

Damages Retrial Awarded After CAFC Decision Issues Mid Trial

Epistar Corporation v. Lowes Companies, Inc., et al., 17-CV-03219 (CD CA Oct. 25, 2022)

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Following a nine-day jury trial, the district court granted the plaintiff's request for a new trial on damages. The basis for the grant of a new trial on damages was the Federal Circuit's (CAFC) decision in *Omega Patents, LLC v. CalAmp Corp.*, 13 F.4th 1361 (Fed. Cir. 2021).

The CAFC, in its *Omega* decision, ultimately granted, *inter alia*, the defendant's motion for a new trial on damages. The motion was granted for two reasons: (1) the district court's refusal to permit the defendant's expert to offer rebuttal testimony; and (2) in utilizing prior license agreements to support its damages theory, the plaintiff had not provided sufficient evidence addressing the similarities and differences between the instant hypothetical negotiation and the prior license agreements to allow the jury to use the prior license agreements as a basis for its damages award. Focusing on the second grounds, which was the basis for the district court's decision in the *Epistar* case, the CAFC started with the principle that "the patentee must in every case give evidence tending to separate or apportion ... the patentee's damages between the patented feature and the unpatented feature." 13 F.4th at 1376. That said, apportionment may not be necessary when a sufficiently comparable license is used as the basis for determining the appropriate royalty. The patentee has the burden to demonstrate that the prior license agreements are comparable. And the CAFC found that the patentee had not demonstrated that the licenses were comparable because the patentee did not account for any distinguishing facts when discussing the prior licenses.

Turning back to the *Epistar* case, the plaintiff sought a new trial on damages because the CAFC's *Omega* decision did not issue until three years after plaintiff's damages expert issued his report, and so the legal principles included therein could not have been considered. Plaintiff also argued that the defendant failed to raise its expert's failure to comply with the principles of *Omega* until the fourth day of trial, after the damages experts' had testified. The defendants argued that plaintiff waived the ability to introduce any new damages theories by not introducing them at trial. The defendant also argued that apportionment was always required and so the plaintiff should have used the apportionment principles outlined in *Omega*, even though the *Omega* decision did not issue until three years after plaintiff's damages expert reports were issued.

The district court rejected the defendant's arguments, finding that the defendant should have raised the *Omega* decision prior to the testimony of plaintiff's damages expert. Further, the district court rejected defendant's argument that *Omega* did not impact the law of apportionment, finding that "it provided clarity on what is required to prove a reasonable royalty based on a comparable licensing approach where apportionment is relevant. Accordingly, the district court granted a new trial on damages and order limited supplemental expert discovery including supplemental expert reports limited to the damages theories previously disclosed but with the ability to include how *Omega* impacted those theories.

Practitioners should remember that, when relying on a damages theory dependent on comparable licenses, the license rates therein must be properly apportioned to the value of the infringed patent. Otherwise, those license agreements will not provide a basis for a reasonable royalty. Further, merely identifying (rather than accounting for) differences in the license agreements and a hypothetical negotiation over a single-patent license to the infringed patent is insufficient to demonstrate built-in apportionment.