

No. 17-804

IN THE
SUPREME COURT OF THE UNITED STATES

EVE-USA, INC., SYNOPSIS EMULATION AND
VERIFICATION, S.A.S., SYNOPSIS, INC.,

Petitioners,

v.

MENTOR GRAPHICS CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF OF *AMICUS CURIAE*
INTELLECTUAL PROPERTY LAW
SCHOLAR IN SUPPORT OF
PETITIONERS**

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**STATEMENT OF INTEREST OF *AMICUS*
*CURIAE*¹**

Amicus curiae Eric E. Bensen is the author or coauthor of a number of intellectual property law treatises and other works² and has, beginning in 2005 and continuing through the present, written extensively about the apportionment requirement for patent damages. He has no interest in the outcome of this matter. However, he has a strong interest in seeing patent law develop in a consistent and positive way.

SUMMARY OF ARGUMENT

Damages for patent infringement must be based on the value of the patented invention, not the value of the larger article that incorporates the invention. This Court has so held on numerous

¹ No party's counsel authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus* made a monetary contribution intended to fund its preparation or submission. All of the parties received notice of *amicus*' intent to file this brief 10 days before its filing and all parties have consented to its filing.

² *E.g.*, ERIC E. BENSEN, PATENT LAW PERSPECTIVES (Matthew Bender), ROGER M. MILGRIM & ERIC E. BENSEN, MILGRIM ON TRADE SECRETS (Matthew Bender), ROGER M. MILGRIM & ERIC E. BENSEN, MILGRIM ON LICENSING (Matthew Bender), HAROLD EINHORN & ERIC E. BENSEN, PATENT LICENSING TRANSACTIONS (Matthew Bender), ERIC E. BENSEN, NEW YORK INTELLECTUAL PROPERTY LAW (LexisNexis). A complete list is available at www.ericbensen.com.

occasions. Applying that bedrock principle, this Court has repeatedly held that where a patentee seeks to recover its lost profit from lost sales of an article due to an infringement of its patent, the patentee has the burden of “apportionment.” That is, the patentee has the burden of identifying the *portion* of its lost profit that would have been attributable to the value of its patented invention as opposed to the value of the article’s unpatented components. It is only that portion that a patentee seeking a lost profits award may recover as damages under the Patent Act. Were it otherwise, a patentee could use a patent on a small feature to restrict the sale of goods that would otherwise trade freely in the marketplace.

In the decision below, the patent at issue claimed only a feature of an “emulator,” a complex device used to test microchips. *Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275, 1281-82 (Fed. Cir. 2017). Nonetheless, the Federal Circuit affirmed the lower court’s award of the patentee’s *entire* lost profit on its lost sales of its emulators. *Id.* at 1288. In reaching that conclusion, the court held that satisfaction of the so-called “*Panduit*” factors satisfies the apportionment requirement. *Id.* at 1290 (“We conclude that, when the *Panduit* factors are met, they incorporate into their very analysis the value properly attributed to the patented feature.”) (discussing the test for proof of causation of lost profits for patent infringement set out in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978)). However, as discussed more fully below, the *Panduit* factors require a patentee

only to establish that but for the infringement, it would have made some number of additional sales and to establish the *total* profit that it would have made on those sales. It requires nothing more. That is, satisfaction of the *Panduit* factors does not require satisfaction of the apportionment requirement.

If *Mentor Graphics* stands, *no* patentee that seeks to recover its lost profit from infringement will be required to abide by this Court's holdings respecting apportionment. The petition for certiorari should be granted to correct the Federal Circuit's error.

ARGUMENT

I. A PATENTEE MAY RECOVER ONLY THE PORTION OF ITS LOST PROFIT FROM AN INFRINGEMENT THAT WOULD HAVE BEEN ATTRIBUTABLE TO THE PATENTED INVENTION.

