



Le contentieux de brevets

Etat des lieux sur les dommages et intérêts
dans les procédures de contrefaçon de brevets
aux Etats-Unis, Chine et en Europe

9 mars 2017



SOMMAIRE

Etat des lieux sur les dommages et intérêts dans les procédures de contrefaçon de brevets dans 4 juridictions majeures :

- **Etats-Unis (1.) ;**
- **Chine (2.) ;**
- **Allemagne (3.) et**
- **France (4.).**

1. Patent Damages in the U.S.

Lost profits, reasonable royalty,
attorneys' fees

by Jay F. Utley, Baker McKenzie Dallas



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Introduction

INTRODUCTION

Patent damages reaches new height in U.S.

Idenix Pharm. Inc. v. Gilead Scis. Inc., No. 1:13-cv-01987 (D. Del. Dec. 15, 2016)

- **\$2.54 billion** jury verdict (largest in US history)
- Reasonable royalty (10% of sales)
 - Hepatitis C medication



INTRODUCTION

Patent damages trends

2015 median
damages award
at *highest* point in

10 years

Median damages
from 2011-2015

\$7.3 million

Median damages awarded (in \$M)

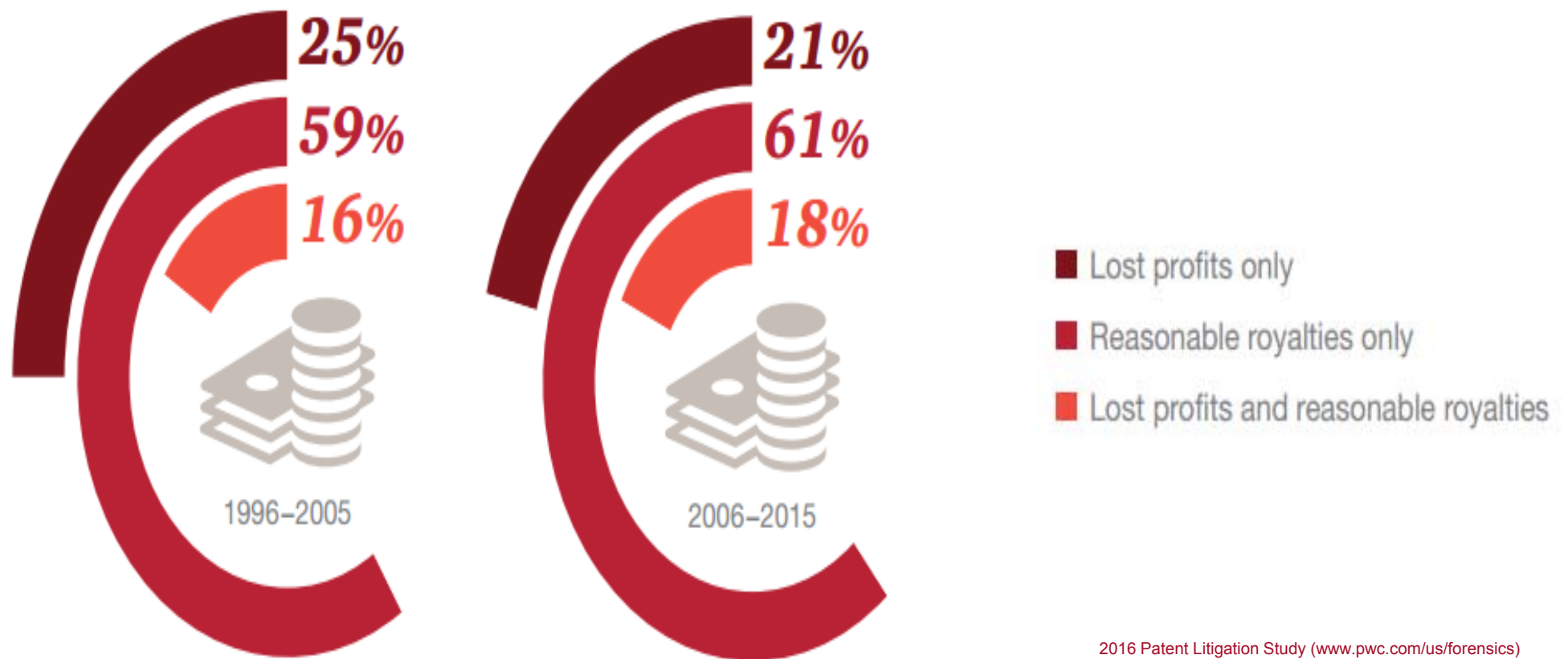


2016 Patent Litigation Study (www.pwc.com/us/forensics)

INTRODUCTION

Damages under 35 U.S.C. § 284

Composition of damages awards (practicing entities only)



INTRODUCTION

Damages under 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, together with interest and costs as fixed by the court. . . . In either event the court may increase the *damages up to three times* the amount found or assessed . . .
- Damages:
 - Actual damages / lost profits
 - Reasonable royalty
 - Enhancement of damages

profit
lost

2

Lost profits

LOST PROFITS

“But for” causation

- Lost profits: amount of money lost by patent owner due to infringement
- But for: for lost profits, patent owner bears burden of proving to *reasonable probability* that it would have made additional profit *but for* infringement

LOST PROFITS

The *Panduit* test

Courts often rely on four-factor *Panduit* test to determine lost profits:

1. There is demand for patented product
2. There are no acceptable non-infringing substitutes
3. Patent owner had manufacturing and marketing capacity to exploit demand
4. Amount of profit the owner would have made absent the infringing product

See Panduit Corp. v. Stahlin Bros. Fibre Works, 575 F.2d 1152 (6th Cir. 1978).

LOST PROFITS

Competition between patent owner and infringer

- General rule: for lost profits, patent owner must prove that it *competes* with infringer in relevant market for patented product or method
- Exceptions: in certain cases, patent owner may obtain lost profits even where patent owner does not sell patented product or where there is only potential competition:
 - Patent owner sells unpatented product, but infringement caused lost profits on unpatented product. *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1358 (Fed. Cir. 1995)
 - Patent owner proves it “would have made” a competing product absent infringement. *Wechsler v. Macke Int’l Trade, Inc.*, 486 F.3d 1286 (Fed. Cir. 2007).



LOST PROFITS

Related “unpatented items”

- Collateral sales: sales of unpatented items made along with patented (or competitive) items.
- To recover lost profits on collateral sales:
 1. Must establish it is *more likely than not* that patent owner would have sold the collateral products but for the infringement.
 2. Collateral product and the patented product together must be analogous to components of a single assembly or parts of a complete machine (i.e., they must constitute a *single functional unit*). *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995) (en banc).
- Recovery of collateral sales must not include items that essentially have no functional relationship to the patented product and that have been sold with the competitive product only as a *matter of convenience or business advantage*. *Id.*

ROYALTY

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Reasonable royalty

REASONABLE ROYALTY

Serves as “floor” to compensate patentee

- If infringement is proved, then patent owner is entitled to **at least a reasonable royalty** to compensate it for that infringement.
- If patent owner fails to prove lost profits or proved lost profits only for a portion of infringing sales, then patent owner is entitled to reasonable royalty for all infringing sales for which it has not been awarded lost profits damages.



REASONABLE ROYALTY

Definition

- Royalty: payment made to patent holder in exchange for the right to make, use, or sell the claimed invention.
- Reasonable royalty: royalty payment that a patent holder and the alleged infringer would have agreed to in a *hypothetical negotiation* taking place at a time prior to when the infringement first began.
- Need to focus on what the expectations of the patent holder and the alleged infringer would have been had they entered into an agreement at that time, and had they acted reasonably in their negotiations.
- Must assume that both parties believed the patent was valid and infringed and that both parties were willing to enter into an agreement.

REASONABLE ROYALTY

Georgia-Pacific hypothetical negotiation

- Most common approach for determining reasonable royalty
- *Georgia-Pacific* factors are not mandatory. *See, e.g., Energy Transp. Group, Inc. v. William Demand Holding A/S*, 697 F.3d 1342, 1357 (Fed. Cir. 2012).
- Conducting a hypothetical license negotiation between a “willing licensor” and “willing licensee”
 - However, “reasonable royalty” awards often exceed what parties would have actually agreed to as a result of licensing negotiations
- Must consider all facts known and available to parties at the time the infringement began.
- No one factor is dispositive and all evidence that has been presented on each of the factors need to be considered.



ENHANCEMENT

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Enhancement of damages

ENHANCEMENT OF DAMAGES

Introduction

- 28 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, together with interest and costs as fixed by the court. . . . In either event the court may increase the **damages up to three times** the amount found or assessed . . .
- Although Section 284 contains no explicit limit or condition, the Supreme Court emphasized that the “word ‘may’ clearly connotes **discretion**.” *Halo Elec. v. Pulse Elec.*, 136 S. Ct. 1923 (2016) (“*Halo*”).
- Today, *Halo* governs the enhanced damages standard.

x3 times
the amount found

ENHANCEMENT OF DAMAGES

Halo decision

Supreme Court rejected *Seagate*, holding that its standard for willful infringement was “unduly rigid, and . . . Impermissibly encumbers the statutory grant of discretion to district courts.” The Court:

- Held that **subjective willfulness** of patent infringer—whether intentional or knowing—may warrant enhanced damages “without regard to whether his infringement was objectively reckless.” Further, **preponderance of the evidence** is sufficient.
 - By doing so, Halo removed the **objective recklessness** by **clear and convincing evidence** requirement, but did not disturb the “**subjective willfulness**” requirement.
 - **Knowledge of the patent** alleged to be willfully infringed continues to be a prerequisite.
- Rejected *Seagate*’s approach of making dispositive the ability of infringer to muster a reasonable defense at trial: held that culpability is measured against the knowledge of the actor at the **time of the challenged conduct**.
- District court’s decision is reviewable on appeal for abuse of discretion.



