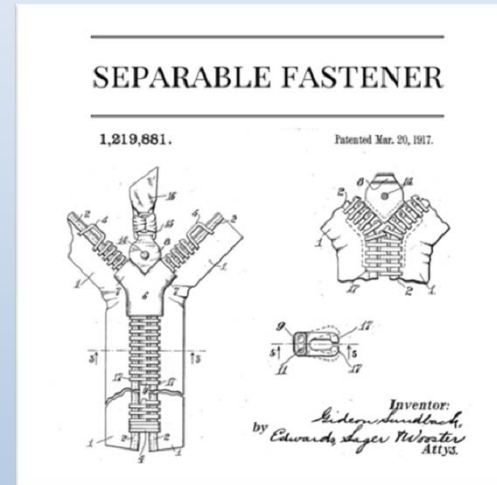
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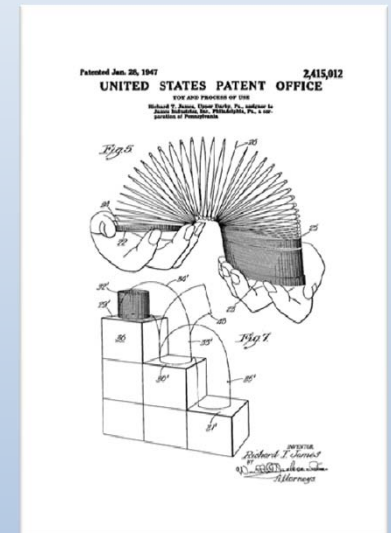
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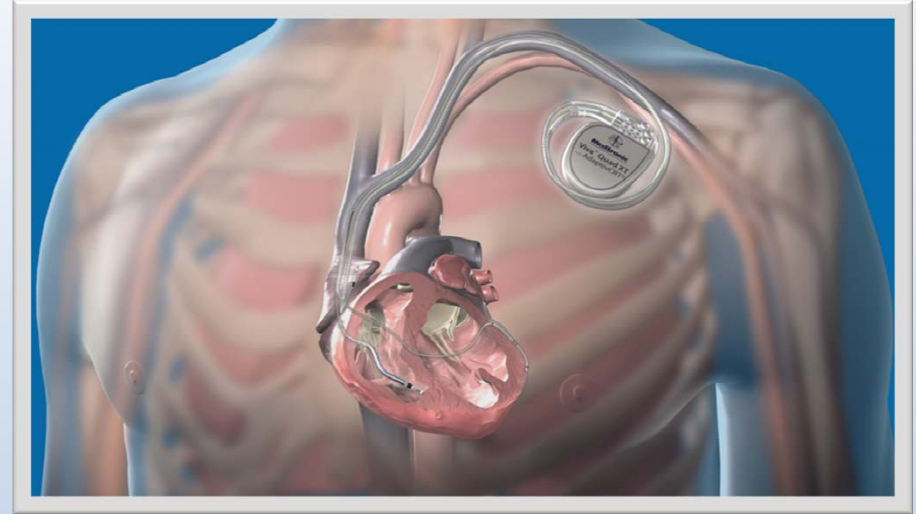
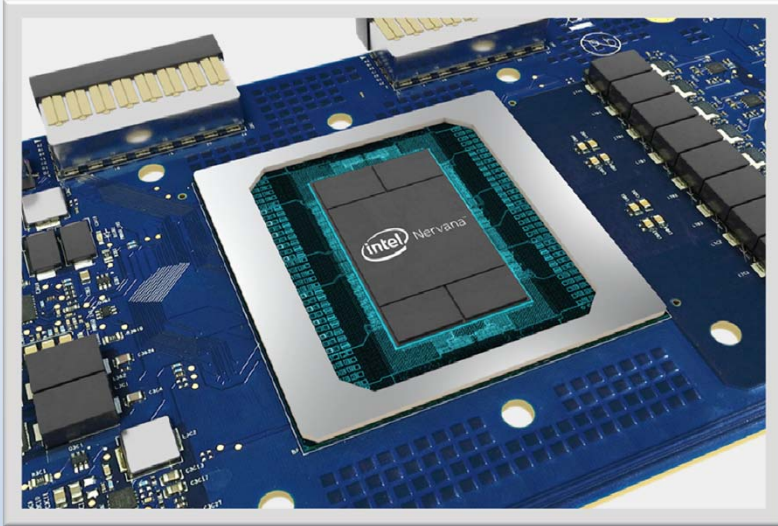
1917