A. In Every Case Where a Patentee Seeks a Monetary Recovery, the Patentee Has the Burden of “Apportionment”.

“Apportionment” is simply the rule that “[w]here the infringement is confined to a part of the thing sold, the recovery must be limited accordingly.” *Philp v. Nock*, 84 U.S. 460, 462 (1873). This Court first recognized the apportionment requirement in 1854 in *Seymour v. McCormick* where it held that the “mode of ascertaining actual damages must

necessarily depend on the peculiar nature of the monopoly granted.” 57 U.S. 480, 489 (1854). As this Court explained, where the patented invention is a new composition of matter or a complete new machine, the patentee can choose to keep “a close monopoly, forbidding any one to compete with him in the market” and, thus, the entire profit on the matter or machine would be a fair measure of the patentee’s damages. *Id.* However, where the patented invention is an improvement to an existing device, for example, a new component for an existing multi-component device, the patentee can prohibit competition only for the improvement and the patentee’s recovery must be limited accordingly. *Id.* (“[O]ne who invents some improvement in the machinery of a mill could not claim that the profits of the whole mill should be the measure of damages for the use of his improvement.”).

In the following years, this Court repeatedly addressed the apportionment requirement, each time placing the burden of apportionment squarely on the patentee.³ In *Garretson v. Clark*, this Court succinctly summarized the rule: “The patentee ...

³ This Court addressed apportionment in at least two-dozen decisions between 1854 and 1915. See 4 ERIC E. BENSON, PATENT LAW PERSPECTIVES § 5.2[1A][a] (Matthew Bender 2017) (“BENSON”). Those decisions pre-date the current patent damages statute, 35 U.S.C. § 284, but that statute was codified as part of the 1952 Patent Act, which, in turn, was intended to merely reorganize and clarify then-existing patent law. *E.g.*, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1930 (2016) (discussing the history of the patent damages statute, 35 U.S.C. § 284).

must in *every case* give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features" 111 U.S. 120, 121 (1884) (quoting the decision of the lower court) (emphasis added).⁴

The policy underlying the apportionment requirement is straightforward and well grounded. It has long been recognized that the Patent Act strikes a careful balance between the need to promote innovation and the need to protect free competition. *Kendall v. Winsor*, 62 U.S. 322, 327-28 (1859) (the monopoly granted to a patentee "was never designed for [the patentee's] exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly"); *see also*

⁴ The apportionment requirement obtains in a variety of scenarios, each of which necessitates a somewhat different analysis. BENSEN § 5.2[1A][b]. For example, where the patent in substance claims an entirely new marketable article, apportionment is necessarily satisfied. *E.g.*, *Hurlbut v. Schillinger*, 130 U.S. 456, 472 (1889) (the entire value of the defendant's device was attributable to the patent at issue where that patent was for a "complete combination in itself"). Where the patent claims an improvement to a process that reduces production costs, the cost reduction represents the patent's apportioned value. *E.g.*, *Tilghman v. Proctor*, 125 U.S. 136, 146 (1888) ("If ... the unauthorized use by the defendant of a patented process produced a definite saving in the cost of manufacture, he must account to the patentee for the amount so saved."). This Brief focuses on the scenario addressed by the decision below, *i.e.*, a patent that claims a new feature for an already marketed article.

Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 230-31 (1964) (“[T]he patent system is one in which uniform federal standards are carefully used to promote invention while at the same time preserving free competition.”). However, in the absence of apportionment, “the smallest part is made equal to the whole, and ‘actual damages’ to the plaintiff may be converted into an unlimited series of penalties on the defendant.” *Seymour*, 57 U.S. at 490-491. That is, in the absence of apportionment, a manufacturer faces the possibility of having to pay an amount that far exceeds the value of what it might unknowingly take from a patentee.⁵ That possibility naturally disserves the public by creating a heightened risk for a manufacturer looking to enter a new market. Requiring apportionment, on the other hand, strikes the sought-after balance by allowing a patentee to recover the *entire* profit attributable to its invention, but not the profit attributable to the underlying article, which others may freely trade in.

⁵ A defendant need not have knowingly copied a patented invention to be liable for direct infringement, *i.e.*, the “defendant’s mental state is irrelevant” to the question. *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. 1920, 1926 (2015).

B. Only in Exceptional Cases Can the Entire Profit on an Article Be Properly Attributed to Its Patented Component or Feature for the Purpose of Calculating Damages for Infringement.

