

Cert. Denied – Patent Owners Still Must Prove Unpatented Features Did Not Drive Consumer Purchasing to Rely on EMVR

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On February 25, 2019, the Supreme Court denied Power Integrations, Inc.'s ("Power Integrations") petition for writ of certiorari. The question presented to the Court was whether a plaintiff who had proven customer demand for an infringing product as a result of the patented feature was entitled to damages based on the entire market value of the product, or if the plaintiff also had to prove that the other unpatented features of the infringing product did not drive customer demand. The Court's denial leaves a high burden for patentee's relying on the Entire Market Value Rule ("EMVR").

Power Integrations sued Fairchild Semiconductor International Inc. ("Fairchild") for patent infringement in the Northern District of California in November of 2009. Six years later, a jury awarded Power Integrations \$138M as a reasonable royalty based solely upon the EMVR. A portion of the verdict form is reproduced below:

REASONABLE ROYALTY

1. What is the dollar amount Power Integrations has proved it is entitled to as a reasonable royalty for infringement through March 4, 2014?

\$ 139,800,000.00

2. In arriving at the above figure, did the '079 patented feature create the basis for customer demand for the infringing Fairchild products (Entire Market Value Rule)?

Yes X No _____

On appeal, the Federal Circuit affirmed the district court's judgment of infringement, but vacated the damages award. The Federal Circuit found that Power Integrations presented insufficient evidence as a matter of law to invoke the EMVR. Namely, the Federal Circuit held that whenever an allegedly infringing product contains other valuable, unpatented features, the patentee must prove that those unpatented features did not cause consumers to purchase the product in order to rely upon the EMVR. In coming to this conclusion, the Federal Circuit noted that the accused products here contained other unpatented features, some of which were at issue in a separate lawsuit between the parties concerning different patents.

Patentees should be mindful of relying solely upon the EMVR when establishing their damages case. The Federal Circuit's enumeration of the EMVR sets forth a high evidentiary standard and effectively requires patentees to prove a negative.

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