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Attorney fees

ATTORNEY FEES

Introduction

Different sources of attorney fees awards in patent litigation:

- 35 U.S.C. § 285
- 28 U.S.C. § 1927
- Fed. R. Civ. P. Rule 11
- Fed. R. Civ. P. Rule 37
- Inherent Power of the Court



ATTORNEY FEES UNDER SECTION 285

Introduction

- 35 U.S.C. § 285: The court in **exceptional cases** may award **reasonable attorney fees** to the prevailing party.
- Prior to *Octane Fitness, LLC v. ICON Health and Fitness, Inc.*, 134 S. Ct. 1749, 1755-56 (2014), Federal Circuit required proof **by clear and convincing** evidence and defined “exceptional case” as one:
 - Involving “material inappropriate conduct”; or
 - Is “objectively baseless” and “brought in subjective bad faith.”

See Brooks Furniture Mfg., Inc. v. Dutailer Int’l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005).

ATTORNEY FEES UNDER SECTION 285

Octane Fitness v. ICON

- Section 285 imposes “one and only one constraint” on district court’s discretion: the case must be **exceptional**. *Octane*, 134 S. Ct. at 1755-56.
 - Exceptional case “is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.” *Id.* at 1756.
 - District courts may determine whether a case is “exceptional” in case-by-case exercise of their **discretion**, considering **totality of the circumstances**. *Id.*
- District court may consider “nonexclusive” list of “factors,” including “**frivolousness, motivation, objective unreasonableness** (both in the factual and legal components of the case) and the need in a particular circumstances to **advance considerations** of compensation and deterrence.” *Id.* at 1756 n.6.
- Rejected “clear and convincing evidence” requirement—governed by **preponderance of the evidence** standard instead. *Id.* at 1757.

ATTORNEY FEES UNDER SECTION 1927

28 U.S.C. § 1927

- 28 U.S.C. § 1927: Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case **unreasonably** and **vexatiously** may be required by the court to satisfy personally the excess costs, expenses, and **attorneys' fees** reasonably incurred because of such conduct.
- District court may shift reasonable fees to any attorney who multiplies the proceedings in any case “unreasonably” and “vexatiously.” *Proctor & Gamble Co. v. Amway Corp.*, 280 F.3d 519, 525 (5th Cir. 2012).
- Section 1927 sanctions require “**clear and convincing evidence**, that every facet of the litigation was patently meritless” and “evidence of bad faith, improper motive, or reckless disregard of the duty owed to the court.” *Bryant v. Military Dep't*, 597 F.3d 678, 694 (5th Cir. 2010).

ATTORNEY FEES UNDER RULE 11

Fed. R. Civ. P. 11

- By signing or later advocating a paper an **attorney** certifies: (1) it is not being presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation; (2) the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law; (3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; and (4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or a lack of information.
 - Failure to do so can allow courts to impose sanctions including award of attorney fees.
- “In the context of patent infringement actions, we have interpreted Rule 11 to require, at a minimum, that an attorney **interpret** the asserted patent claims and **compare** the accused device with those claims before filing a claim alleging infringement.” *Q-Pharma, Inc. v. Andrew Jergens, Co.*, 360 F.3d 1295, 1300-01 (Fed. Cir. 2004).

ATTORNEY FEES UNDER RULE 37

Fed. R. Civ. P. 37

- Authorizes a district court to impose sanctions (including fees) for discovery misconduct, e.g.,
 - Failure to disclose
 - Failure to admit
 - Failure to answer interrogatories
 - Failure to participate in framing a discovery plan
 - Violation of protective order
- “A decision to sanction a litigant pursuant to [Rule] 37 law... and we therefore apply regional circuit law to the *River Polymers, Inc.*, 560 F.3d 1291, 1304 (Fed. Cir. 2009).

ATTORNEY FEES UNDER COURT'S INHERENT POWER

Court's inherent power

- A court has inherent authority to award of fees, costs, and expenses when a party has committed fraud upon the court or acted “in **bad faith**, **vexatiously**, **wantonly**, or for **oppressive** reasons.” *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45-46 (1991).
- Sanction under Court's inherent power requires “a finding of fraud or abuse of the judicial process before a trial court can invoke its inherent sanctioning power,” and “a case must be **sufficiently beyond ‘exceptional’** within the meaning of section 285 to justify ... a sanction under the court's inherent power.” *Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersysteme GmbH*, 603 F.3d 943, 966 (Fed. Cir. 2010).

ATTORNEY FEES: CASE STUDY

Guidance from *Iris Connex, LLC v. Dell, Inc.*

In *Iris Connex, LLC v. Dell, Inc.*, No. 2:15-cv-1915 (E.D. Tex. Jan. 25, 2017), the court:

- Found exceptionality in the case and awarded attorney fees to Dell under 35 U.S.C. § 285
- Sanctioned Iris Connex's counsel under Rule 11
- Sanctioned Iris Connex and the owner of its parent company under court's inherent power

The court described it as

“the clearest example of an exceptional case to yet come before the undersigned.”

ATTORNEY FEES: CASE STUDY

Guidance from *Iris Connex, LLC v. Dell, Inc.*

Background

- Iris Connex sued Dell and 17 other defendants, asserting a single patent
- Dell filed a motion to dismiss arguing that Iris Connex's infringement allegations were implausible because certain claim limitation is not present on accused product
- Court ordered expedited claim construction and construed in Dell's favor
- Court converted the pending motion to dismiss into MSJs and entered summary judgment of non-infringement
- Dell filed a motion for attorney fees and sanctions under Section 285, Rule 11, the court's inherent authority, and Section 1927, and pointed out that Iris Connex is an empty shell company with no capacity for payments
- Court ordered discovery into identity of Iris Connex and found that Iris Connex is the first level of two shell corporations intended to shield the owner, Brian Yates.

ATTORNEY FEES: CASE STUDY

Guidance from *Iris Connex, LLC v. Dell, Inc.*

Section 285

Case found exceptional and plaintiff and owner held **jointly & severally liable**:

- Plaintiff's arguments were **unsupportable**:
 - Unsound claim construction
 - Flawed doctrine of equivalents analysis
- Plaintiff's **litigation conduct**
 - Plaintiff sought to extract nuisance settlements (i.e., below the cost of defense)
 - Other members of plaintiff's collective have filed hundreds of cases, but only one other case went as far as claim construction. As soon as cases were over, asserting entities dissolved.
- Other considerations:
 - Owner of parent company intentionally created and undercapitalized plaintiff as empty shell.
 - Admitted sloppiness in prosecuting the case, brought about predominantly by owner.

ATTORNEY FEES: CASE STUDY

Guidance from *Iris Connex, LLC v. Dell, Inc.*

Rule 11

- Iris Connex's attorney advanced a **frivolous** and **nonsensical** claim construction
- Attorney received multiple notices from defendants regarding sanctions, yet "proceeded through claim construction undeterred."
- Sanctions were necessary as his arguments failed to pass a purely objective standard of review.

ATTORNEY FEES: CASE STUDY

Guidance from *Iris Connex, LLC v. Dell, Inc.*

Court's Inherent Power

- May sanction conduct to address “a full range of litigation abuses”—to sanction non-parties that may be beyond the scope of Federal Rules or Section 1927, but are **closely tied** to litigation
- Adopted two-part test (E.D. Mich.):
 1. Non-party not subject to court order must have a substantial interest in the outcome of the litigation; and
 2. Substantially participate in the proceedings in which he interfered.
- Conduct of Iris Connex’s owner satisfied the two-part test.

Design patent considerations

Design patent considerations

DESIGN PATENT CONSIDERATIONS

35 U.S.C. § 289

Whoever during the term of a **patent for a design**, without license of the owner, (1) applies the **patented design**, or any colorable imitation thereof, to any **article of manufacture** for the purpose of sale, or (2) sells or exposes for sale any **article of manufacture** to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his **total profit**, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties. . .



DESIGN PATENT CONSIDERATIONS

Samsung Elec. Co. v. Apple Inc.

- *Samsung Elec. Co. v. Apple Inc.* reiterated the two-step test for damages:
 - Identify “[article of manufacture](#)” to which infringed design has been applied; and
 - Calculate infringer’s total profit made on that article of manufacture. [137 S. Ct. 429, 434 \(Dec. 6, 2016\)](#).
 - Article of manufacture:
 - For single-component product: “article of manufacture” is entire product. [Id. at 432](#).
 - For multi-component product: “article of manufacture” encompasses both a product sold as well as a component of that product. [Id. at 435](#).
- ➡ Thus, rejected Federal Circuit’s narrower reading of “article of manufacture” cannot be components of infringing products.

The background of the slide features a close-up, low-angle shot of several golden interlocking gears. Two prominent gears are in the foreground, with the words 'PROPER' and 'INTELLECT' embossed in a bold, sans-serif font on their teeth. The lighting is warm and dramatic, coming from the upper right, which creates bright highlights and deep shadows, emphasizing the metallic texture and the interlocking nature of the gears. A horizontal bar at the bottom of the image is divided into a red section on the left and a dark red section on the right, serving as a background for the slide's title.

7

Conclusion

CONCLUSION

Summary

- Reasonable royalty is easier to prove than lost profits. But lost profits, if proven, often bring the patent owner much more than royalty awards.
- Notice (actual notice or constructive notice via marking) is needed for lost profits.
- Review facts under *Panduit* factors before claiming lost profits. Also consider collateral sales.
- Review facts under *Georgia-Pacific* factors before claiming reasonable royalty.
- Consider seeking enhanced damages under *Halo*.
- Consider seeking attorney fees under 35 U.S.C. § 285 and *Octane Fitness*.
 - Identify real party in interest when considering Section 285 (see *Iris Connex* case).
 - Remember that fees can also be obtained under Section 1927, Rule 11, Rule 37, and court's inherent power, dependent on circumstances of case.
- For design patents, remember “article of manufacture” can be components of infringing product.