Where a patent claims a component or feature of an article, the patentee may only obtain a recovery based on the article's *entire* value if the patentee can establish that the entire market value of the article is properly attributable to the feature or component. This rule, too, was succinctly stated in *Garretson* where this Court held that a patentee must either apportion or “show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.” 111 U.S. at 121 (quoting the lower court). That rule is commonly referred to as the “entire market value rule” (“EMVR”).⁶

⁶ The decision below did not expressly address the EMVR. However, in a concurrence to a denial of a motion for a rehearing en banc, Judge Stoll made explicit what one might reasonably infer from the panel's decision: the panel believed that the patentee could have satisfied the EMVR through evidence that the patentee's customer would not have purchased emulators without the patented feature. *Mentor Graphics Corp. v. EVE-USA, Inc.*, 870 F.3d 1298, 1300 (Fed. Cir. 2017) (Stoll, J., concurring) (discussing the EMVR as stated in *Garretson*). However, as will be discussed, even evidence that an article with a patented improvement has displaced the unimproved article in the marketplace does not

To satisfy the EMVR, a patentee must do more than merely establish that the patented feature was important or even central to a consumer's decision to purchase the article: it must establish that without its patented feature, the underlying article at issue would have had *no value* in the relevant market. This Court's earliest EMVR decision, *Manufacturing Co. v. Cowing*, still provides one of the best illustrations of the proper application of the rule. The patent at issue claimed an improvement to a gas pump for oil wells that gave the pump a functionality not possessed by unimproved gas pumps. 105 U.S. 253, 255 (1882). That functionality, in turn, made the pump useful in two markets where the unimproved pumps had no utility. *Id.* at 256. For apportionment purposes, then, in those markets the patented invention was analogous to an entirely new machine in the sense that had “the appellant kept the control of its monopoly under the patent, it alone [would have] had the advantage of th[e] market.” *Id.* at 256; *cf. Seymour*, 57 U.S. at 489. Accordingly, this Court held that as to lost sales in those markets only, the patentee was entitled to recover the infringer's entire profit on the infringing sales. 105 U.S. at 256.

However, in so holding, this Court took care to note that the case before it was “exceptional” because of its unusual facts, namely, that the improved pumps could be used in certain markets

satisfy the EMVR because such evidence does not address the value contributed by the article's unpatented components.

where the unimproved pumps had no utility. 105 U.S. at 256. And, in fact, *Manufacturing Co.* represents a very narrow exception to the apportionment requirement. As this Court there explained, apportionment *is* required if “without the [patented] improvement, a machine adapted to the same uses can be made which will be valuable in the market, and salable.” 105 U.S. at 255. In other words, the EMVR *cannot* be satisfied if a patent claims an improvement to an article that has already been sold in the relevant market. The wisdom of that rule cannot be doubted: if an article without the patented improvement had value in the relevant market, the entire value of the improved article obviously cannot be attributed solely to the patented feature. As this Court observed in *Dobson v. Hartford Carpet Co.* (where the patent at issue was on a pattern for a carpet), to ignore the value of the underlying article in a lost profit analysis is to ignore apportionment altogether:

The carpet with the infringing design may be made on an infringing loom, and various infringing processes or mechanisms for carding, spinning or dyeing may be used in making it, and, if the entire profit in making and selling it is necessarily to be attributed to the pattern, so it may as well, on principle, be attributed to each of the other infringements, and a defendant might be called on to respond many times over for the same amount.

114 U.S. 439, 444 (1885).⁷

The foregoing is no less true where an article with a patented improvement entirely displaces the unimproved version of the article in the marketplace. This principle was aptly explained in *Whitney v. Mowry*, 29 F. Cas. 1102, 1104 (6th Cir. 1868). There, the court gave the hypothetical example of a patented improvement to the internal ornamentation of a railroad car to illustrate the “pretty hard measure of justice” that would result if a patentee’s recovery were based on the entire railroad car simply because railroad cars with the patented invention happened to “strike the public taste” in such a way that “nobody would buy the [railroad car] without the invention.”⁸ *Id.* at 1104.

