Thought Leadership

Opinion of Trial Counsel: The Role of an Economic Expert in Establishing the Damages Case in Intellectual Property Litigation

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Intellectual property litigation is highly relevant in today's society. It is also highly complex work that often involves explaining technical concepts to a jury at trial. When advocating for a plaintiff in an intellectual property case, trial counsel's work in building a case for a damages award is a time-intensive process that requires careful planning and execution. More often than not, the plaintiff will use an economic expert to calculate the damages and to testify regarding economic damages during deposition and at trial. This discussion addresses when experts are necessary, how they are qualified, and how experts should be prepared to avoid disqualification. This discussion also reviews the calculation of damages for each of the principal types of intellectual property claims.

Introduction

The intellectual property (IP) of a business, such as its patents, trademarks, copyrights, and/or trade secrets, may be the most important assets the business owns. Consequently, litigation regarding a company's IP can be important to the business's future. Despite the recent economic downturn, the volume of IP litigation has remained fairly steady, and predictions are that it will continue to increase in the near future.[1]

IP litigation has also enjoyed a high profile in recent years. Several recent landmark cases have made headlines because they have addressed key issues that may change the way IP is protected in the future. In a recent case, *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*,[2] the U.S. Supreme Court addressed the issue of whether human genes are patentable subject matter, finding that the genetic sequence itself is not, but derivations for use in laboratory processes are patentable.

A current case on appeal at the Supreme Court this term, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*,[3] addresses whether computer-implemented business methods are patentable. In the copyright realm, the emergent phenomenon of copyright "trolling" and the extension of the fair use doctrine to painted parodies of existing photographs have made headlines.[4]

Trademark cases remain ever popular, including the case regarding whether shoe designer Christian Louboutin's signature red-lacquered soles on women's high heels are protectable as a trademark.[5]

Recent news headlines featured a California coffee shop named "Dumb Starbucks Coffee." The owner claimed "Dumb Starbucks Coffee" was a protected parody under fair use (a copyright doctrine). Instead, it raised an issue of blatant trademark infringement.[6] The coffee shop closed soon after opening.

The on-going "smartphone wars" between Apple and Samsung have also drawn significant media attention due both to the mainstream accessibility of the topic (everybody has a smartphone!) and the high dollar figures claimed as damages by the plaintiff in these cases. The resulting damage awards,

threatened injunctions, and reversals at the various stages of each case are regular fodder for media headlines, in part because the results of these cases may affect the companies' stock prices[7] or the future availability of a product, in the case of an injunction.[8]

Cases with such potential are globally watched and discussed. Behind nearly every such case is a plaintiff seeking a damage award for infringement of its intellectual property. Very few plaintiffs seek only injunctive relief, in part because injunctive relief is increasingly difficult to obtain as products become increasingly complex and because a plaintiff may choose to bring a case only if the damages are sufficient to recover the cost of the action.

A defendant accused of infringement has a number of available defenses. It may deny the infringement or may attempt to invalidate plaintiff's intellectual property by claiming, for example, that it was never due protection to begin with (e.g., the patented idea was in fact known by others in the industry before plaintiff's patent application was filed). If the defendant successfully invalidates the plaintiff's intellectual property, the plaintiff's suit ends and plaintiff cannot recover damages or assert the IP against anyone else. Even where these defenses are made, a defendant against whom a damage claim is alleged will respond to plaintiff's claim by presenting its own alternative picture of plaintiff's claim for damages, which will surely be far lower than plaintiff's own estimation.

A plaintiff's claims in IP litigation may take several forms, including assertion of claims of infringement of the intellectual property right, or loss of plaintiff's right to the intellectual property through unlawful misappropriation (e.g., trade secret theft).[9] Each of these causes of action is at its heart a "tort," which is legalese for a wrongful act or an infringement of a right (other than under contract) that leads to civil legal liability.[10]

To prevail in a tort claim, the plaintiff must establish three elements: (1) defendant's breach of a duty or right belonging to the plaintiff, (2) the defendant's breach damaged plaintiff, and (3) the measure of damages accrued by plaintiff as a direct cause of defendant's breach. This discussion focuses on the last prong, proving the amount of damages that plaintiff suffered, and the role of an expert qualified to testify to damages issues in trial counsel's proof.

This discussion begins with the use of experts and the process of qualifying an expert, including the avoidance of anticipated legal challenges to the expert's testimony. It then addresses the primary theories used in proving claims of infringement of patents, trademarks, copyrights, and trade secret misappropriation claims. While each of these claims also carries the possibility of recovery of attorney's fees by statute or established state law, such fees are not generally proven using an economic expert and are therefore beyond the scope of this discussion.

The Role of an Expert Witness

When Should an Economic Expert Be Used?

The trial of a case begins with each side presenting an opening statement that will frame the case for the jury. However, the opening statement is not evidence, and the jurors are instructed to consider the statements to be the opinion of the party, and not evidence that should influence their decision on the merits of the case. After opening statements, the attorney introduces evidence in the form of testimony from witnesses of two types: fact witnesses and, when needed, expert witnesses.

Expert witnesses are necessary when a party must present evidence that is reasonably considered to be outside a juror's common knowledge, or "beyond the ken of the ordinary lay person."[11] The rationale behind the distinction is that if the average juror can understand the evidence and how it relates to the issues, no opinion commentary or analysis from third parties is needed. Whereas, if the jurors should be educated on a topic before they can understand the evidence presented and correctly answer the questions they will ultimately be asked to answer in order to render a verdict, an expert witness should be used.

The standards for expert testimony presented by a party are established in the case law and provided by Federal Rules of Evidence 702 and 703:

Federal Rule of Evidence 702: Testimony by Expert Witnesses

A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:

(a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;

(b) the testimony is based on sufficient facts or data;

(c) the testimony is the product of reliable principles and methods; and

(d) the expert has reliably applied the principles and methods to the facts of the case.

Federal Rule of Evidence 703: Bases of an Expert's Opinion Testimony

An expert may base an opinion on facts or data in the case that the expert has been made aware of or personally observed. If experts in the particular field would reasonably rely on those kinds of facts or data in forming an opinion on the subject, they need not be admissible for the opinion to be admitted. But if the facts or data would otherwise be inadmissible, the proponent of the opinion may disclose them to the jury only if their probative value in helping the jury evaluate the opinion substantially outweighs their prejudicial effect.

In summary, the expert should have sufficient qualifications to analyze the issue, and the expert should do so based on competent and sufficient information that he or she has personally reviewed. In making the analysis, the expert should rely on facts or data that experts in his or her field would rely on, and the expert's opinions should be helpful to the jurors in understanding the issues such that they can render a verdict.

