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## DISTRICT COURT CASES

### Use of Cost Impact Methodology in Calculating Damages Still Requires Apportionment of the Value of the Patented Feature

On October 30, 2015, Judge Hornak of the Western District of Pennsylvania denied plaintiff's motion to reconsider an earlier order excluding plaintiff's damages expert opinion. Plaintiff's damages expert applied a cost impact method to determine the value of a reasonable royalty. A cost impact method assesses how much it would cost for an infringing party to cease its unlawful action and reenter the market with a non-infringing alternative. In his opinion, Plaintiff's expert considered the value of the inventory that defendant would be unable to sell because of patent enforcement, and used that as a value that defendant would be willing to pay for a license (so that it could sell this inventory).

The court excluded the opinion because it valued the entire product, rather than the value of the patented component features. The court endorsed the cost impact approach as a useful factor in determining the upper bound of a reasonable royalty, but noted that a reasonable royalty contemplates a hypothetical negotiation . . . at a time before the infringement began. Here, the expert's opinion not only relied on an ex-post valuation of the allegedly infringing inventory, but also valued the inventory in terms of whole product units, rather than the patented component features. Accordingly the opinion ran "afoul of the well-established rule that a patentee may seek only those damages attributable to the infringing features."

*Wonderland Nurserygoods Co., Ltd. v. Thorley Industries, LLC*, 2-13-cv-00387 (W.D. Pa. October 30, 2015, Order) (Hornak, J.)

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