In fact, in the landmark *Garretson* case, the

⁷ In response to *Dobson*, Congress passed the predecessor to 35 U.S.C. § 289 to eliminate the apportionment requirement for design patentee holders who seek to recover an infringer’s profits. See *Nike Inc. v. Wal-Mart Stores*, 138 F.3d 1437, 1441-42 (Fed. Cir. 1998). Notably, Congress did not change the apportionment requirement for utility patent holders or even design patent holders who sought to recover their lost profits.

⁸ At a later stage of the same litigation, this Court rejected the patentee’s argument that the entire profit on a railroad wheel could be attributed to a patented process that was necessary to the manufacture of the wheel because, were that the rule, the entire profit could equally be attributed to each of the other processes needed to manufacture the wheel and “an infringer might be mulcted in several times the profits he had made from the whole manufacture.” *Mowry v. Whitney*, 81 U.S. 620, 650-51 (1872).

lower court had rejected the patentee's argument that it was entitled an award based on the entire value of the mops at issue because mops with the patented feature had driven other mops off the market. *Garretson v. Clark*, 10 F. Cas. 40, 43 (C.C.N.D.N.Y. 1878) (“[T]he plaintiff ... assumes, without sufficient evidence, that the market for the plaintiff's mop was made solely by the fact that the mop contained the improvements patented by the plaintiff's patents. This would not follow, even from the fact that the mop, with such improvements, had driven other mops out of the market.”); *aff'd*, 111 U.S. 120 (1884) (affirming the lower court's award of nominal damages). Were it otherwise, “a small improvement on a costly machine [would] draw to itself very large profits, entirely out of proportion to the relation existing between the improvement and the rest of the machine” *Id.* at 43.

In sum, the EMVR is satisfied only where the improvement to an article claimed by the patent allows the patentee to reach a market where the article in its unimproved form had no value whatsoever. It is only then that the “entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.” *Garretson*, 111 U.S. at 121.

C. This Court has Repeatedly Held That a Patentee Seeking to Recover an Award of Lost Profits Must Satisfy the Apportionment Requirement.

As it happens, a lost profits award was at issue in *Seymour*⁹ where, as discussed *supra* § I.A, this Court first recognized the apportionment requirement. The patent at issue claimed an improvement to a reaping machine. 57 U.S. at 485. The lower court had instructed the jury that “as to the measure of damages the same rule is to govern, whether the patent covers an entire machine or an improvement on a machine.” *Id.* at 491. However, for the reasons discussed above, this Court concluded that such an instruction was “very grave error” and, consequently, reversed the award. *Id.*

In *Dobson*, plaintiff had been awarded its entire lost profit on the carpet sales that it lost due to infringement. 114 U.S. at 443. However, the award “not only violate[d] the statutory rules of ‘actual damages’ ... but confound[ed] all distinctions between cause and effect.” *Id.* at 445-46. Drawing on a broad array of its earlier apportionment decisions, this Court expressed its concern that if the entire profit on a carpet could be attributed to its

⁹ The patentee had nominally sought to recover the infringer’s profits, but sought those profits as an approximation of its own lost profits. 57 U.S. at 487 (quoting the lower court’s instruction to the jury to the effect that the jury could use the defendant’s profit on the infringing machines to approximate the patentee’s lost profits).

patented design, then the entire profit could also be attributed to *each* of the carpet's other features. *Id.* at 444-45. Were that permitted, a defendant could be called on to pay over an amount that far exceeded the value of the patents that it had infringed. *Id.* at 444. Accordingly, “[t]here is but one safe rule -- to require the actual damages or profits to be established by trustworthy legal proof.” *Id.*

In *Blake v. Robertson*, the patentee sought to recover his entire lost profit from an infringement, but offered no evidence to show how much of that profit was attributable to the patented component of his machine as opposed to its other components. 94 U.S. 728, 733-34 (1877). Accordingly, the Court affirmed an award of nominal damages. *Id.* at 734. “It would have been error to give more.” *Id.*

