

Calculation and FRAND principles in IP disputes in the US and Europe

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Reminder

- **IP damage calculations** are part of **IP infringement remedies** and aligned with **general civil law damages** and differ :
- **Across countries** – esp. bw EU and USA and China
- **Over time** (harmonization,treaties–esp. TRIPS and IPRED)
- **Across IPRs** (patents, trade secrets, TM,©, designs,data,..)
- **Country convergence** exists but also **convergence bias** in comparative law studies

EUs IPR Enforcement Directive (IPRED) 2004 states

Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rights' holder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement. When the judicial authorities set the damages:

- (a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rights' holder by the infringement; or
- (b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorization to use the intellectual property right in question. (EU Dir. 2004/48/EC.)

US Patent Act 2012, Section 284, states:

- 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. When the damages are not found by a jury, the court shall assess them.

Broad categories of patent infringement remedies with the purpose to:

1. Compensate the victim through:

Restore or repair, esp. w.r.t. lost profits

Prevention of future harm, esp. through injunctions or royalties

2. Ensure infringement does not pay, esp. w.r.t. unfair (unjust) profits

3. Punish to deter others (esp. via punitive damages or fines)

4. Uphold respect for the rule of law

5. Stimulate invention

(Source: Ewing, T: Remedies in Patent Infringement Cases Worldwide. Unpublished working paper in Comparative IP Law, Chalmers Univ. of Technology, 2016)

Major issues in IP damage calculations

- Lost profits
- Reputational harm
- Non-economic losses
- Receiver of damages awarded
- Unjust profits
- Outcome of license negotiations (hypothetical ex ante or post-verdict), bargaining positions, licensing propensity, and comparable, established and/or reasonable royalty rate and base
- When damages start to accrue (actual infringement or notice; max e.g. 5 or 6 years back)
- Willfulness
- Negligence
- Component/feature/product/system value apportionment
- Entire market valuation and existence of sub-markets
- Availability of substitutes
- Whether patentee works the patented invention
- Patentee's efforts to prevent infringement
- The patentee's options for damage calculation method to be applied by the court
- Interest rate

Main differences in IP damage calculations in USA and Europe

- Punitive damages and willfulness exist in USA but not in Europe
- Unjust profits seldom awarded but more common in USA
- Loser pay attorney fees in Europe but seldom in USA (although the pending Shield Act proposes a scheme for fee shifting in the USA)
- Evidence burden, standards, value and collection procedures
- Higher level of detail in damage calculations in the USA , e.g. Application of various tests and Georgia Pacific factors
- Country differences in Europe larger than state differences in the USA
- Moral prejudice/rights carries more weight in Europe
- Higher litigation frequency, costs and damage awards in the USA
- Higher involvement of economics in law in the US (the Law and Economics tradition)