



Intellectual Property



Intellectual Property

We employ an economic perspective to evaluate the effects of alleged intellectual property violations. In today's markets, intellectual property issues call for an understanding of competitive landscape changes, as well as the use of economic theory and rigorous analysis to determine how a market would look in the absence or presence of competitive alternatives.

Econ One has extensive experience providing economic counsel and testimony on intellectual property issues, including:

- Lost Profits
- Reasonable Royalty
- Antitrust Counterclaims
- Copyright Infringement
- Trade Dress
- Trade Secrets
- Unjust Enrichment

In the intellectual property realm, good research requires more than just numbers. It takes careful consideration of all that the numbers might mean, including things that may not be readily apparent. We are always on the lookout for the subtle implication or the hidden explanation. When we present our conclusions, we have answers--both to questions we are asked and questions we might get asked.



Intellectual Property: Selected Experience



Realtime Data, LLC d/b/a IXO v. Citrix Systems, Inc., et al. In this ongoing matter, the plaintiff is a technology licensing company that owns a number of patents relating to data compression for storage devices. Its claims against Citrix relate to methods of use as opposed to apparatus claims, meaning that the sale of Citrix's products does not, in and of itself, constitute infringement. As such, Citrix has not been accused of direct infringement, but rather of inducing infringement by end users.

Econ One has been retained by counsel for Citrix to calculate royalty damages stemming from the sale of Citrix's accused products. In conducting his analysis, Dr. Charles Mahla was asked to account for the likely infringement by end users when calculating the royalty base. Additionally, because a substantial percentage of Citrix's sales of the accused products were made to users outside the U.S., Dr. Mahla also recognized that royalty damages would be limited to sales to those end users who were practicing the infringing method within the U.S. This approach is consistent with a recent en banc ruling from the U.S. Court of Appeals for the Federal Circuit in *Cardiac Pacemakers, Inc and Guidant Sales Corp., et al. v. St. Jude Medical, Inc., and Pacesetter, Inc.* The Court in that case ruled that damages cannot be assessed against an alleged infringer of method claims if those methods are practiced outside of the U.S. To date, Dr. Mahla has submitted an expert report and provided deposition testimony.

Realtime Data, LLC d/b/a IXO v. Expand Networks, et al. The plaintiff in this case alleged that Expand's line of internet optimization products infringed several patents relating to the compression of different types of information. Expand claimed that the patents covered only a particular compression strategy which Expand either could have eliminated altogether or simply replaced with alternative compression algorithms at little additional expense.

Econ One was retained by counsel for Expand to opine about reasonable royalty. Dr. Phil Johnson determined the size of the reasonable royalty that likely would have resulted from a hypothetical negotiation between the parties given Expand's possible alternatives. Dr. Johnson submitted an expert report and provided deposition testimony in this matter.



INTELLECTUAL PROPERTY (CONTINUED)

Carlos Armando Amado v. Microsoft Corporation. This ongoing case involves post-trial litigation of a patent suit that Amado won against Microsoft. The patent at issue relates to the integration by Microsoft of spreadsheet and database functionality in its Office line of products. A jury found Microsoft liable for patent infringement and awarded damages. The trial judge also awarded Amado a permanent injunction against Microsoft continuing to infringe the patents but he stayed that injunction pending Microsoft's appeal. Following resolution of the appeal, the trial judge awarded damages for the period of the injunction that were based on the jury's award in the trial. This damage award was appealed by Microsoft. The Court of Appeals then ruled that the trial judge must consider damages for the period of the injunction that are based on the economic circumstances that were faced by the parties following trial, including bargaining positions that reflect the finding of liability and the difficulty of the Defendant to "immediately comply" with the injunction. Econ One was retained by Amado's counsel to analyze the economic circumstances and bargaining situation that would have been faced by the two parties, given the outcome of the trial and had the trial judge not stayed the injunction. Jeff Leitzinger filed a declaration that concluded that, given the circumstances, Microsoft would have been willing to pay a license fee of at least \$200 million rather than face the severe disruptions to its business that would have been caused by halting the licensing of much of its Office sales.

DealerTrack, Inc. v. RouteOne, LLC; David L. Huber, and Finance Express, LLC. The parties in this ongoing case are providers of automated automobile loan application systems that allow auto dealers to send consumer loan applications to multiple lenders simultaneously. Before the development of these automated systems, auto dealers had to manually fill out and send separate loan applications (predominantly via facsimile) sequentially to lenders. DealerTrack has sued for patent infringement, alleging that both defendants have utilized its patented technology for sending multi-lender loan applications. Econ One was retained by the plaintiff's counsel to analyze possible damages. Charles Mahla estimated DealerTrack's damages as comprising both lost profits and lost royalties. Dr. Mahla's analysis focused on the fact that it was likely that, but for RouteOne's infringement, DealerTrack would have contracted with the four largest captive lenders, including GMAC and Toyota Motor Credit Corp. Dr. Mahla has submitted an expert report and also provided deposition testimony.

