

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

OXBO INTERNATIONAL CORPORATION,

Plaintiff,

v.

H&S MANUFACTURING COMPANY, INC.,

Defendant.

[DRAFT]
JURY INSTRUCTIONS:
DAMAGES

15-cv-292-jdp

Pretrial Instructions

Ladies and Gentlemen of the Jury:

We are about to begin the damages phase of the trial. This part of the trial will, in general, follow the same pattern as the liability phase. Counsel will make opening statements, we will hear the evidence, and then I will instruct you on the law applicable to damages. Counsel will make closing arguments, and you will deliberate.

For this phase of the trial, it is now established that defendant has infringed the '929 patent, the '739 patent, the '488 patent, and a fourth patent that you have not heard about yet, United States Patent number 8,511,052. We may refer to this fourth patent-in-suit as the '052 patent, or the "trough patent." It claims an improvement to the triple head mergers that you have heard about. [Adjust as needed for jury verdict.]

You must now decide what amount of money damages would compensate plaintiff for defendant's infringement of the patents. Plaintiff must prove their

damages by a preponderance of the evidence. Plaintiff's claim for damages must be supported by evidence, but plaintiff is not required to prove damages with the same level of precision as was required to prove the elements of liability. Your decision on damages will require reasonable estimates based on the evidence.

I will instruct you in more detail about the law you will apply after you hear the evidence. But my general instructions about evaluating evidence and your conduct as jurors still apply.

Post-trial Introduction

Ladies and Gentlemen of the Jury:

Now that you have heard the evidence, I will give you the instructions that will govern your deliberations in the jury room. It is my job to decide what rules of law apply to the case and to explain those rules to you.

You have two duties as a jury. Your first duty is to decide the facts from the evidence in the case. This is your job, and yours alone.

Your second duty is to apply the law that I give you to the facts. You must follow these instructions, even if you disagree with them. Each of the instructions is important, and you must follow all of them.

DAMAGES — GENERAL

You must now consider what amount of damages to award to plaintiff. You are to award plaintiff damages adequate to compensate plaintiff for infringement. The damages you award are to compensate the patent holder, not to punish the infringer.

Plaintiff has the burden to prove its damages by a preponderance of the evidence. Your verdict must not be based on guesswork. But plaintiff need not prove the amount of its damages with mathematical precision. Your damages determination will necessarily involve estimates and approximations.

In determining plaintiff's damages, you may consider all the evidence presented in the case, including the evidence presented in the first phase of the trial, as well as the evidence presented in the damages phase.

The damages case will be submitted to you in the form of a special verdict on damages, consisting of questions.

TWO TYPES OF DAMAGES — LOST PROFITS & REASONABLE ROYALTY

There are two types of damages that plaintiff may be entitled to recover: lost profits or a reasonable royalty.

Lost profits consist of any actual reduction in business profits that plaintiff suffered as a result of defendant's infringement. A reasonable royalty is the amount the patent owner and someone wanting to use the patented invention would agree upon as a fee for use of the invention. I will describe shortly what plaintiff must prove to recover either type of damages.

Plaintiff is entitled to recover at least a reasonable royalty for each infringing sale, even if plaintiff cannot prove that it suffered lost profits in connection with that sale.

LOST PROFITS

To recover lost profits, plaintiff must prove two things:

1. A reasonable probability that, if defendant had not infringed, plaintiff would have made additional sales of the patented product that defendant made.
2. The amount of profit plaintiff would have made on those sales. Plaintiff does not need to prove this amount with precision, and if there are uncertainties regarding the specific amount of lost profits, you may resolve those uncertainties against defendant.

There are alternative ways for plaintiff to establish an entitlement to recover lost profits. I will discuss these in the following instructions.

LOST PROFITS — *PANDUIT* TEST

One way that plaintiff may establish that it is reasonably probable that it would have made additional sales of the patented product is by proving three things:

1. There was a demand for the patented product;
2. There was no acceptable, non-infringing substitute for the patented product; and
3. Plaintiff was capable of satisfying the demand.

An “acceptable, non-infringing substitute” is a product that has the advantages of the patented invention that were important to the purchasers of defendant’s product. If purchasers of the defendant’s product were motivated to purchase that product because of features that were available only from that product and the plaintiff’s patented product, then other products are not acceptable substitutes, even if they otherwise competed with plaintiff’s and defendant’s products.

LOST PROFITS — MARKET SHARE METHOD

An alternative way that plaintiff may establish that it is reasonably probable that it would have made additional sales of the patented product is by proving two things:

1. Plaintiff would have made some portion of defendant's infringing sales if defendant's infringing product had not been available; and
2. Plaintiff was capable of making those additional sales.

If plaintiff proves these things, it is entitled to recover its lost profits on the percentage of defendant's sales that reflects what plaintiff proves was its share of the market. You may reach this conclusion even if acceptable, non-infringing substitute products were available from others.

LOST PROFITS — AMOUNT

If you conclude that plaintiff has proved that it lost profits because of defendant's infringement, the lost profits that you award should be the amount that plaintiff would have made on any sales that plaintiff lost because of the infringement, minus the additional costs that plaintiff would have incurred in making those sales.