2. Damages in Patent Infringement Proceedings in China by Hao Yu, Baker McKenzie Fenxun, China

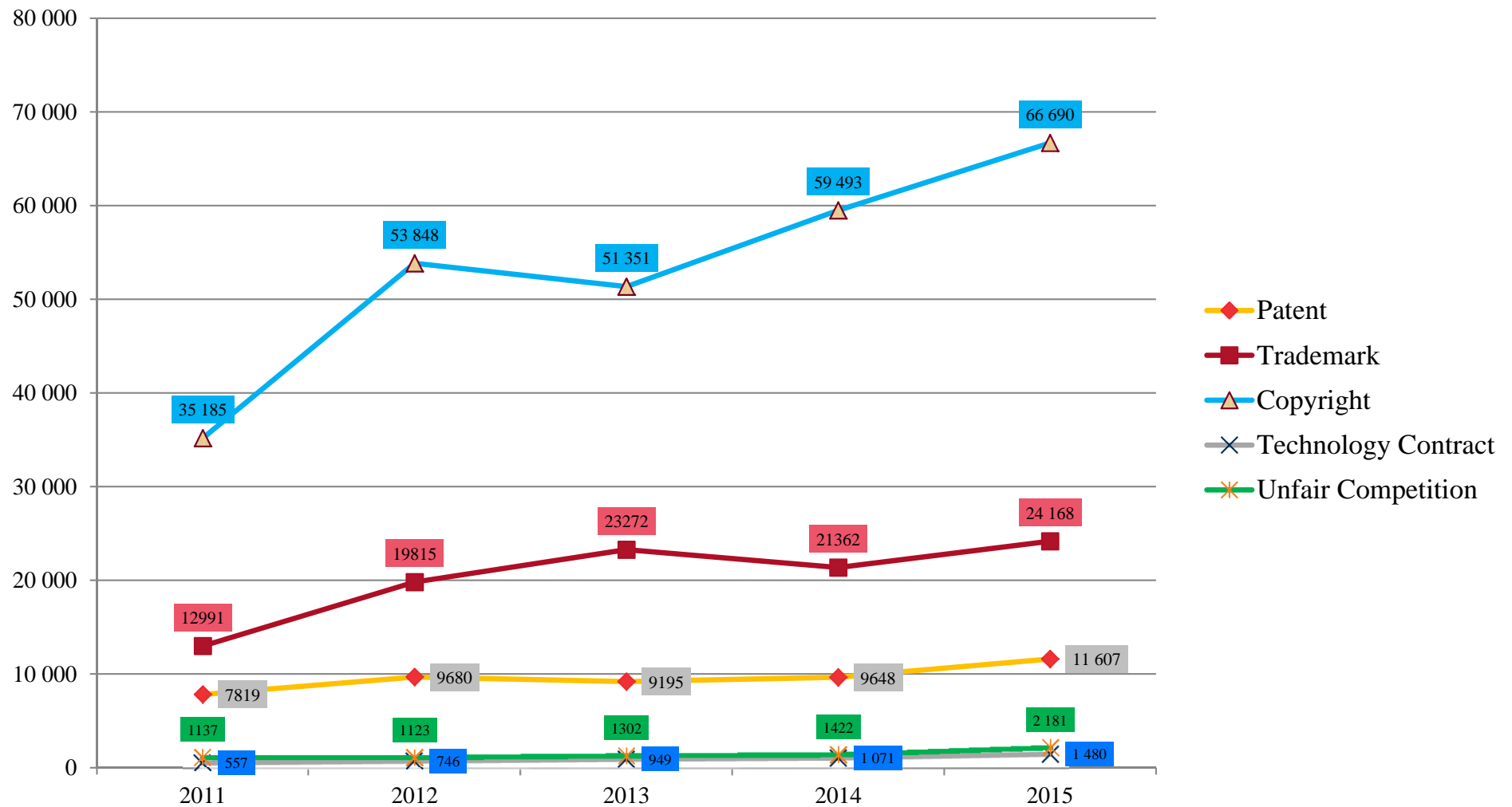


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Overview: IP lawsuits filed at Chinese courts from 2011 to 2015



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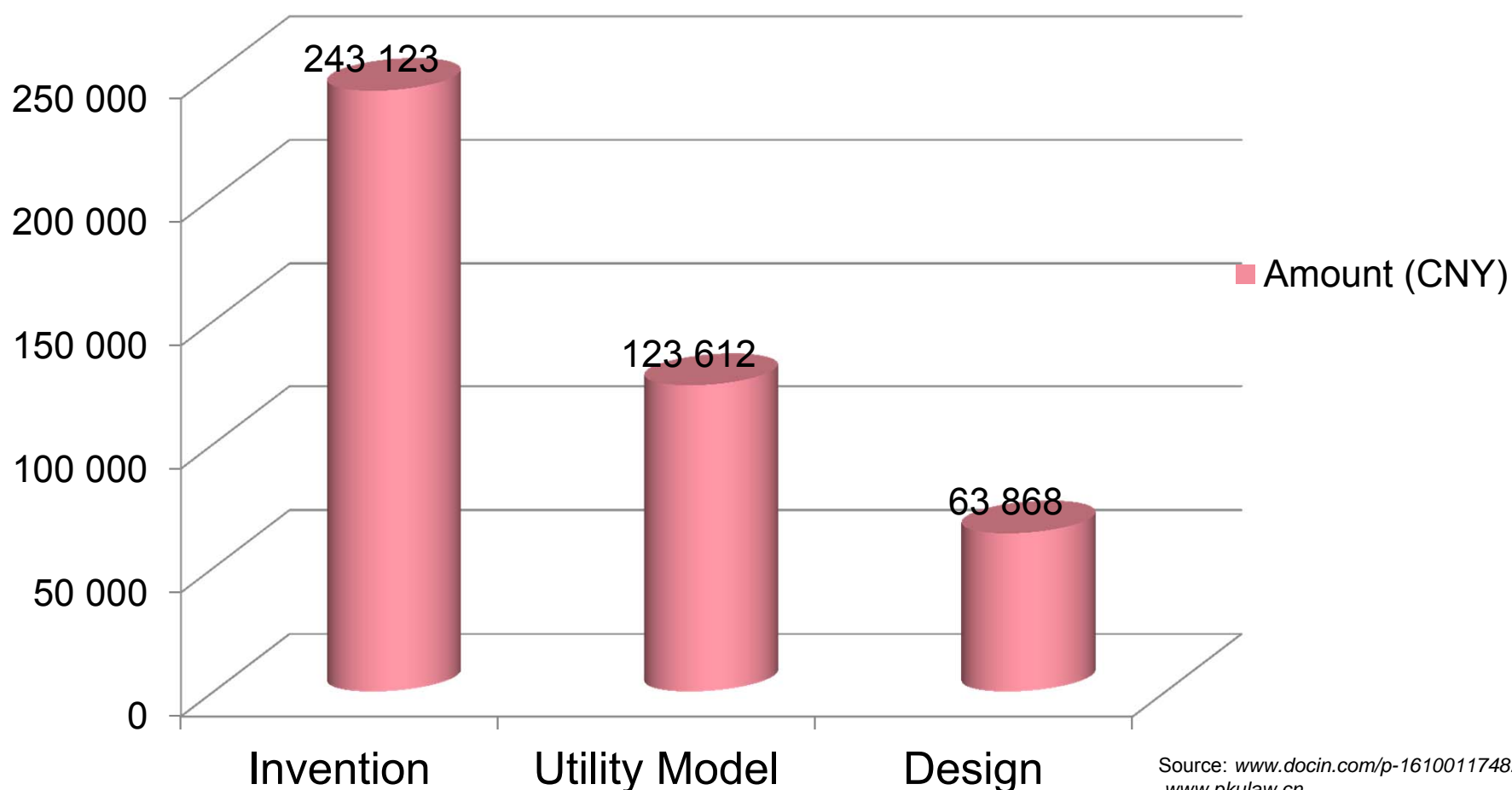
Overview: IP lawsuits filed at Chinese courts in 2015

Total IP Cases Filed Countrywide:		149,238 (↑11.49%%)	
Total IP Civil Cases Filed with Local Peoples Courts	1 st Instance	109,386 (↑14.51%)	
		Patent	11,607 (↑20.3%)
		Trademark	24,168 (↑13.14%)
		Copyright	66,690 (↑12.1%)
	2 nd Instance	15,114 (↑9.84%)	
	Retrial	115 (↑43.75%)	
Total IP Civil Cases Filed with The Supreme People's Court	381 (↑13.39%)		

