



United States Court of Appeals
for the Federal Circuit

717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

CHAMBERS OF
CHIEF JUDGE PAUL R. MICHEL

June 7, 2007
By Fax: 202-225-3673

Shanna A. Winters
Rayburn House Office Building
Room B-352
Washington, D.C. 20515

Dear Ms. Winters,

Thank you for your telephone call yesterday afternoon concerning determining damages in patent infringement cases under the reasonable royalty language of the Patent Act. As promised, I have since reviewed some of the Federal Circuit decisions that address aspects of this subject, and I have also identified and attached an article that should help you more than reading individual opinions. Significantly, it was written by a seasoned patent litigator with direct experience in how such damage theories are actually litigated in court. Lawyers employed by particular companies, like most law professors, have little or no experience from that perspective. Mr. Rooklidge, by contrast, has several decades of litigation experience in precisely these types of cases.

His article was written since late April and may be the most current available on the subject. It is certainly clear and comprehensive. In addition, it references some of the testimony before your subcommittee in April, as well as the specific language of the pending bills.

The footnotes cite other useful sources you may wish to consult, including authoritative treatises by practitioner Robert Harmon and Professor Donald Chisum, and several recent articles on the point. They provide further background, which you may find helpful.

If the House Judiciary Committee intends to continue the damages law as currently practiced, after decades of refinement in individual court decisions, it need do nothing. This body of law is highly stable and well understood by litigators as well as judges. If, on the other hand, the Congress wishes to radically change the law, I suggest that a far more carefully-crafted and lengthy provision would be required. Like the body of caselaw, such a provision would need to account for many different types of circumstances, which the present provision does not.

In my opinion, plucking limited language out of the long list of factors summarized in the Georgia Pacific case that may be relevant in various cases is unsatisfactory, particularly when cast as a rigid requirement imposed on the court, and required in every case, rather than an assignment of a burden of proof under a clear standard of proof imposed on the party that should bear that particular burden, and that would only arise in a rare case. As I said, under current caselaw, the burden of apportioning the base for reasonable royalties falls on the infringer, while the burden for application of the Entire Market Value Rule falls on the patentee. In most cases, apportionment is not an issue requiring analysis.

Further, as I also attempted to explain, the present bills require a new, kind of macroeconomic analysis that would be extremely costly and time consuming, far more so than current application of the well-settled apportionment law. Resulting additional court delays would be severe, as would additional attorneys' fees and costs. Many view current delays and costs as intolerable.

In short, the current provision has the following shortcomings. First, it requires a massive damages trial in every case and does so without an assignment of burden of proof on the proper party and articulation of a clear standard of proof associated with that burden. Second, the analysis required is vastly more complicated than that done under current law. Third, the meaning of various phrases in the bills would be litigated for many years creating an intervening period of great uncertainty that would discourage settlements of disputes without litigation or at least prior to lengthy and expensive trials.

I appreciate your call and your effort to better understand the gap between current law and practice, and what the bills would require. I am of course available if you need further assistance in understanding the reality behind my May letter to the Chairman.

Sincerely,

Paul R. Michel