

# IP MARKETPLACE

Finnegan's monthly update on developments affecting licensing and other IP transactions

**June 2015**

## **Court Awards Costs to Accused Infringer Who Prevails on a Motion Even Though Its Supplier Subsequently Settles and Takes a License from the Patent Owner**

*by John C. Paul, D. Brian Kacedon, Mindy L. Ehrenfried, and Christopher L. McDavid*

In determining an award of litigation costs, a California court recently held that an accused patent infringer, which won summary judgment of noninfringement, was the prevailing party despite the fact that its co-defendant supplier later mooted the case by taking a license to the patents and stipulated that there would be no "prevailing party."

## **Patent Owner Cannot Recover Lost Profits Based on Lost Sales of Products Not Functionally Related to Patented Product, Lost Royalty Payments, or Lost Payments from Inter-Company Transfer-Pricing Agreements**

*by John C. Paul, D. Brian Kacedon, and Hongbiao (Bill) Yu, Ph.D.*

In determining the appropriate measure of patent-infringement damages, the Federal Circuit recently found that a patent owner is not entitled to receive the profits it lost on (1) sales of products co-packaged with its patented products, (2) royalty payments from its licensees, and (3) payments for the patented products received under a transfer-pricing agreement with a related company. First, the co-packaged product was not sufficiently related to the patented product to permit the patent owner to recover lost profits of the lost sales. Second, established law requires lost profits to be based on the patent owner's actual lost sales, not a related company's lost sales. Finally, the transfer-pricing agreement did not indicate what percentage of the payments was attributable to the patented products versus other products and fees. Because none of the revenue streams was eligible as a base for lost profits, the court vacated the lost-profits damages award and remanded the case to the district court to determine a reasonable royalty for the patent-infringement damage.

## **A Settlement Agreement May Be Enforceable Even When Executed After the Signing Deadline**

*by John C. Paul, D. Brian Kacedon, and Kevin D. Rodkey*

A plaintiff executed a settlement agreement received from the defendants, but later asserted that its acceptance of the agreement was contingent upon the defendants' execution of the settlement by a specified deadline. Even though the

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Patents for Financial Services  
July 22-23, 2015

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defendants failed to sign by the deadline, the court enforced the agreement, finding that the signing deadline was not a material term of the settlement.

## **Licensee May Challenge Patent Validity and Infringement in Royalty Dispute When Royalties Are Tied to the Practice of the Licensed Patents**

*by John C. Paul, D. Brian Kacedon, and Andrew E. Renison*

A California court recently denied a licensor's motion to dismiss the licensee's counterclaims for patent invalidity and noninfringement. The parties disputed the amount of royalties owed by the licensee under a license agreement after the sole patent covered by the agreement expired. The licensor filed suit for breach of contract for failure to pay adequate royalties and the licensee filed patent-related counterclaims. The court found that it could hear the patent-related counterclaims because the payment of royalties under the agreement was tied to the practice of the licensed patents and thus resolving the contract dispute would require the court to determine the validity and scope of the patents.

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