The difference between when a fact witness and an expert witness is needed can be demonstrated using the following non-intellectual-property example of a personal injury case. Assume the plaintiff was injured in an auto accident that occurred when the defendant's car crashed into plaintiff's car in an intersection. Plaintiff claims the defendant's car negligently entered the intersection when the light in defendant's direction was red, and that plaintiff was injured in the accident.

The question of whether a fact or expert witness should be used to introduce evidence depends upon the type of evidence sought to be introduced. If trial counsel wishes to present evidence that "at the time defendant's car drove into the intersection and hit plaintiff's car, the stoplight was red," counsel is seeking to present purely factual testimony and no expert is required. This assumes, of course, that there is a witness or other data (e.g., a photograph showing the color of the stoplight) that can be introduced to provide this factual testimony.

"[T]he expert's testimony must be relevant to the case and helpful to the jury or the judge will not permit the testimony to be presented to the jury."

Assume that, on rebuttal, defense counsel wants to introduce evidence that "the stoplight was in fact blinking yellow at the time defendant's car entered the intersection because the stoplight mechanism had malfunctioned as shown by power grid logs pulled from the city's power grid system" (defendant's theory being his presence in the intersection was no more wrong than plaintiff's). In this case, the average juror is not likely to be able to understand power grid logs or how they are interpreted. Therefore, defense counsel needs to use the testimony of an expert witness to interpret the power logs and testify as to their meaning in order to present the testimony to the jury.

Ultimately, however, the expert's testimony must be relevant to the case and helpful to the jury or the judge will not permit the testimony to be presented to the jury. If the judge determines that the jury can assess the issue without the expert's assistance, or that the information is not useful to the jury in answering the questions the jury must answer, the judge will not permit the expert to testify.

In the case of an economic expert in an IP case, the expert's role is to explain to the jury how the owner of the IP (the plaintiff) was damaged economically by defendant's actions and the measure of that injury. Such testimony is relevant provided that the plaintiff has standing to assert a claim for economic damages and not just injunctive relief (this issue is addressed below with regard to patent damages). The expert's testimony should also be helpful to the jury—meaning that the picture of plaintiff's damages must be so complex that the average juror could not tally up the numbers.

For purposes of this discussion, let's assume that the defendant has not succeeded in defeating plaintiff's claim of injury or causation by defendant, and that the case has proceeded to the point where plaintiff should prove economic damages. In the course of IP litigation, this traditionally occurs toward the end of discovery, and possibly during expert discovery after fact discovery has closed, depending on the jurisdiction.

By nature, most intellectual property claims are sufficiently complex to warrant the use of an economic expert. This is because intellectual property rights (1) can affect what products can be marketed, (2) can affect consumer preferences for those products, and (3) typically have a life of many years (e.g., patents have terms of up to 20 years from the date of filing and copyrights last for multiple decades depending on the nature of the work). Thus, calculation of the plaintiff's damages will often require opinion testimony on the impact of such factors on plaintiff's financial performance over a period of multiple years and in different geographic and economic markets. For intellectual property rights without fixed term duration (e.g., trademark and trade secret), the calculation may also involve estimating damage to the right itself, which may have been diluted or eviscerated by defendant's actions.

Case law establishing how damages are proven in various intellectual property claims makes the use of an economic expert necessary in most cases. For example, as will be discussed below, proof of a reasonable royalty in patent damages requires a party to introduce a measure of damages that would have been established by a negotiation between plaintiff and defendant that is entirely hypothetical in nature, and is contrived to have occurred only for the purposes of establishing the damages in the case.

To perform this analysis, one should be able to assess the specific market conditions that existed at the time of the hypothetical negotiation and to account for how the passage of time affected those conditions and the resulting economic harm to the plaintiff. Only economic experts are trained in assessing such markets and performing such calculations. Perhaps most importantly, a jury wants to hear testimony about economic issues from someone with demonstrated credibility in evaluating economic issues—and not from the party or its lawyer.

How Is an Expert Qualified to Present Testimony?

A person can become an expert in a field through education, training, skill, direct experience, or any of these in combination. Economic experts may be trained in finance, accounting, or economics, such as certified public accountants, and may have one or more additional qualifications or certifications in areas such as business financial management, valuation analysis, business appraisal, or financial forensics. These additional certifications demonstrate that the expert has received specialized training and experience in analysis of financial issues in these contexts. Other experts are economists, professors, or industry participants. An economic expert may have direct experience working on certain kinds of litigation in the product market at issue that may make his or her testimony particularly suited for the case at hand.

The expert, using his or her training and expertise, should evaluate the plaintiff's claim and construct a model projecting plaintiff's condition and experience had the defendant's breach not occurred or had the defendant secured permission (a license) for its actions. The expert reviews information provided by the attorney (from discovery or from the client) and can also speak directly with the client, if desired, to gain historical or other knowledge about the client's business.

In constructing a damages model, the expert should understand the claim and the established case law that sets forth how such models are constructed. These models are discussed below for specific intellectual property claims.

The expert's opinion is presented in three ways. First, the expert prepares a written report pursuant to Federal Rule of Civil Procedure 26. The report should contain the following:

1. A complete statement of all opinions the witness will express and the basis and reasons for them
2. The facts or data considered by the witness in forming them
3. Any exhibits that will be used to summarize or support them
4. The witness's qualifications, including a list of all publications authored in the previous 10 years
5. A list of all other cases in which, during the previous four years, the witness testified as an expert at trial or by deposition
6. A statement of the compensation to be paid for the study and testimony in the case

The purpose of the report is to allow the other party to fully assess and determine the basis for the expert's opinion, and, if desired, to retain an opposing expert to rebut the opinion. The rebuttal expert provides a similar report summarizing his or her opinions. After the reports are produced, each side can elect to depose the other side's expert(s) regarding the substance of the expert's opinions. A deposition occurs under oath, is transcribed by a court reporter or is videotaped, and is oral testimony on a party's behalf. Any statement made by the expert during deposition can be later introduced during motion practice prior to trial (e.g., in support of a party's motion for summary judgment on a legal issue) or at trial (e.g., as impeachment evidence).

The deposition is the opposing party's chance to question the expert regarding any topic in the report. Generally a party deposes the expert to try to uncover weaknesses in the expert's opinion, in anticipation of cross-examination at trial or perhaps even bringing a motion against the other party's case or a motion to disqualify the expert and preclude the expert from testifying at trial (discussed below).

The final testimony that an economic expert gives is at trial. Because proving plaintiff's damages is the third and final prong of a torts case, the damages expert is often the last witness to testify before plaintiff rests. At trial, the expert will testify regarding his or her opinions by providing a synopsis of the opinion for the jury, and then presenting a summary of the steps taken to perform the analysis.