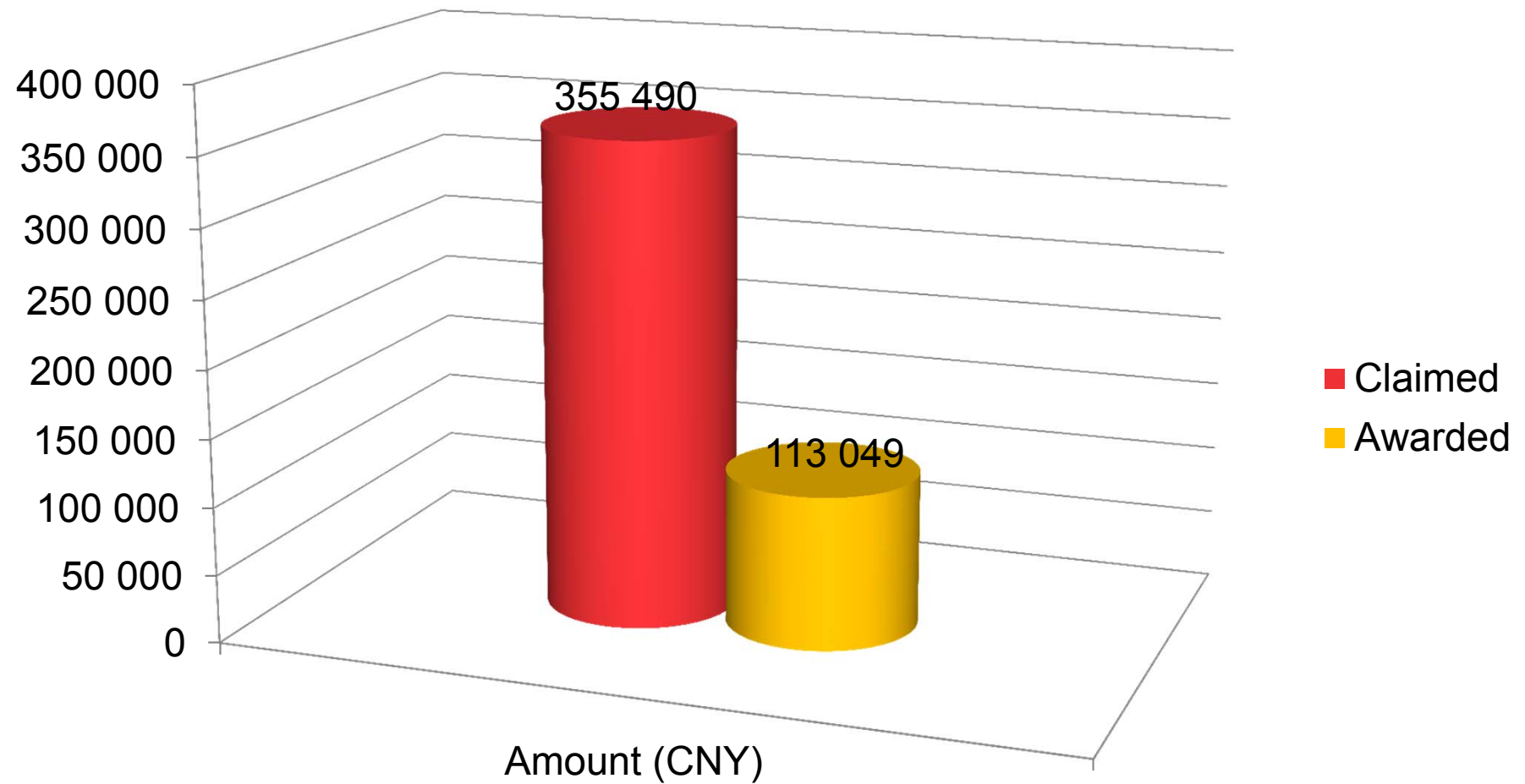
Average amount of damages awarded for patent cases

Average amount of damages awarded (1995 – 2015): [CNY113,049 \(about EUR15,530\)](#)

Average amount of damages awarded (1995-2015)



Damages Claimed vs. Damages Awarded in judicial practice

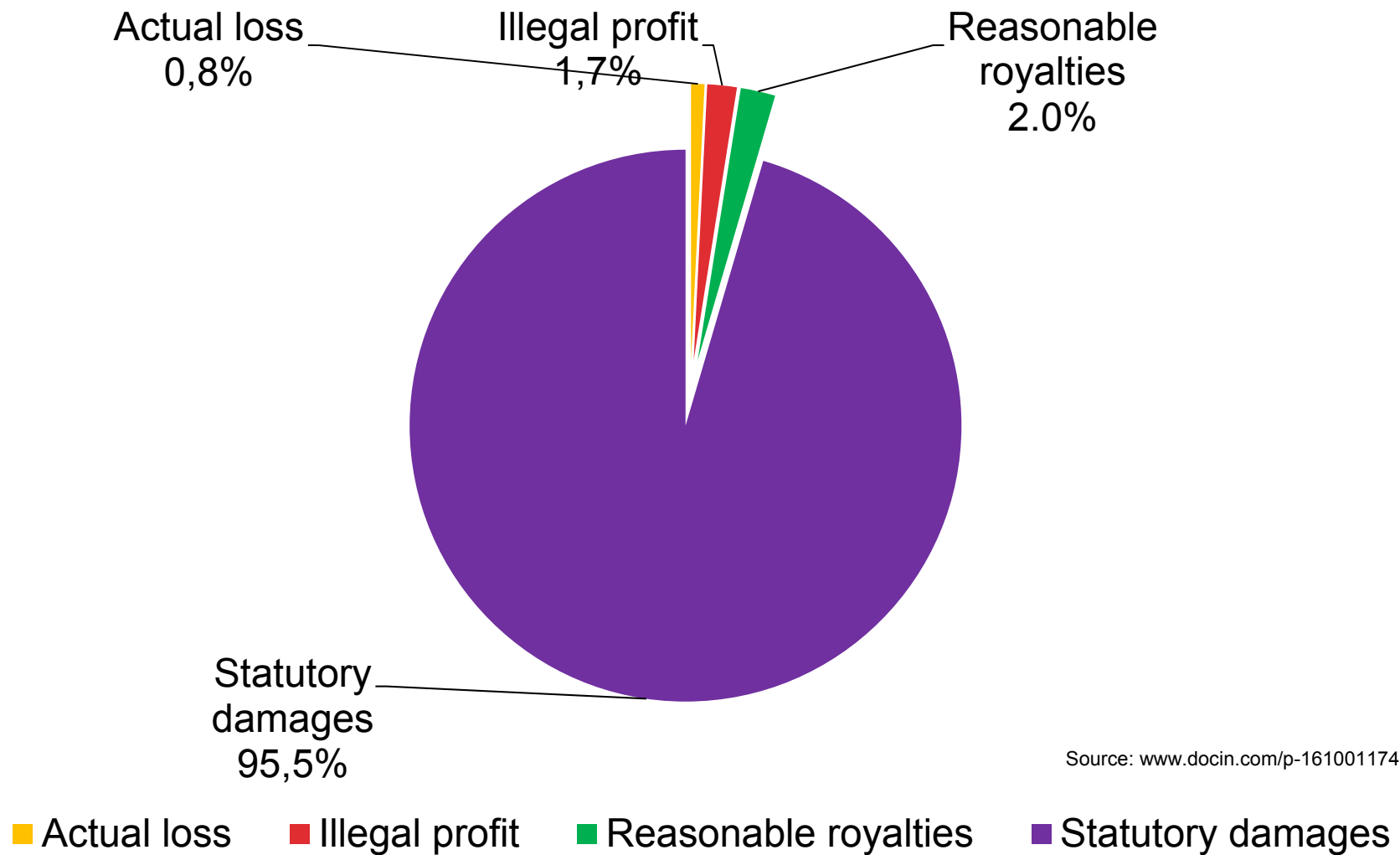


Source: www.pkulaw.cn

Calculation of Damages – General Principles

- Basis of damages calculation
 - Plaintiff's actual loss;
 - Defendant's illegal profit;
 - Reasonable royalties; OR
 - Statutory damages applies if none of the above can be ascertained
 - *between CNY10,000 (approx. EUR1,370) and CNY1million (approx. EUR137,400)* (a majority of cases are decided with statutory damages)
- Other reasonable costs
 - For example, attorney fees, court fees, notary fees, sample cost, etc.
- The issue of damages will be discussed after infringement is basically acknowledged by court, but parties have burden to provide evidence in relation to damages at the beginning of proceedings.

Basis of damages calculation in judicial practice



Plaintiff's Actual Loss

- General principle: plaintiff has the burden to prove its actual loss due to infringement
- Two methods applicable in calculating *plaintiff's actual loss*:
 - *The number of plaintiff's lost sales* x unit profit / per patented product; or
 - *The number of infringing products sold on the market* x unit profit / per patented product

Defendant's Illegal Profit

- Plaintiff has the burden to prove defendant's illegal profit arising from infringement
- Common method:
 - The number of infringing products sold on the market x *unit profit / per infringing product*
 - Operating profit applies in common practice
 - Sales profit applies (i.e., overhead costs may not be deducted) for the cases where infringers rely on patent infringement for a living:



Defendant's Illegal Profit

- Principle of apportionment -- evaluating value/contribution of the claimed patent to the profit of accused products
 - Profit arising from other IP rights (e.g., other patents, trademarks, know-how) shall be reasonably deducted
 - Take into account the value and contribution of the components/parts using the claimed patent to the whole product
 - Honda vs. Lifan (Shanghai No.2 Intermediate Court, 2008)
 - The claimed patent “structure for supporting container box disposed under seat in small-size vehicle” contributed 20% of profit to the whole infringing motorcycle.

How to ascertain the profit margin of accused products?

- Chint v. Schneider Electric (Tianjin) (Zhejiang Higher Court, 2007)
 - Chint sued Schneider for infringement of its utility model patent for “breaker” and claimed damages of CNY334million (about EUR46million) based on Schneider’s “illegal profit”.
 - Schneider failed to present its accounting books regarding the profit margin of accused products. The trial court then calculated Schneider’s “illegal profit” based on the average profit margin of all of the defendant’s products (which was available in the public domain).
 - The trial court awarded the amount CNY334million (largest in China’s legal history) claimed by Chint. The parties settled the case at the appellate court with a settlement amount CNY157million.

- Co-Nele Machinery Co., Ltd v. Dikai Co., Ltd. (Beijing IP Court, 2016)
 - Co-Nele claimed CNY24million based on Dikai’s “illegal profit”.
 - Dikai failed to present its accounting books regarding the profit margin of accused products. The court calculated Dikai’s illegal profit based on the average profit margin in this industry (40%), and awarded CNY3.58million.

