

Minks v. Polaris Indus., Inc.

Nos. 07-1490, -1491, Fed. Cir. (Newman, Plager, Gajarsa*)

[T]he Seventh Amendment [requires] that the exercise of a district court's discretion to set aside an excessive jury award be accompanied by an offer of a new trial.

On October 17, 2008, the Federal Circuit, inter alia, vacated and remanded for a new trial the district court's award of double damages of \$55,809, but affirmed the award of attorney fees of \$117,316, for Polaris' willful infringement of U.S. Patent No. 4,664,080, which related to a reverse speed limiter circuit for an all-terrain vehicle (ATV). The Federal Circuit stated:

In this case, the jury awarded over one million dollars in compensatory royalty damages to Minks, but the trial court granted Polaris' Rule 50 motion for a reduction of damages and reduced this award to less than thirty thousand dollars without offering Minks the option of a new trial. The court noted that although "[t]he Seventh Amendment [ordinarily] requires that a plaintiff be given the option of a new trial in lieu of remitting a portion of the jury award[,] . . . this mandate does not apply when the reduction in a damages award is necessitated by legal error." Applying this rule, the court reviewed Minks' evidence on damages and found legal error, concluding that "at most the legally competent evidence in the record supported a jury award based on a price per reverse speed limiter of \$6.11, a reasonable royalty of 4 percent, and total infringing sales during the pertinent period of 116,270, for a total compensatory damage award of \$27,904.80." The issue before us on appeal is whether the Seventh Amendment required the district court to offer Minks the option of a new trial in lieu of accepting the reduced damages award. . . .

The Reexamination Clause of the Seventh Amendment states that "no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of common law." "[T]he Reexamination Clause does not inhibit the authority of a trial judge to grant new trials 'for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States.'" This authority extends to "overturning verdicts for excessiveness and ordering a new trial without qualification, or conditioned on the verdict winner's refusal to agree to a reduction (remittitur)." Nevertheless, the Supreme Court has long interpreted the Seventh Amendment as requiring that the exercise of a district court's discretion to set aside an excessive jury award be accompanied by an offer of a new trial. . . .

The jury found the '080 patent valid and infringed, and awarded Minks a reasonable royalty of \$1,294,620.91. In its analysis of this award, the district court identified no legal principle . . . that would limit the amount of a reasonable royalty in this case. Rather, the district court examined the evidence in the record with respect to the components of a reasonable royalty—number of infringing sales, royalty base, and royalty rate—and found that the evidence could not

support the jury's damages award. The court further found that "at most the legally competent evidence in the record supported a jury award based on a price per reverse speed limiter of \$6.11, a reasonable royalty of 4 percent, and total infringing sales of 116,270, for a total compensatory damage award of \$27,904.80." Despite its effort to cast this decision as one of law rather than fact, the court necessarily engaged in an independent review of the evidence and substituted its conclusion for that of the jury on the factual issue of compensatory damages.

Under 35 U.S.C. § 284, Minks is entitled to a compensatory award no less than a reasonable royalty. A reasonable royalty "may be based upon an established royalty, if there is one, or if not, upon the supposed result of hypothetical negotiations between the plaintiff and defendant." "The hypothetical negotiation requires the court to envision the terms of a licensing agreement reached as the result of a supposed meeting between the patentee and the infringer at the time infringement began." . . . A comparison of the Georgia-Pacific factors and the standard of a hypothetical negotiation to the evidence of record in this case makes clear that the district court's reduction of compensatory damages necessarily amounted to an assessment of the sufficiency of the evidence, and as such, the option of a new trial was required. . . . We need not consider the exact reasonable royalty supported by this evidence. However, the district court's exercise of discretion to assess the evidence and overturn the jury's verdict upon a determination that it is excessive may only result in the order of a new trial, either unqualified or conditioned on Minks' refusal to accept a reduction. [W]e vacate the district court's order reducing the jury's compensatory damages award to \$27,904.80, and we remand for a new trial on damages.

Based on the jury's finding of willful infringement, the district court found the case exceptional and awarded Minks enhanced damages and attorney fees under 35 U.S.C. § 285. The court determined that a "reasonable fee" under this section would be \$234,663.00, after all deductions. [T]he district court criticized Minks' damages theory as "economic nonsense" and only awarded half the reasonable fee to offset the "great deal of time during trial [that] was wasted by Plaintiff attempting to evade the basic laws of economics and common sense." [W]e detect no abuse of discretion Even on appeal, Minks remains unable or unwilling to articulate a coherent damages theory. We therefore affirm the award of attorney fees, but we note that the trial judge may exercise his discretion to modify the award if it warrants further consideration on remand.

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