In *Yale Lock Manufacturing Co. v. Sargent*, the patentee sought price erosion damages, a form of lost profit. 117 U.S. 536, 552 (1886). The patented invention was “the essential feature” of the patentee’s lock and because of the infringement, the patentee had to lower its prices to maintain its sales. *Id.* at 553. However, the Court approved the master’s reduction of the patentee’s lost profit to account for, among other things, the value of a feature of the defendant’s lock claimed by a third party’s patent.¹⁰ *Id.*

¹⁰ Had the defendant not infringed the third party’s patent, the defendant’s lock would not have been as competitive as it was, which, in turn, would have allowed the patentee to maintain a higher price than it did. In that sense, only part of

D. A Patentee Does Not Satisfy the Apportionment Requirement Merely by Establishing That It Would Have Made Additional Profit but for the Infringement.

In each of the lost profit decisions discussed above, there was no question that the patentee had lost sales due to a defendant's infringement. That is, in modern parlance, each patentee had established "but for" causation. Yet, in each case, this Court held that it was the patentee's burden to establish the portion of its lost profit that would have been attributable to the patented invention. In that respect, those cases illustrate a simple truth: establishing "but for" causation is merely a *threshold* requirement for obtaining a lost profits award. To recover lost profits, a patentee must *additionally* satisfy the apportionment requirement. Were it otherwise, there would be no apportionment requirement at all: a patentee that could establish "but for" causation would, contrary to this Court's precedent, necessarily be entitled to recover its *entire* lost profit.

the patentee's price reduction was due to the infringement of its patent; the remainder was due to the infringement of the other patent.

II. THE DECISION BELOW PERMITS A PATENTEE TO RECOVER ITS ENTIRE LOST PROFIT FROM AN INFRINGEMENT BY ESTABLISHING ONLY “BUT FOR” CAUSATION.

The decision below concluded that “satisfaction of the *Panduit* factors satisfies principles of apportionment. ...” 851 F.3d at 1288. More specifically, in reference to the first two *Panduit* factors (discussed below), the court concluded that “requiring patentees to prove demand for the product as a whole and the absence of non-infringing alternatives ties lost profit damages to specific claim limitations and ensures that damages are commensurate with the value of the patented features.” *Id.* at 1285. In actuality, satisfaction of the *Panduit* factors establishes only that but for the infringement, the patentee would have made some amount of additional total profit. Satisfaction of the *Panduit* factors sheds no light on the portion of the patentee’s profit that would have been attributable to the patented invention.¹¹

¹¹ The decision below acknowledged that “apportionment is an important component of damages law generally” and “is necessary in both reasonable royalty and lost profits analysis.” 851 F.3d at 1287. However, as will be discussed, the court nonetheless disregarded the apportionment requirement by affirming an award of the patentee’s entire lost profits based on a showing of nothing more than “but for” causation. In that respect, the decision was not a clear departure from the court’s existing precedent. *See, e.g., Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (“To recover lost profits damages, the patentee

As originally articulated, the *Panduit* test requires a patentee seeking to recover lost profits due to infringement to establish “(1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) capability to exploit the demand, and (4) the amount of the profit he would have made.” 575 F.2d at 1156. Some clarification of the *Panduit* test is in order.

The first, somewhat ambiguous, factor in substance requires the patentee to establish that the patented and infringing products were sufficiently similar to compete against each other for the same customers. *BIC Leisure Prods. v. Windsurfing Int'l*, 1 F.3d 1214, 1219 (Fed. Cir. 1993) (“If the [patented and infringing] products are not sufficiently similar to compete in the same market for the same customers, the infringer's customers would not necessarily transfer their demand to the patent owner's product in the absence of the infringer's product.”).

must show a reasonable probability that, ‘but for’ the infringement, it would have made the sales that were made by the infringer.”); *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255, 1263-64 (Fed. Cir. 2013) (“Lost-profits damages are appropriate whenever there is a ‘reasonable probability that, ‘but for’ the infringement, [the patentee] would have made the sales that were made by the infringer.”) (quoting *Rite-Hite*); *Grain Processing Corp. v. American Maize-Products Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999) (“To recover lost profits, the patent owner must show ‘causation in fact,’ establishing that ‘but for’ the infringement, he would have made additional profits.”).