The testimony is offered through a question-and-answer format, with the attorney asking the questions (i.e., what factors did you consider?) and the expert speaking directly to the jury in response to the questions. Defense counsel next cross-examines the expert, often making the same points made during the expert's deposition in an attempt to discredit the expert's testimony before the jury. Plaintiff's counsel may then "re-direct" the expert, to explain any points perceived to have been scored by defense counsel. If defense counsel failed to score any such points, plaintiff's counsel may rest without re-direct to convey that message to the jury.

How May an Expert's Testimony Be Challenged?

A party may challenge an expert's testimony if the expert fails to abide by Rules 702 or 703 (listed above). Challenges to expert testimony typically come in the form of pre-trial motions to limit or entirely preclude the testimony of an expert. The leading cases interpreting the application of Rules 702 and 703 to expert testimony are *Daubert v. Merrell Dow Pharmaceuticals*[13] and *Kumho Tire Co. v. Carmichael*.[14]

These cases established that the expert's testimony should be relevant to the jury's determination of fact and should rest on a reliable foundation based on principles established by the expert's scientific or technical community. In deciding whether the methodology used by the expert is sound, the court can consider such factors as:

- empirical testing: whether the theory or technique is falsifiable, refutable, and/or testable;
- whether it has been subjected to peer review and publication;
- the known or potential error rate;
- the existence and maintenance of standards and controls concerning its operation; and
- the degree to which the theory and technique are generally accepted by a relevant scientific community.

Daubert motions are common in IP litigation and many are successful in at least some respect. The worst position a party can be in is to have its expert's testimony struck just before trial with no time to arrange for alternative testimony. In that instance, the party has to attempt to establish the points he or she had intended to make with the expert witness through other witnesses who may not be capable of presenting the necessary testimony.

With regard to damages, the plaintiff routinely testifies to the harm he or she has experienced due to defendant's conduct (e.g., "my business lost sales due to the defendant's infringing product entering the market and undercutting our product"), but a plaintiff's representative may not be prepared (or able) to testify to the damages, particularly where economic models are required.

Hence, the plaintiff should carefully choose a damages expert capable of (1) applying the methodologies accepted by the relevant community to calculate the plaintiff's damages, (2) drafting a well-

reasoned expert report that articulates the methodologies used and includes the necessary information required by Rule 26, and (3) articulating the reasoning applied during deposition and at trial. In addition, the expert should work with counsel to ensure that the expert fully understands the relevant case law regarding how damages are proven in the case at hand.

The discussion below summarizes the leading cases and methodologies that define how a plaintiff's damages are established for infringement of patents, trademarks, copyrights, and trade secret misappropriation.

Intellectual Property Damages Models

Patent Infringement

A patent conveys a right to exclude others from using a patented invention for the duration of the patent's term. A successful claim of patent infringement establishes that the defendant sold a product or used a method that was patented by plaintiff, in a manner that harmed plaintiff. The basis for patent infringement is found in federal law 35 U.S.C. Section 271.

The award of damages is designed to make a plaintiff whole following the infringement.[15] The basis for estimating patent damages, including the use of an expert to assist with the analysis, is found in federal law 35 U.S.C. Section 284, which states in relevant part:

> Upon finding for the claimant [patent plaintiff] the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.
>
> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

The statute therefore provides that the plaintiff must be compensated for the infringement, at a rate no lower than a reasonable royalty, and that the court and jury may be assisted by expert testimony in determining what adequate compensation should be. To have standing to bring a patent infringement case, including the assertion of damages, the plaintiff should be either the owner or the exclusive licensee of the patent who has been granted the right to practice the invention as well as enforce the patents.[16]

Prior cases in patent law have established that "damages adequate to compensate for the infringement" may include the profits from sales the plaintiff could have made if not for defendant's infringement.[17] These are called "lost profit" damages. To have standing to assert lost profit damages, the plaintiff should itself be selling products made using the patented invention and not simply be an owner of the patent who is not active in the marketplace (a nonpracticing entity or "NPE").[18] This distinction is considered fair because otherwise a defendant could be penalized for making sales the plaintiff was not capable of making. An NPE cannot recover lost profits, but an it may recover the minimum damages of a reasonable royalty (discussed below).

In some cases, a combination of the two may be necessary, such as when plaintiff was active in the market for only a portion of the time that the defendant sold infringing products.

Determination of Lost Profits Damages

Where a plaintiff has standing to assert lost profit damages, an economic expert should, as a starting point, apply the test established in the *Panduit* case to determine whether profits have been lost as a result of the infringement.[19] The *Panduit* test requires the plaintiff to establish the following:

- Demand for the patented product (if defendant had not sold the product, plaintiff would have sold the product; hence, there must be demand for the patented product)
- Absence of acceptable noninfringing substitutes (there are no other brands or other products defendant's customers could have purchased instead)
- Plaintiff's manufacturing and marketing capability to exploit the demand (plaintiff had the ability to make the 10,000 extra products sold by defendant during the time frame at issue)
- The amount of profit that would have been made (defendant's sales or plaintiff's sales if defendant's sales eroded the market price, assuming it can be established that defendant's customers would have paid plaintiff's price)

Where the four *Panduit* conditions are met, the expert must then model how the market would have behaved if defendant had never released the infringing product on the market. This modeling is called "but-for" behavior, as in "but for defendant's infringement, what would the world have looked like?" Ultimately, the amount of profits the plaintiff would have made minus the profits plaintiff actually made under the model represents the plaintiff's lost profit damages attributable to defendant's infringing conduct.[20]

Determination of Reasonable Royalty Rate

Where lost profit damages are not recoverable, the plaintiff is entitled to reasonable royalty damages. A reasonable royalty is the amount that someone wanting to use the patented invention would have agreed to pay to the patent owner and the patent owner would have accepted in order to license the invention. It is normally calculated as a percentage of the defendant's sales that the defendant would have paid to plaintiff for the privilege of using the invention, or simply as a flat sum.[21]

Patent law has developed two leading methodologies to determine a reasonable royalty, although other methods have also been used. The two leading methodologies are discussed below.

Methodology 1: *Georgia-Pacific* Hypothetical Negotiation

Under the leading methodology, established in *Georgia-Pacific Corp. v. United States Plywood Corp.*,[22] the reasonable royalty rate is determined by constructing a hypothetical negotiation for licensing of the patent between the plaintiff and the defendant at the time the infringement began. This may seem ludicrous, as quite often patent litigants are bitter enemies, but the law presumes this hypothetical negotiation occurred and that plaintiff, who ordinarily would not be required to license his or her invention, did so willingly for the purpose of this calculation.

