Federal Circuit Rejects Expert's Reasonable Royalty Rate Calculations in ResQNet v. Lansa

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In *ResQNet.com, Inc. v. Lansa, Inc.*, decided February 5th, the Federal Circuit affirmed a district court finding of patent infringement, but reversed and remanded as to damages, holding in a per curiam opinion that plaintiff ResQNet?s expert had improperly relied on extraneous past license evidence in calculating a royalty rate. Building on its September, 2009 decision in *Lucent Technologies, Inc. v. Gateway, Inc.*, the court in ResQNet reaffirmed that ?[a]ny evidence unrelated to the claimed invention does not support compensation for infringement but punishes beyond the reach of the statute.?

One approach to determining a ?reasonable royalty? for patent infringement, introduced in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970), is to estimate the rate a hypothetical license would have featured had the parties willingly negotiated prior to the infringement. In calculating such a rate, a party may rely on any substantial evidence, including royalty rates paid in connection with other, actual licenses for the use of the infringed patent or any other sufficiently similar patents.

Such past license evidence, however, must be ?sufficiently comparable to the hypothetical license? at issue. In Lucent, the Federal Circuit had held that four of the eight license agreements used to calculate a royalty rate ?differ[ed] substantially from the hypothetical negotiation? and therefore failed to adequately support the damages calculation. The court ruled similarly in ResQNet, holding that five of the seven licenses relied on by ResQNet?s expert not only granted rights in the patent, but also included ?services such as training, maintenance, marketing, and upgrades? that were ?unrelated? to the claimed invention.

The ResQNet court suggested that these ?inapposite? licenses were purposefully included in the expert?s calculations to inflate the royalty rate, and that no actual link existed between them and the patented technology.

In dissent, Judge Newman suggested that the ResQNet majority?s opinion misapplied its own precedent, claiming that Lucent does not call for disqualification of all past license evidence that does not wholly relate to the claimed technology. Rather, if it is at least fractionally relevant, such evidence should be included in rate calculations, though valued proportionally.

Dennis Crouch (Patently-O) and Peter Zura (The 271 Patent Blog) have also blogged about the ResQNet decision.

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