The articulation of the second factor actually misrepresents the substance of the rule. Properly applied, the *Panduit* test does not *require* an absence of noninfringing alternatives to the patented and infringing products to recover lost profits. In a market with a noninfringing alternative, both the patentee and the seller of the alternative would have made additional sales in absence of the infringing article. The question is, what *portion* of those sales would the patentee have made? *Id.* at 1219 (“[A] patent owner may satisfy the second Panduit element by substituting proof of its market share for proof of the absence of acceptable substitutes.”). To illustrate, if the patentee and the seller of a noninfringing alternative would each have had one half of the market in the absence of the infringing product, the patentee would presumably have made one half of the sales made by the defendant had the defendant not infringed. *Cf. State Industries, Inc. v. Mor-Flo Industries, Inc.*, 883 F.2d 1573, 1577-79 (Fed. Cir. 1989) (applying a similar logic to permit the patentee to recover lost profits notwithstanding the presence of a noninfringing alternative in the relevant market). Thus, the second *Panduit* factor in practice merely requires that the patentee quantify the *portion* of defendant’s sales that it would have made absent infringement (which share would be 100% in the absence of noninfringing alternatives, but something less had there been a noninfringing alternative on the market).

With the foregoing in mind, the *Panduit* test, in plain English, requires that to recover a lost profits award, a patentee must establish: (1) that the

patented and infringing articles competed for the same consumers, (2) the portion of the defendant's sales that it would have made in the absence of defendant's infringement, (3) its capability to have made that portion of defendant's sales, and (4) the total profit that it would have made on those sales.¹² The *Panduit* test requires nothing more. Thus, a patentee can satisfy the *Panduit* test without ever identifying the *portion* of its lost profit that would have been attributable to the patented invention (or establishing that it is entitled to the benefit of the EMVR).¹³

¹² The panel “[e]ft for another day whether a different theory of ‘but for’ damages adequately incorporates apportionment principles,” 851 F.3d at 1288, but that day will not come. Properly understood, there is nothing magical about the *Panduit* factors; they merely set forth in detail what a patentee in any case has to establish if it relies on *circumstantial* evidence to prove a lost profits claim. The only alternative would be for the patentee to offer direct lost profit evidence, *e.g.*, by having defendant's customers testify about the bases of their purchase decisions. However, if the Federal Circuit saw no need to require apportionment where circumstantial evidence of lost profits is offered, it would have no basis to require apportionment where direct evidence of lost profits is relied on.

¹³ A test for lost profits that properly accounts for *both* causation and apportionment would require the patentee to establish: (1) that the patented and infringing articles competed for the same customers, (2) the portion of defendant's sales that it would have made absent the infringement, (3) its capability to have made that portion of defendant's sales, (4) the total profit it would have made on that portion of defendant's sales and (5) the portion of that profit that would have been attributable to the patented invention.

III. THE DECISION BELOW CANNOT BE RECONCILED WITH THIS COURT'S PRECEDENT.

Perhaps the most striking thing about the decision below is that the Federal Circuit's holding was, in substance, precisely that rejected by this Court in *Seymour*. The decision below held that “[w]hen a patentee proves it would have made additional sales but for a defendant's infringement, *the patentee is entitled to be made whole* for the profits it proves it lost.” 851 F.3d at 1284 (emphasis added). Under that rule, it makes no difference whether a patent claims an entire article or only a component or feature of an article: in either case, as long as the patentee can establish that it would have made additional sales but for the infringement, it will be entitled to recover its entire lost profit. Similarly, in *Seymour*, the lower court had instructed the jury that:

It has been suggested by the counsel for the defendants, that inasmuch as the claims of the plaintiff in question here are simply for improvements upon his old reaping machine and not for an entire machine and every part of it, the damages should be limited in proportion to the value of the improvements thus made, and that therefore a distinction exists, in regard to the rule of damages, between an infringement of an entire machine and an infringement of a mere improvement

on a machine. I do not assent to this distinction. On the contrary, *according to my view of the law regulating the measure of damages in cases of this kind, the rule which is to govern is the same whether the patent covers an entire machine or an improvement on a machine.*

57 U.S. at 486 (emphasis added). Measured against the Federal Circuit's holding, that instruction would have been proper. However, it was *that very instruction* that this Court held to be "grave error" because it ignored the apportionment requirement. *Id.* at 491.