The *Georgia-Pacific* case provided 15 factors (the "Georgia-Pacific factors") for consideration in determining what rate would be reasonably negotiated between the parties. These 15 factors are listed below. Not all factors may apply in any given case. Each factor may increase or decrease the royalty, or may have a neutral effect. However, the net result can never fall below the statutory minimum, which is reflected by the last factor:

1. The royalties received by the patent owner for the licensing of the patent-in-suit, proving or tending to prove an established royalty
2. The rates paid by the licensee for the use of other patents comparable to the patent-in-suit
3. The nature and scope of the license, as exclusive or nonexclusive, or as restricted or nonrestricted in terms of territory or with respect to whom the manufactured product may be sold
4. The licensor's established policy and marketing program to maintain its patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly
5. The commercial relationship between the licensor and the licensee, such as whether they are competitors in the same territory in the same line of business, or whether they are inventor and promoter
6. The effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of its nonpatented items; and the extent of such derivative or convoyed sales
7. The duration of the patent and the term of the license
8. The established profitability of the product made under the patent; its commercial success; and its current popularity
9. The utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results
10. The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention
11. The extent to which the infringer has made use of the invention, and any evidence probative of the value of that use
12. The portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions
13. The portion of the realizable profit that should be credited to the invention as distinguished from nonpatented elements, the manufacturing process, business risks, or

significant features or improvements added by the infringer

14. The opinion testimony of qualified experts
15. The amount that a licensor (such as the patent owner) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount that a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit, and which amount would have been acceptable by a prudent patent owner who was willing to grant a license

In considering these 15 factors, the expert will ultimately reach a royalty expressed as a percentage of defendant's sales (such as 5 percent reasonable royalty), a per unit amount (60 cents per widget), or a flat sum. That number is applied to the defendant's infringing sales to derive a damages figure, and the court may require that the plaintiff establish a connection between the sales and the patented invention, to avoid a windfall to plaintiff.[23] That figure is then adjusted for interest to arrive at a damages figure that is current as of the time of trial.

Methodology 2: Analytical Approach

The "analytical approach" is the second methodology for computing reasonable royalty damages. This approach, established in *TWM Manufacturing Co. v. Dura Corp.*, requires the jury to assess the defendant's own internal profit projections for the infringing product made at the time the infringing sales began, and then apportions the projected profit between the parties as a percentage of the defendant's sales.[24] The percentage assessed to the plaintiff patentee is then applied to the defendant's sales dollars for the actual infringing sales to determine the total reasonable royalty damages.

In the *TWM* case, Dura Corp. (the infringer) had produced in discovery an internal memorandum dated just prior to the infringement that predicted the infringing product would yield gross profits of 50 percent of sales and a projected net profit of 40 percent. This was far in excess of the standard industry net profit, which was approximately 10 percent of the sales price. Ultimately, the reasonable royalty rate was determined as 30 percent, and this rate was applied to the infringer's actual sales figures to calculate the reasonable royalty damages. On appeal, the appellate court confirmed this method of assessing damages, specifically rejecting the infringer's position that the *Georgia-Pacific* approach was the only possible approach to computing reasonable royalty damages.

From trial counsel's perspective, the *TWM* approach may be useful where discovery has yielded internal documents from the defendant that projected a very high rate of profit, even if those levels of profits were not realized. Such documents are not unusual in larger companies, which may require product teams to develop a profit projection before the project is approved. Certainly, such documents make good fodder for trial counsel's cross-examination of an expert witness whose opinion strays far from the company's own prediction.

Enhanced Damages

Upon a finding of willful infringement by the fact-finder, the court has discretion to enhance damages up to three times the award pursuant to 35 U.S.C. Section 284.

Trademark Infringement

A trademark is a word, slogan, or other identifier used by a company as a brand to differentiate its goods and services from those of others in the same industry (e.g., Nike's "swoosh"). A trademark is valuable to a company when the public begins to associate positive attributes such as quality and durability with the trademark. This positive association is the "goodwill" earned by the trademark holder.

Trademark infringement is the unauthorized use of the trademark holder's mark in an attempt to prey on the mark holder's goodwill, and is precluded by law in the Lanham Act, 15 U.S.C. Section 1117(a). A successful claim of trademark infringement establishes that defendant used the plaintiff's trademark or a similar mark to confuse others into believing that the defendant's goods and services were associated with or sourced from plaintiff's goods or services, in a manner that harmed plaintiff.

Often injunctive relief is the remedy that is most important to plaintiffs in trademark cases. However, damages may also be recovered if plaintiff can meet its burden of proving that damages should be recovered.

The Lanham Act provides trademark owners five different types of monetary relief as compensation for infringement: (1) an accounting of an infringer's profits (i.e., money the infringer made from the infringement), (2) the actual damages the trademark owner sustained (e.g., money diverted from the owner to the infringer), (3) a reasonable royalty representing a measure of the trademark owner's damages, (4) attorney's fees in exceptional cases, and (5) costs.

Only the first three types of relief are a matter for the jury; attorney's fees and costs are determined by the court after trial, usually without the assistance of an economic expert. In addition, a trademark holder can elect to receive statutory damages rather than actual damages and profits for counterfeit uses of a mark.[25] Statutory damages are a matter of discretion by the court and are therefore outside the scope of this discussion.

Notably, trademark damages are compensatory in nature and are not automatically awarded. Instead, damages are awarded in a manner that removes any improperly received benefits from the infringer. No punitive damages are permitted.[26]

Determination of the Infringer's Profits

Once a trademark plaintiff has established that it has suffered damages, the plaintiff should demonstrate a reasonable basis for calculating its damages. The plaintiff is entitled to recover the defendant's (infringer) profits from use of the mark (attributable to the infringement) minus any expenses that would have been incurred in order to earn those profits.[27]

However, the plaintiff should only prove the infringer's sales as damages; it is the infringer's burden to prove any deductions that would reduce the calculation, such as variable business operating costs including labor, raw materials, and other costs associated with the production of infringing goods.[28] Fixed operating costs are not generally deductible.[29] The infringer can also deduct any sales it is able to prove were not made as a result of the infringement.[30]

In this determination, proof of the defendant's profits will be made during discovery by the defendant. The economic expert is useful in assessing the defendant's claimed variable operating costs to confirm that only reasonable costs were applied as deductions as well as in calculating the total damages.

Determination of Actual Damages: Lost Profits, Loss of Goodwill, or Corrective Advertising Costs

Parties who are awarded actual damages generally succeed in proving either actual customer confusion resulting in economic loss or that the infringer was unjustly enriched through use of the trademark holder's mark. The trademark owner should establish that it suffered an actual loss in order to receive an award of damages. To do so, it should demonstrate a loss of sales or profits, a loss of goodwill, or the cost of its corrective advertising. Some courts require proof of actual confusion or deception before awarding actual damages, but others do not.[31]

"The economic expert is useful in assessing the defendant's claimed variable operating costs to confirm that only reasonable costs were applied. . . ."

