

ENPLAS DISPLAY DEVICE CORP. v. SEOUL SEMICONDUCTOR CO. LTD., Appeal No. 2016-2599 (Fed. Cir. November 19, 2018). Before Newman, Hughes, and Stoll. Appealed from N.D.Cal (Judge Cousins).

Background:

Seoul Semiconductor sued Enplas for patent infringement, and the jury awarded Seoul Semiconductor \$4 million in damages for a one-time freedom-to-operate payment.

During the trial, Seoul Semiconductor's expert explained that the parties, in a hypothetical negotiation, would have considered a premium freedom-to-operate license. Based on Enplas's past sales of the infringing product and other similar products, the expert determined that the freedom-to-operate license would be between \$2-4 million.

Enplas moved for a JMOL that the jury's \$4 million damages award was excessive and not supported by substantial evidence, which the district court denied.

Issue/Holding:

Did the district court err in denying Enplas's JMOL that the jury's damages award was not supported by substantial evidence? Yes, vacated and remanded.

Discussion:

Majority

The majority held that a reasonable royalty cannot include activities that do not constitute patent infringement, as patent damages are limited to those adequate to compensate for the infringement. In particular, the majority noted that the \$4 million damages amount was calculated by applying a royalty to sales of accused and non-accused lenses, which cannot support the jury's verdict on damages.

The majority further held that a lump-sum must be based on an estimate of the extent of future sales of accused products, not on past sales of non-accused products.

Dissent

Judge Newman reasoned that the \$4 million lump-sum was only for post and future infringing products noting that the expert answered no when asked if Enplas would pay for damages on products that are not said to infringe the patents-in-suit.

Judge Newman noted that the expert testimony was the only evidence presented to the jury on the hypothetical negotiation, which the district court ruled was admissible, and thus, reasoned that the uncontradicted expert testimony constitutes substantial evidence supporting the jury verdict.

Judge Newman further noted that the sufficiency of the expert's testimony should be resolved under the Federal Rules of Evidence and through a *Daubert* challenge. However, Enplas did not appeal any such rulings by the district court. Instead Enplas is challenging the sufficiency of the evidence under the guise of substantial evidence, which Judge Newman reasoned is improper.