Reasonable Royalties

- Usually only in the situation where there was license agreement entered by the patent owner
- The license agreement with stipulated royalties should have been executed
- Reasonable scope: 1-3 times of stipulated royalties in practice



Statutory Damages

- Statutory damages applies if none of the above can be ascertained
- Court has discretion on the amount by taking into account nature and severity of infringement as well as type of the patent
- Majority of cases (95%) are decided based on statutory damages in practice
 - Scope of current statutory damages : *between CNY10,000 (approx. EUR1,370) and CNY 1million (approx. EUR137,400)*
- Recent legislation development -- Draft amendments to the Patent Law (not effective yet)
 - Statutory damages increased to: *between CNY100,000 (approx. EUR13,700) and CNY 5million (approx. EUR689,000)*
 - Punitive damages for wilful infringement: 1- 3 times of normal amount by taking into account case merits, severity and consequence of infringement, etc.
 - Court may order defendant to disclose its financial books, sales records, etc.

Other Reasonable Costs

- Other reasonable costs
 - For example, attorney fees, court fees, notary fees, sample cost, etc.
- Recent case developments
 - *Beijing Watch Data System Co., Ltd v. Hengbao Co., Ltd.* (Beijing IP Court, 2016)
 - In addition to damages, the plaintiff claimed *attorney fees* of CNY1million as reasonable costs, which was charged [on hourly basis](#).
 - It is the first case that Chinese court recognizes and awards [attorney fees charged on hourly basis](#).
 - Evidence of attorney fees admitted by the Court:
 - The law firm's retaining agreement, invoices, time sheets



Special Rules: Protect *Bona Fide* User and Public Interests

- *Zhuhai Jingyi Co., Ltd. v. Guangdong Baiyun Airport, etc.* (Guangzhou Intermediate Court, 2006)
 - Plaintiff sued defendants for infringement of its patent used on the materials in construction of the airport.
 - The court deems the airport as a *bona fide* user because the infringing materials were supplied by another defendant.
 - Instead of orderring the airport to remove infringing materials and pay damages, the court ordered it to compensate reasonable royalties of CNY150,000 to the plaintiff.



Is patent marking relevant to calculation of damages?

- Patent owner is entitled, but not obligated to mark patent sign on its products
- Patent marking is not relevant to calculation of damages in China



Burden of proof

- Plaintiff has the burden to prove elements of infringement and calculation of damages
- No discovery in proceedings in China
- If plaintiff has presented prima facie evidence of defendant's profit, the burden of proof shifts to defendant, who must disclose its financial books, production/sales records, etc.; otherwise court may find in favour of plaintiff for the claimed damages. (*SPC's Judicial Interpretations on Trial of Patent Cases, 2016*)
- Evidence preservation order (EPO)
 - Plaintiff may apply for the court to grant EPO before or during the proceeding
 - *Ex parte* order to seize the evidence which is under defendant's possession/control
 - Plaintiff must have prima facie evidence to show infringement
 - Plaintiff is unable to gather the evidence which is under defendant's possession/control, or the evidence is likely destroyed by defendant
 - Plaintiff must pay bond for the EPO to be granted

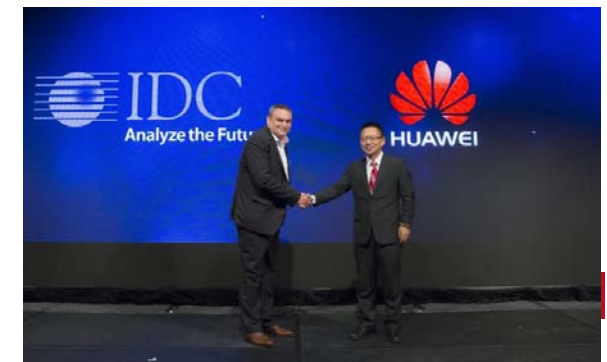
NPE in patent infringement proceeding

- Wireless Future v. Sony (Nanjing Intermediate Court, Nov. 2016)
 - Wireless Future sued Sony in Nov. 2016 for infringement of its patent used on Sony cellphones and claimed damages of CNY8million (approx. EUR1.1million)
 - “First patent infringement case filed by a NPE against a foreign technology company in China” – *The Wall Street Journal*
 - No specific legal provisions in China regarding damages in infringement cases filed by NPEs
 - The case is still pending at trial court
 - Why choose China to file lawsuit?
 - ✓ Global manufacturing hub
 - ✓ Most profitable market
 - ✓ Prompt legal proceeding
 - ✓ Low litigation costs



NPE in antitrust proceedings

- *Huawei v. Inter Digital Communications Inc.* (Guangdong Higher Court, 2013)
 - Huawei filed two lawsuits against IDC (as a NPE) respectively for:
 - *Abuse of Standards-Essential Patents (SEP) and unfair royalties* imposed by IDC
 - *Abuse of dominant market position* which violates the *Anti-Monopoly Law*
 - The Court recognized FRAND terms (*Fair, Reasonable, and Non-Discrimination*) in determining royalties.
 - The Court ruled that royalties imposed on Huawei should not be higher than 0.019% after comparing the royalties imposed on Apple and Samsung.
 - The Court awarded damages of CNY20million (approx. EUR2.76million) to Huawei although Huawei failed to prove its actual loss or IDC's illegal profit due to IDC's monopoly activity.



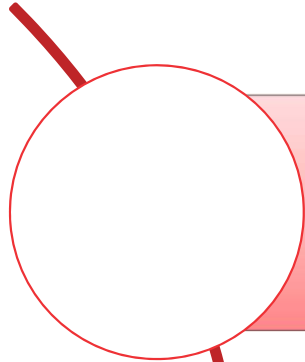
NPE in antitrust proceedings

- Apple v. Qualcomm (Beijing IP Court, 2017)
 - In 2015, Qualcomm was imposed a penalty of CNY6 billion (approx. EUR0.83 billion) by China's National Development and Reform Commission (NDRC) for patent abuse which violates the *Anti-Monopoly Law*, and was ordered to work out a rectification plan.
 - In January 2017, Apple filed two lawsuits at Beijing IP Court, alleging that:
 - Qualcomm *abused its dominance* in the sale of baseband processor chipsets (claiming damages of CNY1 billion plus reasonable costs of CNY2.5 million); and
 - Qualcomm *refused to license its SEPs to Apple on FRAND terms* (claiming reasonable costs of CNY2.5 million)
 - The two lawsuits are still pending.

