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CLIENT ALERT

The Concept of "Built-In Apportionment" Can Be Used To Assume the Negotiators to a License Arrived at the Value of the Asserted Patent

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GlaxoSmithKline LLC, Glaxo Group Limited v. Vectura Limited, No. 2020-1054 (Fed. Cir. Nov. 19, 2020)

Following trial, a jury found patent infringement and awarded damages based on sales of the accused products. The damages calculation was based on a 3% royalty on $2.99 billion in sales.

The patent is directed to composite active particles containing an active material and a particulate additive material that promotes dispersion of the active particles, which can be used in respiratory inhalers. The patentee alleged that the accused inhalers infringed a claim that requires that the additive material be magnesium stearate. The district court denied the alleged infringer's motions for judgment as a matter of law and a new trial. The Federal Circuit affirmed the district court's decision.

The accused infringer challenged the district court's construction of the term "composite active particles" and argued that the specification and prosecution history required that the particles be produced by "high-energy milling." The Federal Circuit first concluded that the specification only *preferred* but did not *require* that the particles be made by high-energy milling. The court also concluded that the prosecution history did not require that the particles be made by high-energy milling because, in distinguishing a prior art reference disclosing a wet-mixing process, the applicant did not add a limitation specifying the milling method.

The accused infringer also requested a new trial on damages on the grounds that the royalty was based on the entire accused inhaler, not just the claimed feature. The court held that while a royalty based on the entire market value is generally not appropriate, here, the existence of a comparable license between the parties from 2010 to 2016 was an appropriate basis for the royalty calculation of 3% of the total sales of the products under the concept of "built-in apportionment." That concept "effectively assumes that the negotiators of a comparable license settled on a royalty rate and royalty base combination embodying the value of the asserted patent."

The accused infringer also argued that a new trial on damages was warranted because the patentee made improper references to the accused infringer's $3.8 billion in U.S. sales for the accused inhalers and framed its request for damages as small in comparison. The court noted that the district court found that the jury needed to hear the total revenue figure to understand the patentee's damages theory. And while the Federal Circuit agreed with the district court that the patentee made improper statements at trial about the sales, it deferred to the trial judge's conclusion that the comments were not so prejudicial as to require a new trial.

View the full opinion here.

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