In the decision below, the Federal Circuit labored under the belief that the apportionment requirement may be met by evidence that there were no noninfringing alternatives to the patented article. 851 F.3d at 1287 (summarizing the evidence offered by the patentee). In actuality, the absence of a noninfringing alternative has no bearing on a patentee's satisfaction of the apportionment requirement. This can be easily illustrated. Take the case of a patent that claims an improvement to an existing article. If the absence of noninfringing alternatives were due to the improved article's having value in a market where the unimproved article had no utility, apportionment would not be required because the EMVR would apply. *See supra* § I.B. However, if the absence of noninfringing alternatives were due to the improved article's displacing the unimproved article in the market,

apportionment *would* be required to account for the value attributable to the article's unpatented components. *Id.* On the other hand, in the case of a patent on an entirely new article, the patentee would be able to recover its entire lost profits even in the presence of a noninfringing alternative. *See supra* § I.A (discussing *Seymour*); *see also Elizabeth v. Pavement Co.*, 97 U.S. 126, 141-142 (1878) (because the patented article, a pavement block, was “a complete combination in itself, differing from every other pavement,” the patentee could recover the infringers' entire profit on their infringing pavement blocks even though the patented blocks represented only a small improvement over those that were already available to the public). In short, while the absence or presence of a noninfringing alternative is relevant to the question of how many sales the patentee lost, *see supra* § II, it says nothing about the portion of the patentee's profit on those sales that would have been properly attributable to the patented invention.

In support of its holding, the decision below cited this Court for the proposition that “damages adequate to compensate” in the patent damages statute, 35 U.S.C. § 284, constitute “the difference between [the patentee's] pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred.” 851 F.3d at 1283-84 (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964), which, in turn, quoted *Yale Lock*, 117 U.S. at 552). It cited to another decision for the proposition that 35 U.S.C. § 284, means “full compensation for ... any

damages the [patent owner] suffered as a result of the infringement.” 851 F.3d at 1283 (quoting *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654-55 (1983)). However, the Federal Circuit took those quotes without considering the holdings of the cases from which they were taken. In each case, the quoted language merely addressed the availability of a specific *category* of monetary relief for infringement. *Gen. Motors Corp.*, 461 U.S. at 655 (a patentee may recover prejudgment interest); *Aro Mfg. Co.*, 377 U.S. at 512 (a patentee that has been compensated for its loss from a direct infringement may not separately recover from one who has contributed to that infringement); *Yale Lock*, 117 U.S. at 552 (a patentee may recover price erosion damages). In not one of those decisions did this Court reject or even limit the apportionment requirement. In fact, in *Yale Lock*, the only one of the decisions to actually address apportionment, this Court *affirmed* the master’s apportionment of the patentee’s lost profit. *See supra* § I.C. Simply put, the notion that a patentee is entitled to “full compensation” is not inconsistent with the apportionment requirement.

The Federal Circuit further justified its holding with this remarkable assertion: “The goal of lost profit damages is to place the patentee in the same position it would have occupied had there been no infringement. In this regard, *lost profit patent damages are no different than breach of contract or general tort damages.*” 851 F.3d at 1285 (emphasis added). But, of course, patent damages *are* different from state law damages. Self evidently, patent

damages are determined under the Patent Act, which preempts “other fields of law” with respect to inventions. *E.g.*, *Sears, Roebuck & Co.*, 376 U.S. at 230-31. It follows that compensatory damages for patent infringement *must* be treated differently from other forms of compensatory damages if the Patent Act so requires. As discussed at length above, it certainly does.

CONCLUSION

For the reasons stated above, *amicus curiae* respectfully urges the Court to grant the petition for certiorari.

Respectfully submitted,

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