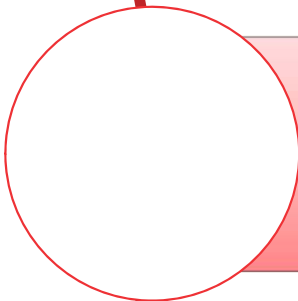


3. Damages in German Patent Infringement Proceedings by Johannes Druschel, Baker McKenzie Munich

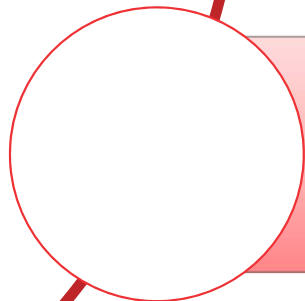
1 Principles



Calculation in a threefold manner

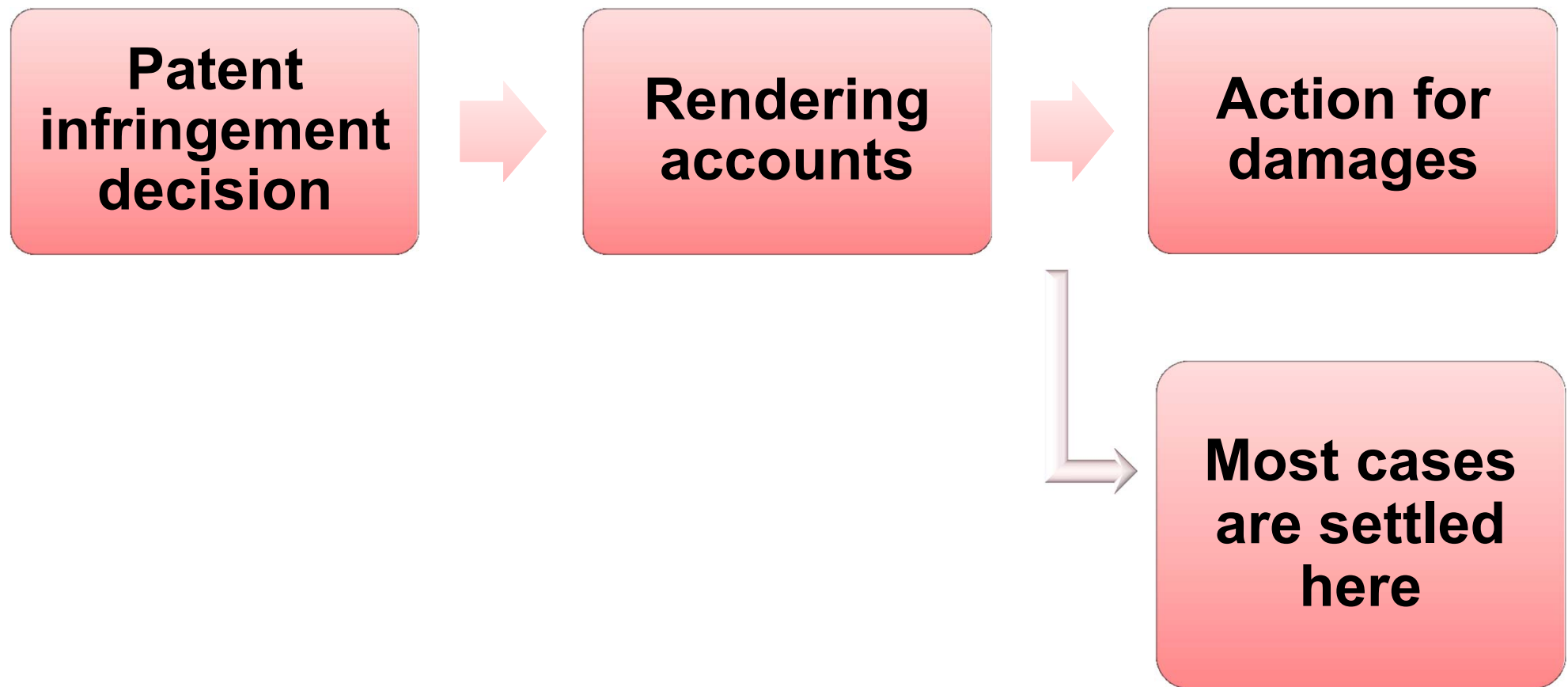


No punitive damages



Actions for damages are rare

2 Timeline of Patent Infringement Proceedings



3 Determination of Patent Damages – In General

Lost profits

**License
analogy**

**Surrender of
infringer's
profits**

3 Determination of Patent Damages – In Practice

Lost profits

Proving causality is hard

Reluctance to disclose own internal information

License analogy

Customary royalty rates are hard to find, e.g. due to rare case law

Only little help from arbitration board decisions on employee inventors' remunerations

4 Infringer's profits – Advantages

After accounts have been rendered patentee may choose the best method for him



Infringer's turnover is disclosed



No need to disclose own internal information



Overhead costs are *not* deductible

4 Infringer's profits – Calculation



Covers only the *infringement* profit:

- „Infringer's profits“ is misleading, not all profits are covered
- Only such caused by the patent infringement



Infringer's costs:

- **Deductible:** Costs directly attributable to the infringing products
- **Non-deductible:** So called „anyway“ costs, i.e. overhead costs

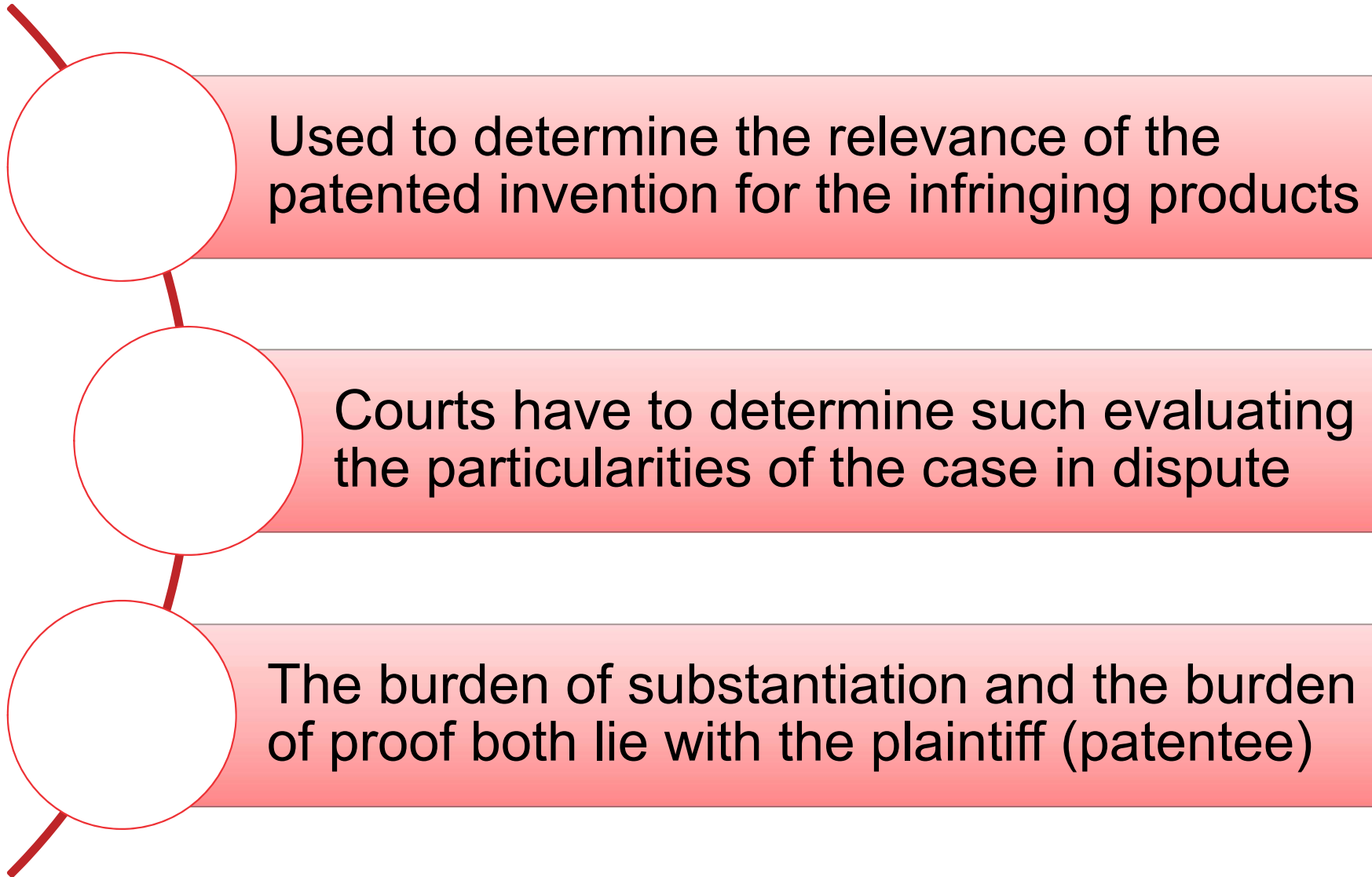


Infringer's profits

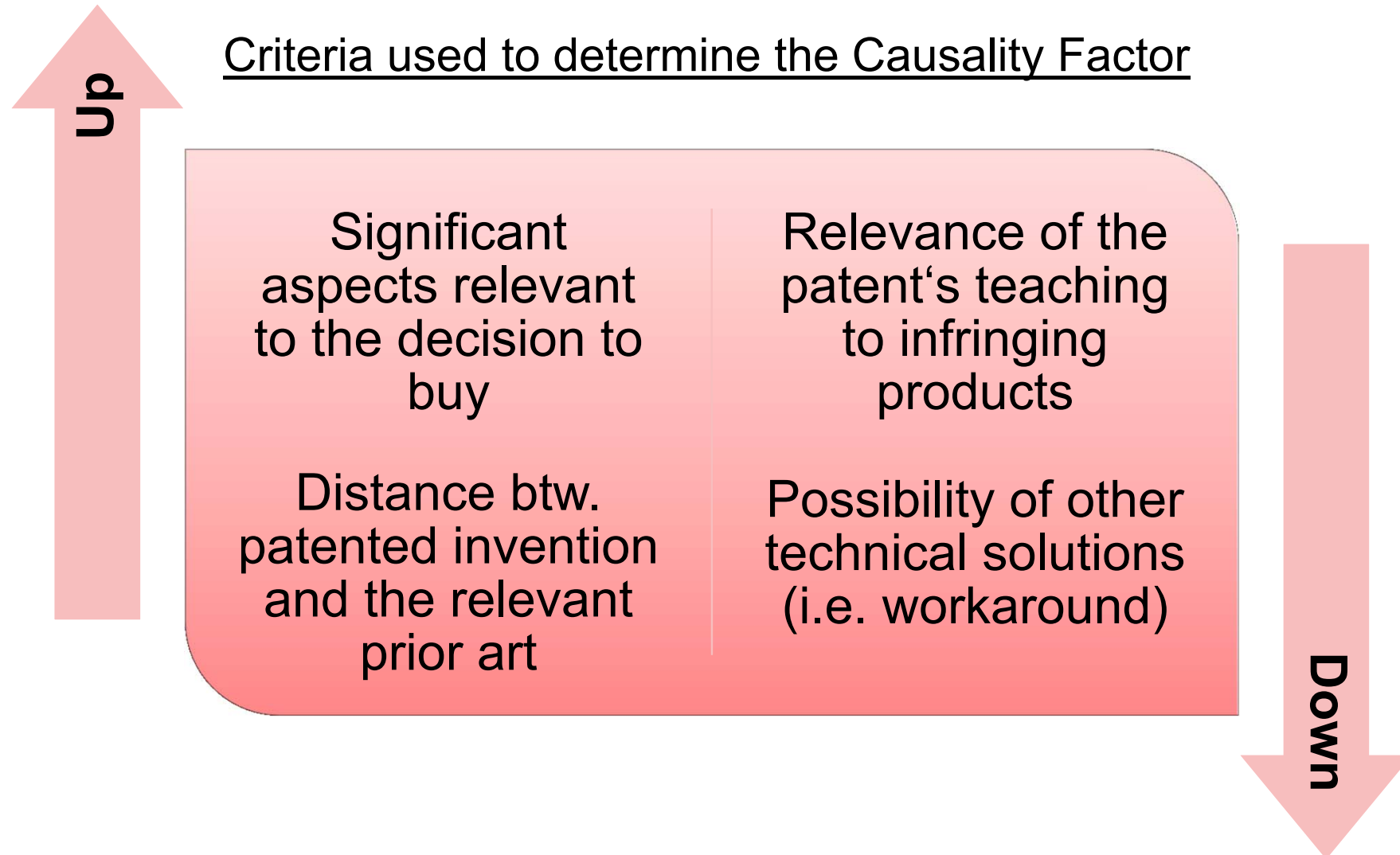
=

(turnover – costs) x causality factor [in %]

