

Berkeley-Stanford APLI Damages Contentions: Theory and Practice

Moderator: Greg Pinsonneault, LitiNomics

Panel: Hon. Susan van Keulen, N.D. Cal.

Paul Bondor, Desmarais LLP

Damages-Associated Challenges

- Complex law, with rapid changes in recent years
- Historically lagged other case-related discovery
- Frequently requires expert input
- May depend significantly on information in your adversary's possession
- Required for substantive settlement discussions
- Challenging to address critical disputes after discovery has closed and/or on eve of trial

District Court Approaches: E.D. Texas

- Track B (introduced 2014)
 - Expedited schedule
 - 14 days after answer or 12(b) motion, plaintiff to produce infringement contentions and licenses
 - 30 days later, parties exchange initial disclosures and defendant produces “summary sales” information
 - 14 days later, plaintiff to produce good faith damages estimate and a summary description of the method used for the estimate
- Very little utilization since inception

District Court Approaches: Delaware

- Judges Stark, Noreika, Burke, and Hall
 - Contemporaneous disclosure of “damages model” and identification of accused products
 - Disclosure of sales figures with core technical production
- Judge Andrews
 - Early production of any licenses and preliminary views of damages to be discussed at 16(b) scheduling conference
- Judge Connolly
 - Early production of damages-related discovery, including disclosure of damages window, claimed date of first infringement, and exchange of damages-related documents including license agreements and sales-related information

N.D. California Local Rules (Jan. 17, 2017)

Timing	Production	Local Rule
26(f) initial case management conference	<ul style="list-style-type: none">• Non-binding good faith estimate of “damages range,” as well as an explanation of estimates• If unable to provide, explain why and what specific information is needed• Also state when a party expects to provide its estimate and explanation	2-1(b)(5)
Infringement contentions	<ul style="list-style-type: none">• Damages window (point of first infringement; start and end of claimed damages period)• Basis for willful infringement• All agreements in support of the patentee’s damages theory• If seeking lost profits, documents relating to marking of patentee’s products	3-1(h), 3-2(f-j)
Invalidity contentions	<ul style="list-style-type: none">• All agreements in support of the accused party’s damages case• Sales documentation related to accused instrumentalities for relevant damages period	3-4(e)

N.D. California Local Rules (Jan. 17, 2017)

Timing	Production	Local Rule
50 days after invalidity contentions	<ul style="list-style-type: none">• Damages contentions• Must include identification of categories of damages, damages amount and theory, factual support for theory, and computations of damages• If unable to provide “fulsome response,” party must identify information required	3-8
30 days after damages contentions	<ul style="list-style-type: none">• Response to damages contentions• Must include specifics on disagreement with patentee’s contentions, including how and why a party disagrees• A party must include their affirmative position on each issue• If unable to provide “fulsome response,” party must identify information required	3-9

Historical Underpinnings and Intent

- Sedona Conference: Proposed Model Local Rule for Damages Contentions

https://thesedonaconference.org/publication/Patent_Damages_and_Remedies

- Aspirations:
 - Enable early, meaningful settlement discussions and potential case resolution
 - Identify issues which could materially shape the case
 - Provide guidance for discovery management (through considerations of relevance and proportionality) and eliminate burdensome or unnecessary discovery
- Built-in recognition of impediments to definitive damages disclosures early in the case

Informative Case Law: Analyzing Requirements

- *Twilio, Inc. v. Telesign Corp.*, No. 16-cv-06925-LHK-SVK, 2017 WL 5525929 (N.D. Cal. Nov. 17, 2017)
 - Takeaway: Disclosures must be substantive and real
 - “The requirements of L.R. 3-8 could not be more clear: identify the theories of recovery; identify the known facts that support the theories; do the math.”
 - Apportionment: Plaintiff should identify relevant factors; quantify them to the extent possible, and identify pertinent outstanding discovery
- *Hunter Douglas Inc. v. Ching Feng Home Fashions Co.*, No. 17-cv-01069-RS-JSC, 2017 WL 6329910, (N.D. Cal. Dec. 12, 2017)
 - Takeaway: Similar to *Twilio*, but recognizes limits to required specificity
 - “The Rule does not require a patent plaintiff to identify supporting witnesses or produce actual evidence of the specificity Defendant seeks.”
 - Plaintiff should have sought information through written discovery

Informative Case Law: Analyzing Requirements

- *X One, Inc. v. Uber Technologies, Inc.*, No. 16-cv-06050-LHK-SVK (N.D. Ca. May 23, 2019)
 - Takeaway: Where plaintiff seeks a reasonable royalty, damages contentions require: royalty rate; a numerical value for the royalty base; the date of the hypothetical negotiation currently used; specific factors that will be used for apportionment going forward; and support for those responses
 - Interrogatories can seek additional information
 - BUT: Damages disclosures “do[] not replace the robust analysis of a patent damages expert report”

Informative Case Law: Additional Discovery

- *Pacific Coast Building Products, Inc. v. CertainTeed Gypsum, Inc.*, No. 18-cv-00346-LHK-SVK (N.D. Ca. August 1, 2018)
 - Takeaway: Parties can seek early discovery of damages-related information related to preparing damages contentions, such as, e.g., documents related to licensing, valuation of the patents, and international sales information
- *Sensor Electronic Technology, Inc. v. Bolb, Inc.*, 18-cv-05194-LHK-VKD (N.D. Ca. Feb. 12, 2019)
 - Takeaway: Damages-contention-related discovery not unbounded
 - Court denied discovery relating to noninfringing alternatives as premature, given that defendant had not yet asserted the existence of noninfringing alternatives

Informative Case Law: Amendment

- *Finjan, Inc. v. Cisco Sys. Inc.*, No. 17-cv-00072-BLF-SVK, 2019 WL 1168536 (N.D. Cal. Mar. 13, 2019)
 - Takeaway: On applications for leave to amend damages contentions, courts will consider the extent of any prejudice to opposing party
 - Observation: “there is no ‘good cause’ threshold for amendment of damages contentions, nor is there even a requirement to amend the contentions.” (*cf. Looksmart*)



Informative Case Law: Amendment

- *Looksmart Grp., Inc. v. Microsoft Corp.*, 17-cv-04709-JST, 2019 WL 3059886 (N.D. Cal. June 28, 2019)
 - Takeaway: FRCP 26(e) imposes a duty to supplement or amend damages contentions “when a party’s theory shifts ‘in some material respect’”
 - No showing of good cause required
 - Unduly prejudicial amendments can be remedied through Rules 26(e) and 37(c)
 - “At the very least, a party’s damages contentions must disclose the basis for its expert’s specific theory of recovery;” simply seeking discovery on various subjects does not reveal their damages significance
 - Failure to amend appropriately may preclude damages based on an undisclosed theory, unless the failure was substantially justified or harmless

Informative Case Law: Motions to Strike

- *Finjan, Inc. v. Cisco Sys. Inc.*, No. 17-cv-00072-BLF, 2019 WL 6174936, (N.D. Cal. Nov. 20, 2019)
 - Takeaway: Efforts to strike damages theories allegedly not properly disclosed in damages contentions preferably raised at summary judgment stage or in MILs

Observed Impact of the Rules: N.D. Cal.

- Law related to damages contentions is tracking the earlier development of the invalidity/infringement contentions
- Parties will be held to a genuine effort to comply with the rules, and to substantive disclosures of information
- In response, parties are accelerating damages-related discovery and expert analysis
- Early understanding of damages exposure promotes early and meaningful settlement discussions
- Cases developed under the rule are just getting to the *Daubert* and trial-ready stages now; trial-time impacts will reveal themselves soon