

WARSAW ORTHOPEDIC, INC. v. NUVASIVE, INC., Appeal Nos. 2013-1576, -1577 (Fed. Cir. March 2, 2015). Before Lourie, Dyk, and Reyna. Appealed from S.D. Cal. (Judge Bencivengo)

Background:

Warsaw filed a complaint against NuVasive alleging infringement of two of Warsaw's patents. NuVasive counterclaimed, asserting infringement of one of NuVasive's patents. A jury found infringement of all three patents and awarded damages for each.

After trial, Warsaw filed a motion seeking supplemental damages and a JMOL motion with respect to the jury's finding of infringement of NuVasive's patent. NuVasive moved for JMOL as to the jury's finding of infringement of Warsaw's patents and Warsaw's entitlement to lost profits. The District Court denied the motions and set ongoing royalty rates. Warsaw appealed and NuVasive cross-appealed.

Issues/Holdings:

Did the District Court err in sustaining jury findings of infringement for each of the three patents? No, affirmed. However, the Federal Circuit vacated Warsaw's damages award and remanded for a new trial on damages.

Discussion:

NuVasive argued that one of Warsaw's patents is invalid and the other is not infringed. Regarding the invalidity claim, the Federal Circuit noted that Warsaw presented substantial evidence distinguishing the claims from the two prior art references presented by NuVasive. Regarding the infringement claim, the Court recognized Warsaw's submission of substantial evidence, including testimony of NuVasive's own witnesses, that the differences between the accused device and the patent claims are insubstantial. Warsaw argued that its product does not infringe NuVasive's claims because its product does not "stop" emission of a signal, but instead "re-starts" a signal. The Court held that the evidence supported the District Court's finding that a "re-start" signal is a "stop" signal followed by a "start" signal, which is envisioned by the claims. The Federal Circuit therefore affirmed the findings of infringement of the three patents.

In considering the damages awards, the Federal Circuit first noted that Warsaw does not practice its patented technologies, but instead licenses them to related companies for manufacturing and sales. Warsaw manufactures "fixations," which are packaged with the patented products and sold as a medical kit. The Federal Circuit held that (1) Warsaw is not entitled to lost profits resulting from decreased revenue from sales of fixations because there is no functional relationship between the convoyed sales and the patented product; (2) Warsaw is not entitled to lost royalty payments for sales by the related companies because Warsaw is not selling the product; (3) Warsaw is not entitled to "true-up" payments from a related company, which are designed to ensure that Warsaw received fair-market-value for the patented product; (4) Warsaw is entitled to a reasonable royalty to compensate for the value of the patented technology that was taken from it, as well as ongoing royalties, which are to be determined upon remand; and (5) Warsaw can assert a claim for supplemental damages, limited to a reasonable royalty, if there is a gap period between the date used by the jury to determine damages and the actual date of the jury verdict.