4 Infringer's profits – Causality Factor I/II



4 Infringer's profits – Causality Factor II/II



5 Conclusion



3 calculation methods like in other EU countries due to harmonization

„Lost profits“ is almost never chosen

Injunction proceedings are predominant and rather quick

Action for damages are time consuming and rare

4. Les dommages et intérêts en matière de contrefaçon de brevet en France, par Nathalie Marchand et Frédérique Fontaine, Baker McKenzie Paris

**1. Les chefs de préjudice
indemnissables**

2. Les bonnes pratiques

1. Les chefs de préjudice indemnisables

Quelques chiffres

Source : Etude du Ministère du redressement productif de janvier 2014

Montants accordés

- Le montant alloué dans 67% des décisions est inférieur à 50.000 €
- Les montants supérieurs à 500.000 € représentent seulement 10% des décisions
- Toutefois, quand la situation le justifie, les tribunaux peuvent accorder des dommages-intérêts atteignant ou dépassant le million d'euros

Ratio entre somme obtenue et somme demandée

- En moyenne, les demandeurs obtiennent 25% de leurs demandes (contre 68% en Allemagne et 50% au Royaume-Uni)
- Après expertise, ce montant monte à 38%

Le coût du procès

- Le montant médian des honoraires d'avocats et de CPI varie entre 85.000 et 380.000 € (contre 200.000 à 5 millions d'€ en Grande Bretagne)
- Le montant médian alloué au titre de l'article 700 CPC est de 10.000 à 30.000 €

Rappel des chefs de préjudice prévus par l'article L.615-7 du CPI (modifié par la loi du 11 mars 2014)

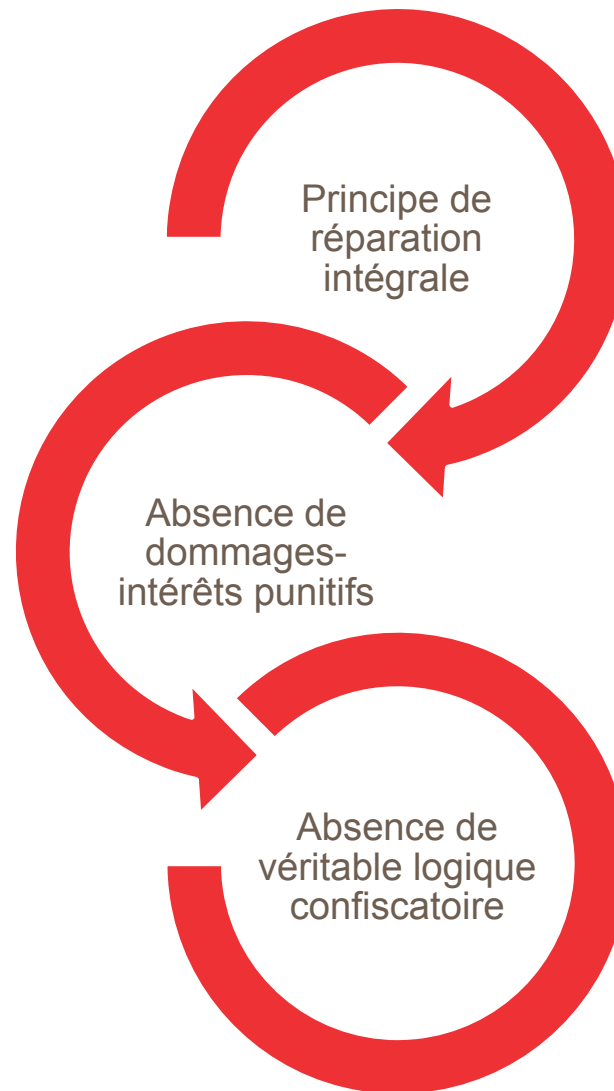
Principe

- Pour fixer les dommages intérêts, la juridiction prend en considération **distinctement** :
- Les conséquences économiques négatives de la contrefaçon (dont manque à gagner et perte subie) ;
- Le préjudice moral ;
- Les bénéfices réalisés par le contrefacteur (y compris **économies d'investissements intellectuels, matériels et promotionnels**).

Alternative

- Toutefois, la juridiction peut, à titre d'alternative et sur demande de la partie lésée, allouer à titre de dommages et intérêts une somme forfaitaire ;
- **Supérieure** au montant des redevances ou droits qui auraient été dus si le contrefacteur avait demandé l'autorisation ;
- Non exclusive de l'indemnisation du **préjudice moral**.

Les limites au cumul des différents chefs de préjudices



Les conséquences économiques négatives

Le manque à gagner

Masse
contrefaisante x
Marge bénéficiaire
de la victime

Masse contrefaisante :
part que la victime de la
contrefaçon aurait pu
effectivement réaliser

Marge bénéficiaire : en
principe marge nette de
la victime mais parfois
prise en compte de la
marge brute

Parfois
pondération
additionnelle :

- influence du
brevet dans le
pouvoir attractif du
produit et dans le
prix du produit
- notion de tout
commercial

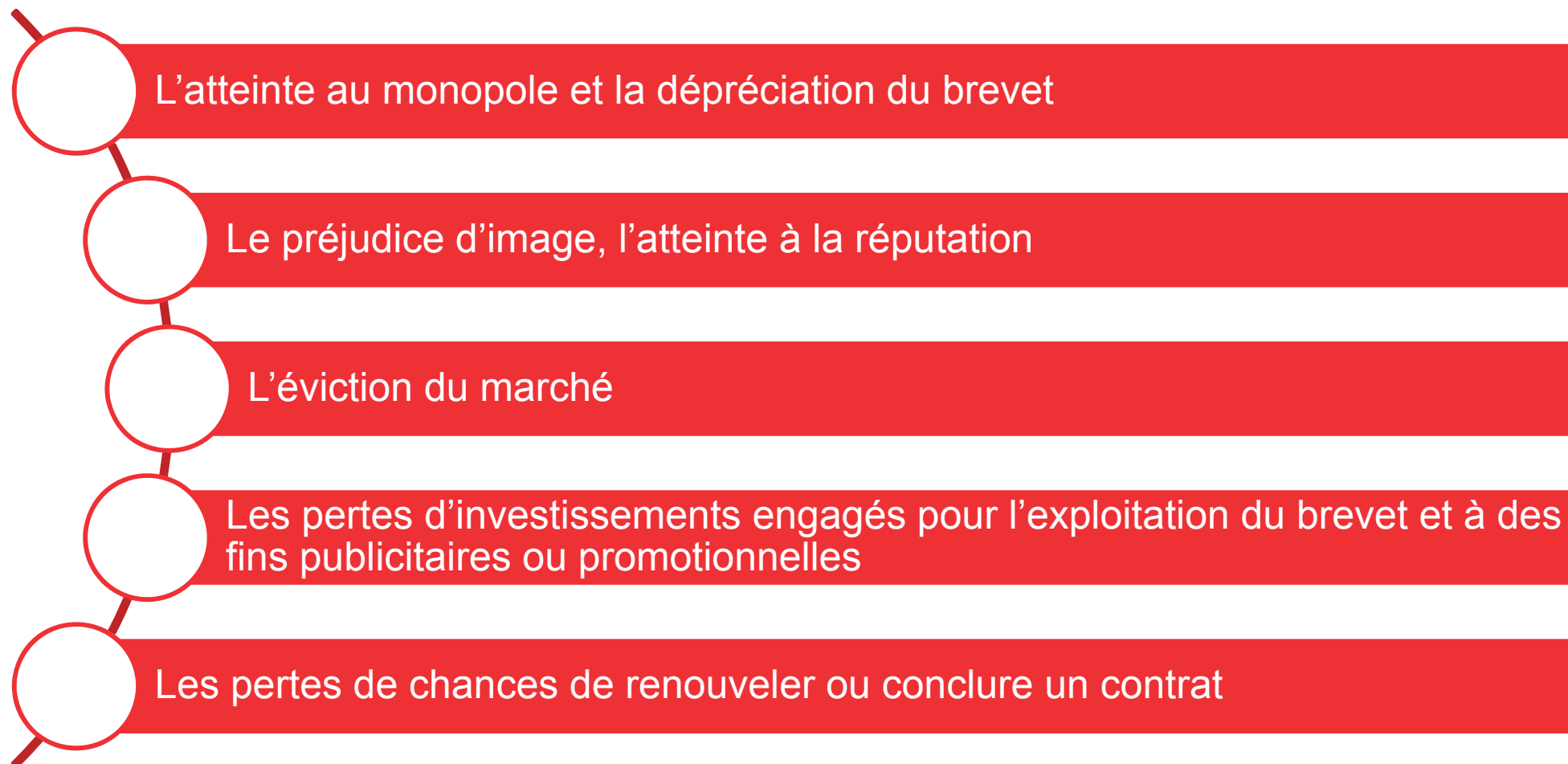
Si pas
d'exploitation du
brevet par la
victime, taux de
redevance
appliqué par le
titulaire de droit ou
généralement
pratiqué sur le
marché



