

APPLE, INC. v. MOTOROLA, INC., Appeal No. 2012-1548 (Fed. Cir. May 5, 2014). Before Rader, Prost and Reyna. Appealed from N.D. Ill. (Judge Posner).

Background:

Apple sued Motorola for infringing its patents and Motorola counterclaimed asserting Apple infringed its patents. Both parties sought declaratory judgments of non-infringement and invalidity. The parties presented expert testimony supporting their damages calculations. Particularly, with respect to Apple's 949 Patent, Apple's expert analyzed Apple's Magic Trackpad to estimate the value of the asserted claims. To isolate the value of the Trackpad's touch features, the expert compared the price of the Trackpad to the traditional computer mouse and opined that the price difference could be attributed to the Trackpad's touch features and wireless connectivity. The expert then discounted his calculation to account for features outside of the scope of the asserted claims (such as wireless connectivity). The expert then compared his calculation with royalties paid by Motorola in licenses for related touch screen technology.

The district court had construed the claim term "next item heuristic" as being limited to the use of a tap gesture to switch to the next page. Based on this, the court found that Apple's expert's calculation was an inadequate method of estimating the value of the tap for next page feature. The court reasoned, "that a consumer will pay something for gestural control does not enable an estimation of how much he will pay for a particular improvement in a system of such control." Additionally, the court found there was a more preferable method for valuing the asserted claims. Thus, the district court found that this expert's testimony was not admissible and that Apple was not entitled to damages. Apple appealed.

Issue/Holding:

Did the district court err in deciding to exclude the damages evidence presented by Apple's expert? Yes, reversed.

Discussion:

The Federal Circuit found that the district court's construction of "next item heuristic" was wrong, and consequently, the district court based its damages analysis on the wrong claim construction. This alone is sufficient to require reversal. The Federal Circuit also found that the district court did not properly consider whether Apple's expert had used reliable principles or methods to value the entire scope of the asserted claims. Instead, the district court incorrectly focused on individual claim limitations in isolation. The correct question is: with the entire scope of the asserted claims and the correct claim construction in mind, whether Apple's expert employed reliable principles and methods, reliably applied them, and relied upon legally sufficient facts and data. The Federal Circuit found that he correctly relied on Apple's technical experts for comparing the asserted claims and the Trackpad.

The Federal Circuit noted that simply because other reliable methods of estimating a reasonable royalty exist, this alone does not render Apple's expert's approach inadmissible. Further, if Motorola did not believe Trackpad is an accurate benchmark, Motorola can challenge it and argue for a more accurate benchmark. However, this argument goes towards evidentiary weight, and not admissibility.