As with patent infringement, measuring lost profits consists of calculating the revenue the trademark owner would have earned but for the infringer's actions, less the variable operating costs that would have been incurred to earn those revenues. Economic experts perform this analysis as discussed above.

Estimating loss of goodwill requires comparing the value of the trademark owners' goodwill before and after the infringement. To use this measure of damages, there should be some reliable way to measure the goodwill in the mark prior to the infringement, such as a consumer survey or sales position within an industry. These data can be compared with new data at the time of the litigation to assess the damage caused by the infringement. In assessing these data, the economic expert may be asked to assume that the trademark holder has been damaged based on evidence determined by other experts (i.e., a trademark survey expert), and to calculate the damage based on that assumption.

Trademark owners can also recover for the cost of corrective advertising, which seeks to counteract public confusion that resulted from the trademark infringement.[32] The corrective advertising costs cannot eclipse the value of the mark and should occur in a market where the plaintiff and defendant are direct competitors to be recoverable; otherwise, such costs may represent a windfall for the plaintiff and simply assist plaintiff in advertising its goods or services.[33] Economic experts can review costs incurred for similar types of advertising as a basis for calculating these costs.

Determination of a Reasonable Royalty

As with patent infringement damages, the calculation of a reasonable royalty for trademark infringement is a measure of compensation based on the reasonable value of a license to plaintiff's intellectual property, here a trademark. The *Georgia-Pacific* factors discussed above with reference to patent infringement reasonable royalty determination are also used to determine a reasonable royalty for trademark licenses, with the value of the trademark being the focus of the assessment performed by the economic expert rather than the patented invention.[34]

Copyright Infringement

Copyright protects the fixed expression of an original work, such as a photograph, drawing, or sculpture. Copyright allows the creator exclusive rights to use and distribution of the expression of the work (or derivatives of the expression). The duration of a copyright depends upon the identity of the creator and the duration of his or her life (if the creator is human and not corporate).

Copyright infringement is unauthorized use or reproduction of the copyrighted work in a manner that harms the copyright holder, and is precluded by the Copyright Act. Remedies for infringement include injunctive relief, impoundment, destruction, damages, and court costs under 17 U.S.C. Sections 502–505.

A work does not need to be registered with the U.S. Copyright Office in order for the copyright holder to enforce rights in the work. However, if the work was timely registered (within three months of first publication where infringement occurred after the publication or, when unpublished, before infringement began), the copyright holder may elect to claim statutory damages and attorney's fees rather than actual damages and profits. Statutory damages can reach up to $150,000 per infringement (in the most egregious circumstances).[35]

As in the case of trademark counterfeiting, statutory damages are a matter of discretion by the court and are therefore outside the scope of this discussion. I will focus instead on the two types of remedies that an economic expert may assist in proving under Section 504(a) of 17 U.S.C.: (1) actual damages in the form of plaintiff's lost profits in order to "repair" the damage and (2) disgorgement of the defendant's profits to prevent infringers from benefiting from the illegal act.

With respect to actual damages and profits, Section 504(b) states:

> The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

The language of 17 U.S.C. Section 504 does not expressly require a plaintiff to show a connection between the defendant's gross revenue and the infringements, but courts in almost all circuits have held that the plaintiff must do so in order to establish actual damages.[36] This means that the plaintiff should establish that the infringement led in some meaningful way to the alleged unjust revenue that defendant received. For instance, if the revenue was generated by selling a book of 50 separate photographs and plaintiff's photograph is only 1 of the 50, plaintiff will likely be required to show that it was his work that drove a portion of the sales.

Once the plaintiff presents proof of the infringer's gross revenue, the infringer should prove any deductible expenses.[37] This analysis is similar to that used in trademark law and described above; however, copyright law does not permit expenses not linked to production of the infringing work to be deducted.[38] Therefore, not all business expenses can be deducted from the revenue calculation. An economic expert can be useful in distinguishing what expenses are legitimately deductible.

After legitimate deductible expenses are removed, the infringer's net profit remains. The court should then determine the percentage of the net profit attributable to the infringed work.[39] Using the example above regarding the book of 50 photographs, the fact-finder should assess how many copies of the book were purchased due to the presence of the plaintiff's photograph and award proportionate damages.

It merits mention that the calculation of actual damages and the infringer's profits may overlap where sales of an infringing article have displaced sales that the copyright owner would otherwise have made. In such cases, the volume of lost sales can be a measure of actual damages. The plaintiff retains the burden to show its own lost sales and also its profit margin on the lost sales.

Where a plaintiff wishes to prove a case for actual damages or by disgorgement of defendant's profits, plaintiff will most likely use an economic expert. The economist's testimony commonly will rely upon other opinion testimony from marketing or other industry participants qualified to give opinions on the dynamics in a particular product or service market and how the infringement affected those dynamics to injure plaintiff. The lost profits assessment is similar to the patent context in that the plaintiff must show it could have made the sales and that *Panduit*-type factors apply.[40]

Proof of a damages remedy for disgorgement of profit is similar to trademark law in that the defendant has to turn over all actual profits and plaintiff need not prove whether it could have made those profits.

Copyright damages do not require an intent element to be proven, meaning that a copyright infringer's defense of unknowing infringement may mitigate an award of damages based on willful behavior, but it will not preclude an award of damages.

Statutory damages cases do not routinely require use of an economic expert, but it is not uncommon for cases to have mixed damages models. For instance, a plaintiff may sue a defendant for infringement of 20 of plaintiff's individual copyrighted works and seek actual damages for lost profits for some work and statutory damages for others. Thus, an expert may be used to prove some infringement but not others within the same case.

Trade Secret Misappropriation

A trade secret is a formula, practice, process, design, instrument, pattern, or compilation of information that is not generally known or reasonably ascertainable, by which a business can obtain an economic advantage over competitors or customers.[41] Trade secrets are kept confidential due to their value, both by restriction of personnel with access to the "secret sauce" and by contractual obligations such as nondisclosure agreements.

Misappropriation of a trade secret is the acquisition of the trade secret by improper means. A plaintiff whose trade secret has been misappropriated can recover damages where the defendant has used or disclosed the trade secret in a manner that has harmed the plaintiff, either by destroying the secrecy and/or using the secret in competition with the plaintiff.[42]

Many states, including Oregon and Washington, have adopted some form of the Uniform Trade Secrets Act (UTSA). The UTSA was created out of a legal movement focused on defining common law rights and remedies involving trade secrets.[43] Oregon enacted a modified version of the UTSA, the Oregon Uniform Trade Secrets Act, in 1987.[44] This discussion considers the UTSA method of proving damages, as addressed by section three of the UTSA. That section states that remedies for misappropriation of a trade secret can include "both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss."

