Portfolio Media. Inc. | 111 West 19th Street, 5th Floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Fed. Circ. Erases Seoul Semiconductor's $4M Patent Award

By **Matthew Bultman**

Law360 (November 19, 2018, 6:27 PM EST) -- The Federal Circuit on Monday vacated a $4 million damages award that Seoul Semiconductor Co. Ltd. won in a patent lawsuit against Enplas Display Device Corp. over LCD technology, taking issue with the way damages were calculated.

The appeals court, in a precedential opinion, said the only evidence to support the $4 million damages award was a royalty calculation from Seoul's expert that improperly included Enplas devices that had not been accused of infringement.

"This testimony cannot support the jury's damages award," wrote the court, which said its precedent prohibits awarding damages for activities that do not constitute patent infringement.

The case was sent back to the district court for further proceedings.

Japan-based Enplas makes plastic lenses for "light bars" that are used for backlighting displays in flat-screen televisions. It sued Seoul in October 2013 seeking a court order that certain lenses do not infringe two Seoul patents and that those patents are invalid.

The South Korea-based Seoul responded to the complaint with infringement-related counterclaims.

The case went to trial in the Northern District of California in March 2016. Jurors found both patents were valid and Enplas willfully induced infringement. Seoul was awarded $4 million in damages for one patent and $70,000 for the second.

During trial, Seoul's expert testified that a reasonable license for the two patents would be $570,000 — $500,000 for the first patent and $70,000 for the second. That amount would cover each of the products accused of infringement in the case.

However, the expert said the two sides wouldn't have limited a license to just those products if there was a risk that others might infringe. The expert said the more "pragmatic" approach would be to agree to a "freedom to operate license," which was valued at $2 million to $4 million.

In its ruling Monday, the Federal Circuit pointed to its 2015 decision in AstraZeneca AB v. Apotex, which held a reasonable royalty can't include activities "that don't constitute patent infringement."

"The only evidence presented at trial to support a damages award above $570,000 was SSC's expert's

damages theory applying a royalty to lenses that were neither accused of infringement nor shown to infringe," Judge Kara Stoll wrote in the majority opinion.

"SSC's expert," the judge added, "[did not] provide any explanation of how past sales revenue for nonaccused lenses could predict the future sales revenue of infringing or even potentially infringing lenses. Without such an explanation, her conclusion is wholly inconsistent with our precedent."

The appeals court vacated the $4 million award for infringement of the first patent. It did not disturb the $70,000 award for the second patent.

In the same ruling, the Federal Circuit affirmed decisions in the lower court that Enplas had not shown claims in the two patents were invalid as anticipated. The appeals court also affirmed the judgment that Enplas induced infringement.

Judge Pauline Newman partially dissented from the ruling, saying she would have let stand the full damages award. Judge Newman highlighted that Seoul's expert testimony was the only evidence presented at trial about a hypothetical negotiation.

"The uncontradicted expert testimony constitutes substantial evidence supporting the jury verdict," the judge wrote.

Attorneys for Enplas and Seoul declined to comment on the ruling.

The patents at issue are U.S. Patent Numbers 6,007,209 and 6,473,554.

Circuit Judges Kara Stoll, Pauline Newman and Todd Hughes sat on the panel for the Federal Circuit.

Enplas is represented by John C. Rozendaal and Michael Joffre of Sterne Kessler Goldstein & Fox PLLC.

Seoul is represented by Lawrence J. Gotts, Gabriel Bell and Charles Sanders of Latham & Watkins LLP.

The case is Enplas Display Device Corp. v. Seoul Semiconductor Co. Ltd., case number 2016-2599, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Aaron Pelc.