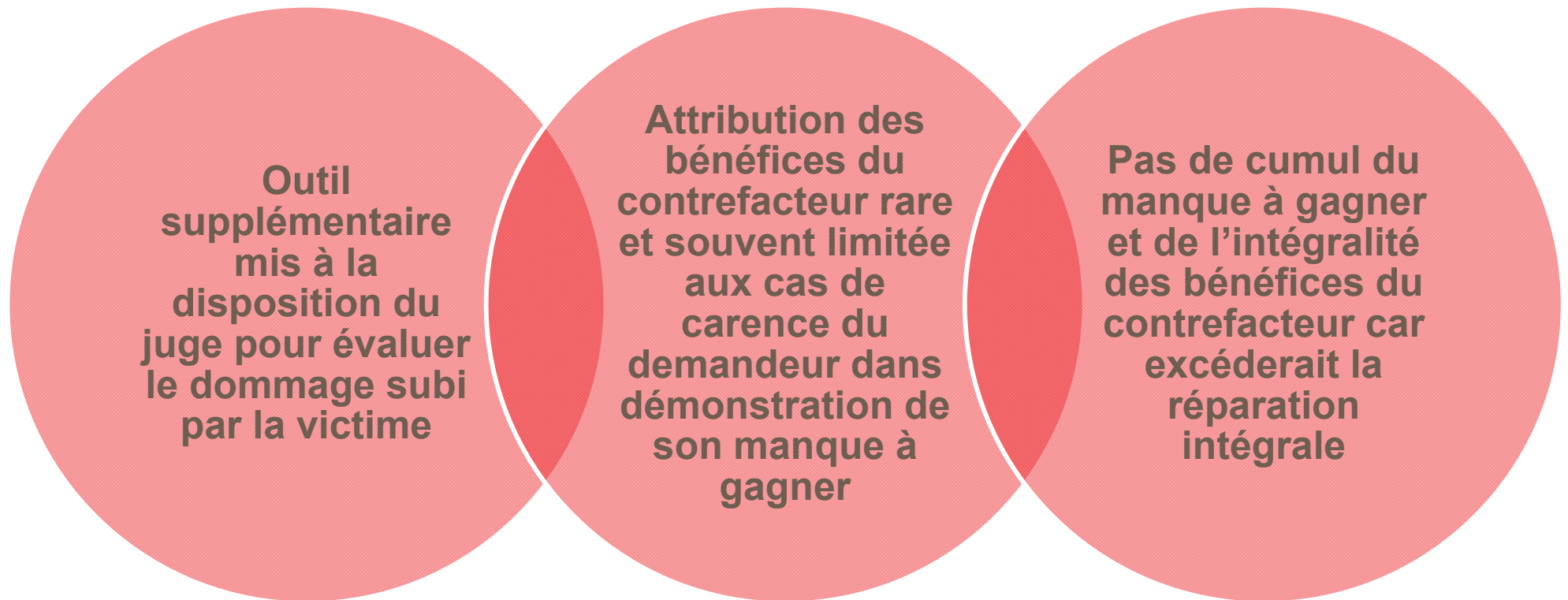
Pas d'obligation de limiter son préjudice

Les conséquences économiques négatives

Les pertes subies



Les bénéfices du contrefacteur



Le préjudice moral



Pas de logique punitive mais
dommage moral parfois important

Nature patrimoniale des chefs de
dommage moral invoqués par les
personnes morales

Parfois difficile de faire la différence
avec les conséquences
économiques négatives

Evaluation nécessairement
forfaitaire et subjective

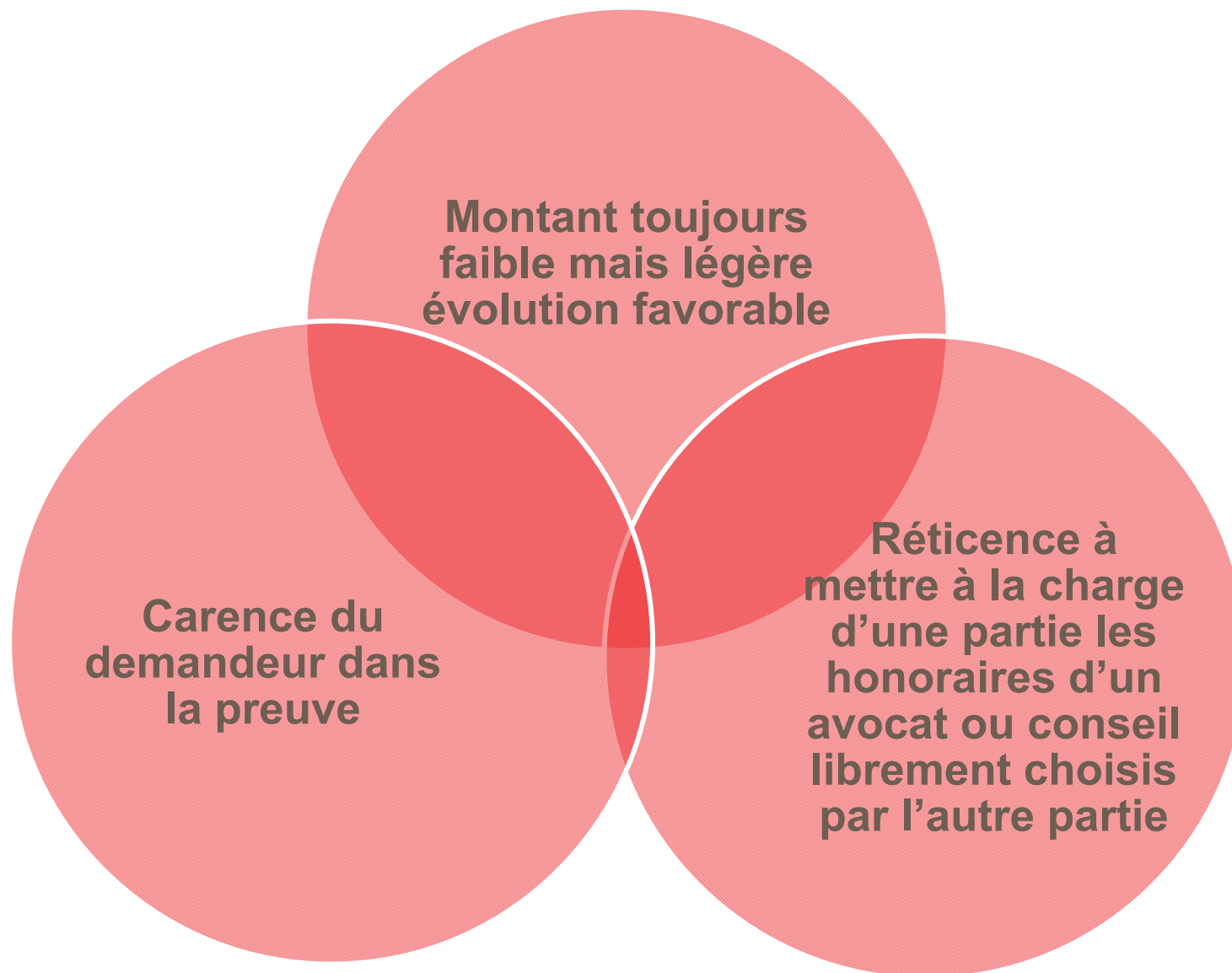
La redevance indemnitaire au titre de l'alinéa 2

- 
- A la demande de la partie lésée
 - Permet de contourner les difficultés liées à la preuve du préjudice subi


- 
- Référence au taux habituellement pratiqué sur le marché
 - Application d'un coefficient (de 2 voire de 3)

- 
- Peut se cumuler avec le préjudice moral


L'article 700 du Code de procédure civile



Le bilan de la loi du 11 mars 2014



Pas de changement
drastique (en particulier
pas de cumul du
manque à gagner du
titulaire de droit et de
l'intégralité des
bénéfices du
contrefacteur)



Une meilleure
justification par les
tribunaux des montants
alloués

De « nouveaux » chefs
de préjudice qui
devraient permettre à
terme une meilleure
réparation

2. Les bonnes pratiques

Tout au long du procès

Gain manqué et bénéfices du contrefacteur

- Utiliser les mesures d'instruction disponibles pour déterminer la masse contrefaisante ;
- En cas de refus du demandeur de divulguer sa marge, fonder principalement la demande sur les bénéfices réalisés par le contrefacteur ;
- Si la demande au titre du gain manqué est basée sur marge du demandeur, former une demande additionnelle au titre des bénéfices du contrefacteur mais sans demander la totalité (pondération).

Considérer tous les chefs de préjudice

- Perte de chance de fournir des services et pièces détachées ;
- Atteinte à l'image de la société et/ou du produit ;
- Chute des ventes, du chiffres d'affaires et de la marge (à condition de démontrer que cette chute est due à la contrefaçon) ;
- Eventuelles dépenses marketing nécessaires pour relancer le produit après la contrefaçon ;
- Bénéfice indû des investissements engagés par le titulaire : R&D et marketing ;
- Coût de la protection par le brevet ;
- Effet tremplin pour le contrefacteur.

Si le titulaire du brevet n'exploite pas

- Demander une redevance indemnitaire (au risque dans le cas contraire de voir sa demande de dommages-intérêts rejetée) ;
- Faire valoir l'impossibilité de faire fructifier redevances qu'il aurait dû percevoir.

A l'issue du procès : l'expertise ?

Lorsque le dossier le justifie, ne pas hésiter à demander la nomination d'un expert judiciaire :

- expliquer les raisons
- préciser sa mission.

En cas de demande d'expertise judiciaire, ne pas craindre de demander une provision importante :

- 1 million d'euros (CA Paris, 17 mai 2016),
- 1,7 millions (TGI Paris, 22 novembre 2013)
- et même 3 millions d'euros (CA Paris, 20 mars 2015)

Documenter les investissements et justifier ses demandes



En amont, documenter le plus possible des traces des frais engagés pour l'invention (frais de R&D; frais de lancement du produit; frais marketing, etc.) afin de tenter d'avoir des chiffres propres à chaque brevet.

Justifier davantage ses demandes financières :

- indiquer sa marge bénéficiaire, confirmée par un expert comptable ou CAC (tiers à la société) ou mandater un tiers évaluateur ;
- de manière générale: documenter toute demande financière qui est présentée ;
- ne pas hésiter à produire les factures des avocats et des CPI.

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