Actual Damages

Actual damages for trade secret cases are proven in a manner similar to patent law. They may include lost profits, which are typically calculated as net profits (meaning gross profits minus overhead and expenses required to run the business).[45] Another calculation of actual damages is the defendant's own profits, which are disgorged to plaintiff.[46]

Additional theories delve further into how the plaintiff (former trade secret holder) was affected by defendant's conduct, and courts have used many methods to make plaintiffs whole.[47] If the plaintiff was formerly able to command a higher price for her product by using the trade secret, and disclosure by the defendant eroded the price, the plaintiff may also be able to recover losses attributable to price erosion or to increased costs caused by the defendant's misappropriation, including marketing and advertising costs to recapture the market share taken by defendant. Such cases benefit from the use of economic experts to analyze the investment value of the trade secret and the loss of business value resulting from the misappropriation.[48]

"In calculating the damages, both the plaintiff's historical data and defendant's own profit margins earned on products sold using the misappropriated process may be considered."

Where the market is damaged due to defendant's disclosure of the trade secret, the plaintiff may also recover certain provable future profits based on historical data or the fair market value of the trade secret if the defendant has disclosed the secret publicly.[49] In calculating the damages, both the plaintiff's historical data and defendant's own profit margins earned on products sold using the misappropriated process may be considered.

In circumstances where the plaintiff and defendant are not direct competitors, the lost profits analysis may result in an artificially low damages number that would not compensate plaintiff sufficiently for the loss. In such circumstances, a reasonable royalty structure can be used as a measure of damages. This is a damages theory expressly permitted by the UTSA and applied by courts.[50]

The reasonable royalty would be calculated similarly to the patent scenario described above with the patentee (here, the trade secret holder) being forced to license (disclose) the technology to the defendant for a bargained-for price. An economic expert is useful in establishing the reasonable royalty for the industry as described above.

Unjust Enrichment

The theory of unjust enrichment seeks to return the benefit of defendant's unjust riches from the unlawful misappropriation to plaintiff, the trade secret holder. Under this theory, the plaintiff would receive the portion of the defendant's profits that are attributable to its misappropriation. The plaintiff should prove which of defendant's acts were improper uses of the trade secret and assess the net profits from those acts. The plaintiff should be able to connect the trade secret to defendant's profits either in the production or promotion of defendant's product. Even a minor connection would raise an issue of fact that is likely to be sent to the jury for consideration.

For instance, in *Hamilton-Ryker v. Keymon*, the defendant misappropriated a confidential customer list from plaintiff. The list itself had no independent value, but the damages were assessed as the value of the work performed by defendant for plaintiff's former customers after having received the list.[51] The connection between the trade secret and the damages in this case was simply the receipt of a name, but this was found sufficient evidence to get to the finder of fact.

Unjust enrichment can include compensatory damages as a substitute for—or in addition to—lost profits or unjust enrichment. These include the costs incurred by the plaintiff to develop the trade secret; the time and costs saved by the defendant from not having to develop its own method (commonly referred to as "head-start damages"[52]); the diminution in the value of the plaintiff's business or stock; and a reasonable royalty, based either on the actual royalties that have been paid to the plaintiff, or a hypothetical royalty that the litigants would have been expected to negotiate at the time of the misappropriation.

In some circumstances, the plaintiff may recover damages for a defendant's acts outside of the United States.[53] In addition, a court may ask a jury to make a finding regarding whether the defendant's conduct was willful and malicious, calculated to cause substantial harm to the plaintiff, and/or motivated by malice rather than competition. If the jury finds it was, the court may enhance the damages paid to plaintiff as a penalty for the misappropriation.

Additionally, where a defendant's misappropriation of the trade secret was a breach of either an express or implied duty of confidentiality, such as a breach of a nondisclosure agreement, the breach may result in a separate award of damages under contract law.

Trial Counsel's Advice to Economic Experts

Every case is different and no case is perfect. But there are best practices we should all strive for. The following discussion describes the ideal working relationship between the trial counsel and an economic expert.

Lawyer Laura files a patent infringement case on behalf of her manufacturing client. She has a solid understanding of her client's business and, before filing, has collected and preserved documents and other information that she knows will be used to establish her client's damages for lost profits or reasonable royalty due to defendant's sales of a competing widget product.

The lawyer identifies and retains a qualified damages expert, Eric Economist, at the beginning of discovery and provides the expert with the documents and other information that will be used to establish plaintiff's damages, including providing access to Eric to interview witnesses as needed. Laura and Eric discuss what additional information Eric needs to obtain from the defendant to finalize the damages opinion. Eric reviews all pleadings, factual testimony, and documents potentially related to damages.

How Should Eric Approach the Analysis?

Eric should first review the plaintiff's complaint and defendant's answer to understand the factual basis for the case. Eric and Laura can freely converse about the case and the facts, and Laura can share motions or other documents with Eric that frame the plaintiff's view of the case. Eric and Laura should both remember that any information that Eric is provided for consideration, whether orally or by paper or electronic transmission, is discoverable under Federal Rule of Civil Procedure 26, as it could fairly be considered a basis for Eric's opinion.

Eric should keep a careful list of all documents he receives from Laura and should catalog those he reviewed and considered in preparation of his report as an exhibit to the report (see rule above regarding mandatory inclusions for expert reports).

Once Eric has a solid understanding of the facts giving rise to plaintiff's claim for damages, Eric should understand the law that applies to the plaintiff's claim for damages. Eric can do his own research, including reviewing treatises that provide guidance on damages models, and Eric can ask Laura to provide him with case law that establishes how the damages should be modeled. If there are unique aspects to the case (as often happens), Eric should ask Laura to research whether prior cases have addressed those issues. If Laura is able to find cases, she should provide them to Eric without commentary or instruction on how the damages should be calculated in light of the case law.

Ultimately, Eric's opinion should be entirely his own and should not be formed in reliance upon Laura's knowledge (though he can use her as a resource for additional information or questions). Before beginning his calculations, Eric should be able to run the calculations with small integer dummy numbers to create and test the model to ensure it makes sense. Eric should then replicate the analysis with the factual data, and evaluate the result.

After the damages model is built, Eric should question his assumptions and bullet-proof his analysis. Not being an economic expert, Laura can offer limited assistance on proofing economic models. However, this discussion concludes with a list of questions/issues that a lawyer will use to cross-examine economics experts during deposition and trial in order to attempt to discredit their analyses.

Next, Eric writes his expert report. Following revision to Federal Rule of Civil Procedure 26 in 2012, drafts of an expert's report are no longer discoverable. Therefore, Eric can send drafts of the report to Laura for her input. However, Eric can still be questioned about what he discusses with Laura, and his opinion should remain his; Laura's input should be restricted to identifying additional areas for Eric's consideration and ensuring that Eric's application of the data correctly applies the legal principles established by patent law damages doctrines.