Silvaco Data Systems v. Cypress Semiconductor Corp. The plaintiff is a maker of electronic design automation (EDA) software used to design integrated circuits (chips). The defendant is a manufacturer of chips used in a wide variety of devices, ranging from iPods to hotel door locks. In a previous matter filed by Silvaco, a court ruled that another EDA software company, CSI, had stolen Silvaco's software, incorporated the software into its own products, and had then sold those products to chip manufacturers such as Cypress. Cypress was given notice of the court's ruling and the settlement that gave Silvaco ownership of those CSI products. Such ownership meant that purchasers of CSI's products containing Silvaco's software had to obtain a license from Silvaco for continued use of those products. Silvaco alleges that Cypress has continued to use those CSI products without obtaining a license. Econ One was retained by counsel for Silvaco to evaluate Silvaco's actual loss and any unjust enrichment received by Cypress. Jeff Leitzinger provided deposition testimony and the case is scheduled for trial in 2008.



INTELLECTUAL PROPERTY (CONTINUED)

Trimble Navigation Limited v. RHS, Inc., CSI Wireless, Inc., and Satloc, Inc. The parties in this case are makers of agricultural GPS guidance products designed to aid in the accurate application of fertilizers, pesticides, and herbicides. Trimble sued for patent infringement, alleging that the defendants utilized technology for “adaptive curve” guidance (a method of providing guidance to farm equipment operators) that was owned by Trimble. Econ One was retained by defendants in this matter to analyze damages. Charles Mahla demonstrated that the plaintiff’s damage theory was based on a too broad interpretation of the patent at issue. Dr. Mahla’s analysis focused on the fact that Trimble’s patented technology was but one method of providing adaptive curve guidance and that the cost to defendants to redesign its products to perform that function in a non-infringing way was relatively low. After each side’s experts’ reports were filed and expert depositions were taken, the Court ruled in favor of defendants on summary judgment.

In Re: DVD Copy Control Association Inc. v. Kaleidescape, Inc. Econ One was retained by counsel for Kaleidescape in a countersuit brought against the Digital Videodisc Copy Control Association (DVD CCA) for: (1) allegedly failing to follow the dispute resolution clause of its licensing agreement with Kaleidescape; and (2) the subsequent impact of the law suit brought by DVD CCA against Kaleidescape on the sale of Kaleidescape products related to its video servers. In a deposition, Mark Dwyer testified regarding the extent of damages suffered by Kaleidescape. Kaleidescape prevailed in the main complaint. The countersuit was dismissed due to confidentiality issues associated with the dispute resolution process.

The U.C. Regents v. Monsanto. Econ One was asked by counsel for the University of California Regents to analyze the reasonable royalty on a biotechnology patent covering bovine growth hormone (BGH), used to increase milk production in cows. This case is unusual in that the U.C. Regents’ patent is alleged to cover an established product that had been on the market for over 10 years: Monsanto’s Posilac. Econ One first determined a bargaining range by analyzing the combined benefits available to the parties in reaching an agreement over their alternatives and employed the Nash Bargaining Solution to predict the size of the reasonable royalty within that range. Econ One then established that a paid-up license would be preferred by both parties as opposed to an agreement with a running royalty. Jeff Leitzinger submitted an expert report and provided deposition testimony. In February 2006, on the eve of trial, the parties settled. Monsanto agreed to pay a \$100 million up-front royalty along with an ongoing royalty of 15 cents per dose of Posilac (with a minimum annual royalty of \$5 million) through the 2023 expiration of the University’s patent.

France Telecom SA, et al. v. Novell, Inc. Novell purchased security software from a third party for use in its NetWare workgroup operating system. Plaintiffs alleged that the software infringed one of its patents. Plaintiffs’ expert claimed that Novell owed more than \$70 million in reasonable royalty payments to the plaintiffs. Econ One was retained by Novell to review and assess the damage analysis conducted by plaintiffs’ expert, form an opinion as to the reasonableness of the conclusions drawn, and form its own opinion regarding the amount of a reasonable royalty. Jeff Leitzinger submitted an expert report that concluded the costs of available alternative technologies provided an upper bound for a reasonable royalty that was no more than \$100,000. The case ultimately was dismissed (with prejudice).



INTELLECTUAL PROPERTY (CONTINUED)

In Re: Ciprofloxacin Hydrochloride Antitrust Litigation. Plaintiffs were a class of direct purchasers of the brand name drug Cipro from defendants Bayer AG and Bayer Corp. (collectively Bayer). This lawsuit centered around the settlement of a patent infringement suit brought by Bayer against Barr Laboratories, Inc. (Barr) in which the patent holder/manufacturer (Bayer) made a payment to the alleged infringer (Barr) and the infringer agreed to drop its challenge to the manufacturer's patent on Cipro. Plaintiffs contended that this settlement, which included a "reverse payment"--reverse insofar as the normal direction of compensable harm in the case of patent infringement is from the alleged infringer to the patent holder--resulted in a delay in the availability of a cheaper, generic substitute to Cipro, a popular branded drug.