Plaintiff is required to prove the amount of its lost profits to a reasonable probability and may not recover amounts that are speculative. However, mathematical certainty is not required, and if the reason plaintiff has difficulty proving the amount of its lost profits is that defendant did not maintain adequate records, then you should resolve any doubts as to the amount of lost profits in plaintiff's favor.

REASONABLE ROYALTY

Plaintiff also seeks to recover a reasonable royalty.

Plaintiff is entitled to recover a reasonable royalty for any of defendant's infringing sales for which plaintiff did not prove lost profits.

A royalty is a payment made to the owner of a patent by someone else so that he can use the patented invention. A "reasonable royalty" is the amount plaintiff and defendant would have agreed upon as a royalty at the time defendant's infringement began.

In determining a reasonable royalty, you should assume that plaintiff would have been willing to allow defendant to use the patented invention and that defendant would have been willing to pay plaintiff to do so. You should take into account what plaintiff's and defendant's expectations would have been if they had negotiated a royalty and had acted reasonably in their negotiations. You should assume that both plaintiff and defendant would have believed that plaintiff's patents were valid and infringed. You should also assume that defendant would have been willing to pay, and plaintiff would have been willing to accept, the reasonable royalty they negotiated. Your role is to determine what plaintiff and defendant would have agreed upon if they had negotiated in this manner, not just what either plaintiff or defendant would have preferred.

In determining a reasonable royalty, you may consider a number of factors, including those factors that counsel and the witnesses referred to as the *Georgia Pacific*

factors. You may consider any of these factors, which are summarized below, that are supported by the evidence:

- Royalties that others paid to plaintiff for the patented invention;
- Royalties that defendant paid to others for comparable patents;
- Whether plaintiff had a policy of licensing or not licensing the patents;
- Whether plaintiff and defendant are competitors;
- Whether use of the patented invention helps to make sales of other products or services;
- Whether the product made using the patent is commercially successful, as well as its profitability;
- The advantages of using the patented invention over methods not covered by the patent;
- The extent of defendant's use of the patented invention and the value of that use to defendant;
- Any royalty amounts that are customary for similar or comparable patented inventions;
- The portion of the profit on sales that is due to the patented invention, as opposed to other factors, such as unpatented elements or processes, features, or improvements developed by defendants;
- Expert opinions regarding what would be a reasonable royalty.

REASONABLE ROYALTY — TIMING

The relevant date for the hypothetical reasonable royalty negotiation for each patent-in-suit is as follows: [DATES FOR EACH PATENT—both parties agree?]. However, you may consider evidence relating to events after these dates in determining the royalty that would have resulted from each hypothetical negotiation.

REASONABLE ROYALTY —
AVAILABILITY OF NON-INFRINGEMENT SUBSTITUTES

In determining a reasonable royalty, you may also consider available non-infringing alternatives to the patented invention. But the evidence must show that any such alternative was: readily available to defendant at the time of the hypothetical negotiation; acceptable as a substitute for the patented invention to defendant and their customers; and could be used without infringing patents held by others.

Although plaintiff bears the overall burden to prove damages, defendant bears the burden to show that the proposed alternative was readily available to defendant at the time of each hypothetical negotiation.

REQUIREMENT OF NOTICE

Plaintiff can recover damages only for infringement that occurred after plaintiff gave notice of its patent rights. Plaintiff must prove by a preponderance of the evidence that it gave notice.

There are two ways a patent holder can give notice of its patent rights.

The first way is to give notice to the public in general, by placing the word “patent” or the abbreviation “PAT.” with the number of the patent on substantially all the products it sold that included the patented invention. Anyone that plaintiff licensed to use the patented invention must also mark in the same manner substantially all of its products that include the patented invention. This type of notice is effective from the date plaintiff and its licensees began to mark in this manner substantially all of their products that included the patented invention.

The second way to give notice of patent rights is by directly informing defendant that it is infringing a particular patent and identifying the infringing product. This type of notice is effective from the time it is given.

If plaintiff did not give notice in either of these ways before filing this lawsuit, then plaintiff can recover damages only for infringement that occurred after it filed the lawsuit, on May 15, 2015.

WILLFUL INFRINGEMENT

Plaintiff contends that defendant's infringement was willful. Plaintiff has the burden to prove willfulness to a preponderance of the evidence. As a reminder, "preponderance of the evidence" means that when you have considered all the evidence in the case, you must be persuaded that plaintiff's contention is more probably true than not true.

Bear in mind that not all infringement is willful. It is not enough for plaintiff to show that defendant knew of plaintiff's patents and nevertheless infringed them. Infringement is willful only if the infringement was, in some way, consciously or recklessly wrongful. Defendant's infringement was willful if it amounts to serious misconduct significantly beyond the ordinary mistakes and errors of judgment that might occur in the course of honest business competition. In determining whether plaintiff has proven that defendant's infringement was willful, you should consider all the relevant circumstances that are shown by the evidence.

Defendant has no obligation to obtain the opinion of legal counsel to avoid infringement. You may not consider defendant's failure to get a legal opinion to be an indication of willful infringement. However, if defendant relies on the opinion of legal counsel in defense of a charge of willfulness, the opinion must be competent and well supported, and the opinion must clearly advise defendant that its product did not infringe the patents-in-suit or that the patents-in-suit were invalid.