Following the exchange of expert reports, Eric may be deposed if defense counsel wishes to take his deposition. The questions asked at deposition will resurface at trial, particularly if defense counsel makes any headway with the questioning.

Below is a list of questions/issues that a lawyer may use to cross-examine economics experts during deposition and trial in order to attempt to discredit their analyses:

1. *Questioning integrity of the data*: The lawyer may ask if all of the data were generated by the represented party or if there was any attempt to verify the data from an independent third party. The attorney will verify the existence of third parties and ask the expert to acknowledge that verification of data with the third party source was a step that could have been taken, but was not.
2. *Questioning the choice of economic models*: The lawyer will ask why other popular economic models were not used and will ask the expert to admit that other economists favor use of those models. Along with this, the attorney may criticize the expert for failing to create a secondary model to examine the data through another lens, which may include a more conservative lens more favorable to his or her client.
3. *Questioning fundamental assumptions made by the expert by questioning the testimony upon which the assumption was based or the assumption itself*: The attorney will get the expert to acknowledge that if the party cannot be believed, the expert's analysis is also faulted (in the hopes the jury will toss the bath water economic expert testimony out with a party they do not favor). If the expert failed to review, or was not provided with, critical data, defense counsel may be able to demonstrate defects in the expert's analysis.
4. *Reframing the expert's testimony in favor of the other party*: Where the testimony conflicts, the attorney may ask the opposing expert to vocalize the analysis using the numbers the attorney prefers, which in essence has the opposing expert (whom the jury might like) testify in support of the attorney's client's theory.
5. *Insinuating nonindependence of the expert:* The attorney may attempt to demonstrate the expert is biased by establishing a connection to the plaintiff or plaintiff's counsel, or suggesting that the expert's opinion was purchased due to the fact of compensation.

Any damage to plaintiff's economic expert's testimony from the attorney's use of these techniques can likely be mended on re-direct during trial. In addition, the attorney can assist in preparing for the cross-examination, and teach the expert how best to respond to these techniques to limit their effectiveness.

Because of the fundamentally difficult nature of calculating damages, the economic expert has a critical role in intellectual property cases to explain complex damages models to the jury. Trial counsel and the economic expert should work closely together to ensure the expert has all the information necessary to complete the analysis in a timely manner, with guidance on the law from trial counsel where needed.

Notes:

1. "Recession Drives Jump in IP Disputes," *Media Lawyer* (October 25, 2010), retrieved from Lexis Advance, April 14, 2014.
2. Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 133 S.Ct. 2107 (2013).
3. Alice Corp. Pty. Ltd. v. CLS Bank Int'l., No. 13-298 (U.S.) (argued Mar. 31, 2014).
4. Cariou v. Prince, 714 F.3d 694 (2d Cir. 2013); Cariou v. Prince, 134 S.Ct. 618 (2013) (denial of certiorari to the U.S. Supreme Court).

5. Larry Neumeister, "Court Protects Louboutin Shoes' Red Sole Trademark," *USA Today* (September 5, 2012), http://usatoday30.usatoday.com/money/industries/retail/story/2012-09-05/louboutin-red-sole-shoe-protection/57605246/1, accessed April 21, 2014.
6. Ben Fritz and Julie Jargon, "'Dumb Starbucks' Creates a Stir in L.A.," *Wall Street Journal* (February 10, 2014), http://online.wsj.com/news/articles/SB10001424052702304104504579373103605668262?KEYWORDS=dumb+starbucks+coffee&mg=reno64-wsj, accessed April 14, 2014; Jolie Lee, "Starbucks Responds to Dumb Starbucks in L.A.," *USA Today* (February 11, 2014), http://www.usatoday.com/story/news/nation-now/2014/02/10/dumb-starbucks-parody-free-coffee/5357597, accessed April 14, 2014.
7. "Apple's Coup, Consumers' Loss," *San Francisco Chronicle* (August 28, 2012), retrieved from Lexis Advance, April 14, 2014.
8. Patent law provides for injunctive relief as a potential remedy. The standard under which injunctive relief is judged is provided in eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).
9. An intellectual property loss can also be alleged as a breach of contract, such as when a non-disclosure agreement is breached, resulting in disclosure of formerly trade secret information. The damage assessment for a breach of contract claim is similarly calculated in these cases and I discuss examples throughout this article where they appear.
10. "tort (tort). (16c) 1. A civil wrong, other than breach of contract, for which a remedy may be obtained, usu. in the form of damages; a breach of a duty that the law imposes on persons who stand in a particular relation to one another." Brian A. Garner, ed., *Black's Law Dictionary*, 9th ed. (St. Paul, MN: West, 2009), 1626.
11. Federal Rules of Evidence Rule 702. Testimony by Expert Witnesses states:

    "A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:

    (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;

    (b) the testimony is based on sufficient facts or data;

    (c) the testimony is the product of reliable principles and methods; and

    (d) the expert has reliably applied the principles and methods to the facts of the case."
12. Fed. R. Civ. P. 26.
13. 509 U.S. 579 (1993).
14. 526 U.S. 137 (1999).
15. Del Mar Avionics, Inc. v. Quinton Instrument Co., 836 F.2d 1320, 5 USPQ2d 1255 (Fed. Cir. 1987).
16. Rite-Hite Corp. v. Kelley Co., Inc., 56 F.3d 1538, 35 USPQ2d 1065 (Fed. Cir. 1995) (en banc), *cert. denied*, 516 U.S. 867 (1995).
17. Seymour v. McCormick, 57 U.S. (16 How.) 480 (1853).
18. Rite-Hite Corp. v. Kelley Co., Inc., 56 F.3d 1538, 1548 (Fed. Cir. 1995) (en banc).
19. Panduit Corp. v. Stahlin Bros. Fibre Works, 575 F.2d 1152, 1156, 197 USPQ 726 (6th Cir. 1978).
20. Panduit, 575 F.2d at 1156.
21. *See, e.g.*, Grain Processing Corp. v. American Maize-Products Co., 185 F.3d 1341, 1353 n.5, 51 USPQ2d 1556, 1565 n.5 (Fed. Cir. 1999).
22. 318 F. Supp. 1116 (S.D.N.Y. 1970), *mod. and aff'd*, 446 F.2d 295 (2d Cir.), *cert. denied*, 404 U.S. 870 (1971).
23. Cornell University v. Hewlett Packard Co., Case No. 01-01974 (ND NY) (2009).
24. 789 F.2d 895 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 852 (1986).
25. Statutory damages from $1,000 to $200,000 are available for each mark nonwillfully infringed, and up to $2 million for each mark willfully infringed. 15 U.S.C. § 1117(c).
26. Section 35(a) of the Act expressly states that damages "shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a). Federal courts have uniformly interpreted this provision to mean that punitive damages are unavailable under the Act.
27. Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 206 (1942).
28. Jerry's Famous Deli, Inc. v. Papanicolaou, 383 F.3d 998, 1004-05 (9th Cir. 2004) (enforcement of trademark injunction case, but describing remedy as "akin to an award of the infringer's profits under trademark law" and noting, "Under established law, once gross profits related to the infringement are established, [infringer] has the burden of documenting any legitimate offsets").
29. Roulo v. Russ Berrie & Co. Inc., 886 F.2d 931, 941 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990).
30. Thompson v. Haynes, 305 F.3d 1369 (Fed. Cir. 2002).
31. Resource Developers, Inc. v. Statue of Liberty-Ellis Island Foundation, Inc., 926 F.2d 134, 139 (2d Cir. 1991) (proof of defendant's wrongful intent may raise presumption of actual confusion); Web Printing Controls Co. v. Oxy-Dry Corp., 906 F.2d 1202, 1205 (7th Cir. 1990); Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513, 525 (10th Cir. 1987) ("plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation"); compare to Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1126 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992) (rejecting argument that evidence of actual confusion is required, and