Jeff Leitzinger was retained by plaintiffs to: (1) analyze from an economic perspective the likelihood of broader license provisions but for the reverse payment; (2) assuming that likelihood, consider the form that broader license agreement could reasonably be expected to have taken; (3) analyze whether in light of the likely licensing outcomes the settlement agreement reached between the parties in the case was anticompetitive; and (4) analyze the extent of any overcharges plaintiffs suffered as a result of that agreement. Dr. Leitzinger submitted expert reports and was deposed in this matter.

Synopsys, Inc. v. Nassda Corporation. Econ One was retained to analyze Synopsys' damages from Nassda's alleged infringement of two patents relating to electronic design automation software, which is used to test semiconductor chip designs. Synopsys also sued Nassda in a separate state proceeding, alleging that Nassda had misappropriated trade secrets from Synopsys and charging several Nassda executives (who previously had worked for Synopsys) with breach of contract and breach of fiduciary duty. Nassda countersued, alleging antitrust violations by Synopsys. Jeff Leitzinger submitted three expert reports--two in connection with Synopsys' patent infringement damages, and another that responded to Nassda's antitrust claims. He also provided deposition testimony. Nassda's antitrust claims subsequently were dismissed on summary judgment. Both of the patent infringement claims and the pending state litigation were resolved prior to trial when Synopsys agreed to acquire Nassda.

DSU Medical Corporation v. JMS Co., Ltd., et al. Charles Mahla worked for the defendant in this patent infringement matter. The patented technology in question involved needle guards--plastic devices that protect medical professionals from accidental needle sticks. An interesting aspect of this case was the legal precedent that bars recovery of lost profits by a non-commercial owner of a patent who licenses its technology to a wholly-owned non-exclusive licensee. While the patent holder is arguably the residual claimant of the licensee's profits, case law appears to bar recovery of such losses unless the licensee is an exclusive licensee. In this instance, the plaintiff did not make its licensing agreement an exclusive one until well into the alleged damage period.



Why Economists?



Econ One has the experience and expertise to tackle the challenging issues presented in intellectual property disputes. Economic reasoning and analysis are particularly well suited to answering the questions that typically are at the core of intellectual property matters.

- Economists are trained in how to use (and avoid misusing) sophisticated statistical techniques to analyze financial data and other information. Such methods are ever more commonly utilized in the analysis of damages.
- Lost profits analysis in a patent infringement case requires an understanding of supply and demand conditions for both the infringer's and the patentee's products - including not only those that embody the patented technology, but potentially others that compete with the products at issue. No concepts are more fundamental to economics than those of supply and demand.
- Calculation of damages from the misuse of intellectual property frequently involves the construction of a but-for world. But-for analysis is a fundamental component of an economist's toolkit.
- Constructing a reliable but-for world depends on accurately predicting hypothetical decisions. Economic theory includes techniques for analyzing and predicting the outcome of negotiations such as the hypothetical negotiation in a patent damages case. Economists have a deep understanding of the role of incentives in decision making, which often take a more subtle form than a simple accounting of revenues and expenses.

When used properly, economics allows us to see and understand the forces that shape the marketplace. But our job is more than collecting and analyzing data - it's about how we communicate our results to our clients and the courts. We built Econ One on the idea of providing clear visions of complex issues. We make sure our conclusions are presented logically and concisely. We employ our experienced management to minimize learning time, false starts and unnecessary costs. It doesn't take an economist to tell you it all adds up to value for our clients.



About Econ One



Econ One provides economic research and consulting on issues relating to markets, competition, regulation, and valuation. We offer in-house expertise in applied economic theory, econometrics, statistics, market strategies, large-scale project management, electronic data manipulation, and graphics.

Our focus is in providing high-value service to our clients. This means:

- Solutions that are well-conceived, meaningful, and well-presented
- Research that is accurate and thorough
- Analytical approaches solidly grounded in the state-of-the-art economic methods
- Project management that insures efficient use of resources and no unnecessary costs
- Experienced project teams that minimize learning time and false starts

Our experience includes:

- Antitrust & Competition
- Contract Disputes
- Damages
- Employment Discrimination
- Intellectual Property
- Market and Regulatory Design
- Mergers & Acquisitions

Our strength is our staff--a diverse group of professionals combining an impressive set of academic credentials with years of experience in the arena of hands-on, practical economic research.

Econ One experts have testified in state and federal courts; administrative, legislative, and regulatory agencies; and in arbitrations and mediations.

For more information, please contact Lisa Skylar at (213) 624-9600 or at lskylar@econone.com. Also visit our website at www.econone.com.

