



UNIVERSITY OF  
MARYLAND  
SCHOOL OF LAW

**PATENT LAW  
UPDATE**

***Interactive  
Pictures Corp.  
v.  
Infinite  
Pictures, Inc.***

No. 01-1029  
Federal Circuit  
Dec. 20, 2001

***“[E]stimates of sales revenues, as referenced in a hypothetical negotiation at the time infringement began, [need not] later bear a close relation to actual sales revenue.”***

On December 20, 2001, the Federal Circuit affirmed the district court’s entry of judgment on the jury verdict that Infinite infringed U.S. Patent 5,185,667 under the doctrine of equivalents. The patented technology related to an image viewing system that allows a user to view a specified portion of a hemispherical field of view in corrected perspective. With respect to the district court’s \$1 million damages award, the Federal Circuit noted:

Interactive’s theory of damages was based on a reasonable royalty that the parties might have agreed to during a hypothetical negotiation when infringement began in 1996. . . . We agree with Interactive that [its expert’s] testimony was not speculative by virtue of its reliance on Infinite’s 1996 business plan. We have previously upheld awards of damages premised on a lump sum royalty payment based on an infringer’s expected sales. We have also endorsed the conceptual framework of a hypothetical negotiation between the patentee and the infringer as a means for determining a reasonable royalty. When that framework is employed, the negotiation must be hypothesized as of the time infringement began. Although “a trier of fact must have some factual basis for a determination of a reasonable royalty,” consideration of a hypothetical negotiation “necessarily involves an element of approximation and uncertainty.” In this case, the 1996 business plan and its projections for future sales were prepared by Infinite two months before infringement began. Thus, rather than being outdated for purposes of the hypothetical negotiation, those projections would have been available to Infinite at the time of the hypothetical negotiation. The fact that Infinite did not subsequently meet those projections is irrelevant to Infinite’s state of mind at the time of the hypothetical negotiation. Nor does Infinite’s subsequent failure to meet its projections imply that they were grossly excessive or based only on speculation and guesswork. Instead, Infinite’s subsequent failure to meet its projections may simply illustrate the “element of approximation and uncertainty” inherent in future projections.

[A]n actual infringer’s profit margin can be relevant to the determination of a royalty rate in a hypothetical negotiation. [E]stimates of sales revenues, as referenced in a hypothetical negotiation at the time infringement began, [need not, however,] later bear a close relation to actual sales revenue. Such a proposition would essentially eviscerate the rule that recognizes sales expectations at the time when infringement begins as a basis for a royalty base as opposed to an after-the-fact counting of actual sales. [A]ll Infinite products [were permissibly included] in the royalty base, and [there was no] unfair double recovery by factoring the bundling and conveying sales into the royalty rate. The jury was entitled to rely on evidence of bundling and conveyed sales in determining the proper scope of the royalty base. The fact that bundling and conveyed sales affected [the] estimate of both the royalty base and the royalty rate is thus not a sufficient reason to nullify the jury’s award. The “extent of . . . derivative or conveyed sales” is one of the often-cited Georgia-Pacific factors relevant to a determination of a reasonable royalty rate.