1947



# Increased Complexity



# Who Cares? (Your Clients)



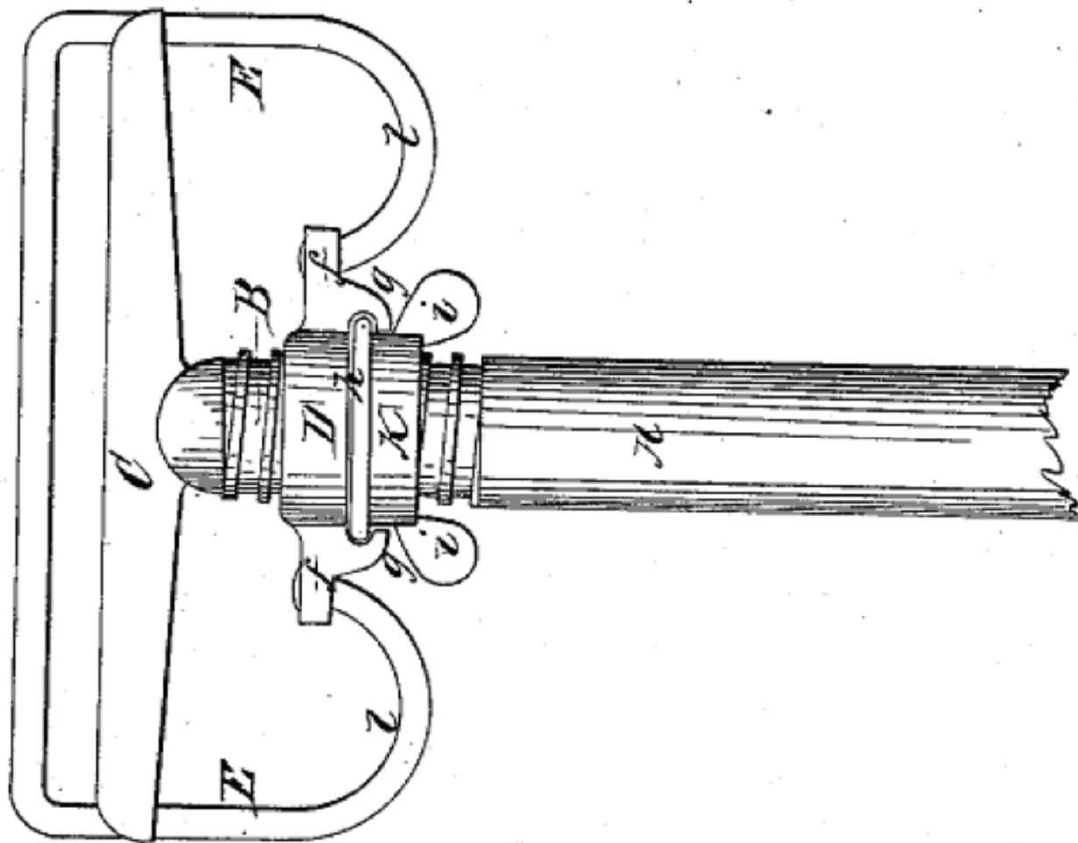
## 35 U.S.C. § 284

“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[.]”

# Garretson v. Clark

111 U.S. 120 (1884)

*Fig 2.*



# *Garretson v. Clark*

111 U.S. 120 (1884)

Apportion profits and damages between the patented feature and the unpatented features,

**OR**

Show that the profits and damages should be calculated on the whole machine, because the entire value of the whole machine is attributable to the patented feature.

# Reasonable Royalty

**Royalty  
Rate (%)**

**X**

**Royalty  
Base**



# Smallest Saleable Patent Practicing Unit

The base for a reasonable royalty is usually limited to the smallest saleable patent practicing unit (“SSPPU”).

If SSPPU has multiple features – only one of which is patented – the royalty base may need to be further apportioned to reflect the value attributable to the patented feature. *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308, 1327 (Fed. Cir. 2014).

# *Exmark v. Briggs & Stratton,*

879 F.3d 1332 (Fed. Cir. 2018)

Two takeaways:

Apportionment can be addressed in a variety of ways: adjust the royalty base or the royalty rate.

SSPPU can be the entire product: entire lawn mower was an appropriate royalty base especially because the patent claim was directed to the lawn mower as a whole.

# Key Cases

- *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).
- *VirnetX, Inc. v. Cisco Sys.*, 767 F.3d 1308 (Fed. Cir. 2014).
- *Ericsson, Inc. v. D-Link Sys.*, 773 F.3d 1201 (Fed. Cir. 2014).
- *CSIRO v. Cisco Sys.*, 809 F.3d 1295 (Fed. Cir. 2015).
- *Exmark Mfg. Co. v. Briggs & Stratton Pwr. Prods. Grp., LLC*, 879 F.3d 1332 (Fed. Cir. 2018).
- *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299 (Fed. Cir. 2018).

# Entire Market Value Rule

The rule applies only where the patented feature is the sole driver of consumer demand or substantially creates the value of the other component parts.

# EMVR after *Power Integrations*

Claimed feature must “**define the entirety of the commercial product.**”

“It is **not enough** to merely show that the patented feature is viewed as **essential**, that a product would not be **commercially viable** without the patented feature, or that consumers **would not purchase** the product without the patented feature.”

# Lost Profits

*Panduit* factors for “but for” causation:

- (1) Demand for patented product;
- (2) Absence of acceptable noninfringing substitutes;
- (3) Manufacturing and marketing capability to exploit demand;
- (4) The amount of profit the patentee would have made.

*Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152  
(6th Cir. 1978).

# ***EVE-USA/Mentor Graphics***

Federal Circuit panel held that apportionment is required in lost-profits cases.

But, satisfaction of first two *Panduit* factors entitles the patentee to damages based on entire product.

Federal Circuit's opinion denying rehearing *en banc* stated that meeting the *Panduit* factors satisfied the EMVR.

# Reasonable Royalty

Royalty Rate %

**X**

Base: Infringer  
Sales



*Damages to  
Patentee*

# Lost Profits

Profit margin

**X**

Base: Infringer  
sales



*Damages to  
Patentee*