

UNITED STATES: INTELLECTUAL PROPERTY

Reasonable royalties during pendency of stayed injunction may exceed pre-injunction rate



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Recent United States court decisions have made it less likely that a patent owner will obtain a permanent injunction against continued infringement, even after succeeding at trial. Even where an injunction is issued after trial, American courts may stay the effect of the injunction pending appeal. A recent decision by the US Court of Appeals for the Federal Circuit provides some solace to patent owners who feel that United States courts are creating a situation in which accused infringers have become overly confident that they face little business risk in litigating infringement assertions.

In *Amado vs. Microsoft Corp.*, the Court of Appeals for the Federal Circuit heard an appeal from a trial court decision awarding a reasonable royalty for Microsoft's infringing sales during the pendency of a stayed injunction. The trial court had issued an order staying a post-trial injunction pending the outcome of Microsoft's appeal, on condition that Microsoft would post a bond of US\$2 for each copy of infringing software sold. At trial, the jury had awarded a reasonable royalty of US\$0.04 per infringing copy. On a first appeal, the Court of Appeals affirmed the trial court's decision.

Amado then asked the trial court to lift the stay and award it damages during the pendency of the stayed injunction at US\$2 per copy. Microsoft opposed and asked the trial court to vacate the injunction on the ground that the US Supreme Court's decision in *eBay*

Inc vs. MercExchange, LLC, 547 U.S. 388 (2006) eliminated the automatic injunction rule in patent cases. Microsoft also asked that the post-injunction damages be set at US\$0.04 per copy, the same as the pre-injunction rate. The trial court agreed with Microsoft that the injunction should be prospectively vacated based on *eBay*, but disagreed with both parties on the amount of the royalties due during the stay.

The trial court awarded US\$0.12 per copy for sales during the stayed injunction. It reached this figure by trebling the US\$0.04 royalty set by the jury, on the ground that Microsoft's post-injunction sales were willful even though the injunction was stayed.

The Amado case demonstrates that an adjudged infringer who continues to infringe, though not enjoined, will be expected to pay damages for post-trial sales at a higher rate than pre-trial sales in recognition of the "change in the parties' bargaining positions."

On appeal, the Court of Appeals for the Federal Circuit held that the trial court properly exercised its discretion in vacating the prospective effect of the injunction, following the Supreme Court's decision in *eBay*. However, it found that the US\$0.12 per copy damage award could not be supported on the record before it. The Federal Circuit reasoned that Microsoft's sales during the stay of the injunction were not willful since they were legally

sanctioned. Trebling therefore could not be used to justify the US\$0.12 per copy award.

However, the Federal Circuit directed that an award between US\$0.04 and US\$2 would be appropriate. "When a district court concludes that an injunction is warranted, but is persuaded to stay the injunction pending an appeal, the assessment of damages for infringements taking place after the injunction should take into account the change in the parties' bargaining positions, and the resulting change in economic circumstances, resulting from the determination of liability ..."

Since the record was insufficient to determine whether the trial court had properly weighed these factors, its decision was vacated and remanded for further consideration.

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