awarding damages for the blocking of plaintiff's market expansion).

32. Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 408 F. Supp. 1219 (D. Col. 1976), aff'd, 561 F.2d 1365 (10th Cir. 1977); Aronowitz v. Health-Chem Corp., 513 F.3d 1229 (11th Cir. 2008) (plaintiff presented sufficient evidence of costs of specific corrective actions to support jury's $25,000 award of corrective advertising damages).
33. *See, e.g.*, Zazu Designs v. L'Oreal S.A., 979 F.2d 499, 506 (7th Cir. 1992).
34. Georgia Pacific, 318 F. Supp. 1116 (S.D.N.Y. 1970).
35. U.S. Code › Title 17 › Chapter 5 › § 504. 17 U.S.C. § 504.
36. Ordonez-Dawes v. Turnkey Properties, Inc., No. 06-60557-CIV, 2008 WL 828124 at *4 (S.D. Fla., March 27, 2008) (citing e.g., Polar Bear Productions, Inc. v. Timex Corp., 384 F.3d 700, 711 (9th Cir. 2004) ("Thus, a copyright owner is required to do more initially than toss up an undifferentiated gross revenue number; the revenue stream must bear a legally significant relationship to the infringement.")); Bouchat v. Baltimore Ravens Football Club, Inc., 346 F.3d 514, 522 (4th Cir. 2003) ("In sum, we conclude that the Defendants could properly be awarded summary judgment . . . if . . . there exists no conceivable connection between the infringement and those revenues. . . ."); On Davis v. The Gap, 246 F.3d 152, 160 (2d Cir. 2001) ("[W]e think the term 'gross revenue' under the statute means gross revenue reasonably related to the infringement, not unrelated revenues."); The University of Colorado Foundation, Inc. v. American Cyanamid Co., 196 F.3d 1366, 1375 (Fed. Cir. 1999) (requiring the plaintiff to show a connection between defendant's gross revenues and the alleged infringement); Taylor v. Meirick, 712 F.2d 1112, 1122 (7th Cir. 1983) ("It was not enough to show [Defendant]'s gross revenues from the sale of everything he sold. . . ."); *see also* Andreas v. Volkswagen of America, Inc., 336 F.3d 789, 796 (8th Cir. 2003) (explaining that the "burden of establishing that profits are attributable to the infringed work often gets confused with the burden of apportioning profits between various factors contributing to the profits").
37. Frank Music Corporation v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 514 (9th Cir. 1985).
38. Design v. K-Mart Apparel Corp., 13 F.3d 559, 566 (2d Cir. 1994), *abrogated on other grounds by* Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994), Melville B. Nimmer & David Nimmer, 4 Nimmer on Copyright § 14.03 [B] at 14-39 (1996).
39. Sheldon v. Metro-Goldwyn Pictures Corp., 106 F.2d 45, 51 (2d Cir. 1939).
40. Panduit, 575 F.2d at 1156.
41. Tom C. W. Lin, "Executive Trade Secrets," *Notre Dame Law Review* 87 (April 28, 2012): 911, available at SSRN: http://ssrn.com/abstract=2047462.
42. See UTSA § 3(a) (amended 1985); Sokol Crystal Prods. v. DSC Commc'ns Corp., 15 F.3d 1427, 1433 (7th Cir. 1994).
43. The effort was made by members of the National Conference of Commissioners and finalized in 1985.
44. SB 298, which became 1987 Or Laws 537, which became ORS 646.461 through 646.475; approved by the governor July 9, 1987, and took effect January 1, 1988.
45. EFCO Corp. v. Symons Corp., 219 F.3d 734, 741-42 (8th Cir. 2000).
46. Hexion Specialty Chemicals, Inc. v. Formosa Plastics Corporation, Tex. Dist. Ct. (No. 004-43879).
47. Uniform Trade Secrets Act § 3(a); University Computing Co. v. Lykes-Youngstown Corp., 504 F.2d 518, 535 (5th Cir. 1974); Precision Plating v. Martin Marietta, 435 F.2d 1262 (5th Cir. 1970) (holding that the value of a trade secret process had been completely destroyed upon public disclosure); *See also* DSC Comm. Corp. v. Next Level Comm., 929 F. Supp. 239, 246 (E.D. Tex. 1996) (noting that since neither party had produced a product ready for sale to customers, the purchase price of Next Level itself (whose assets consisted almost exclusively of DSC's allegedly stolen ideas) might be the least speculative method of deriving the value of the trade secrets).
48. *See, e.g.,* Cardiovention, Inc. v. Medtronic, Inc., 483 F. Supp. 2d 830, 846 (D. Minn. 2007).
49. Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp., 435 F.2d 1262, 1263 (5th Cir. 1970).
50. *See, e.g.*, Linkco, Inc. v. Fujitsu Ltd., 232 F. Supp. 2d 182, 186, n.6 (S.D. N.Y. 2002) ("Because the plaintiff's loss or the defendant's gain may be very difficult to calculate in intellectual property cases, a reasonable royalty is 'a common form of award in both trade secret and patent cases.'").
51. Hamilton-Ryker v. Keymon, 2010 WL 323057 (Tenn. Ct. App. Jan. 28, 2010).
52. Children's Broad. Corp. v. Walt Disney Co., 357 F.3d 860, 864 (8th Cir. 2004).
53. In a recent case brought by E.I. DuPont Nemours and Company against Kolon Industries, Inc., a South Korean Company, DuPont was awarded $940 million damages for theft of trade secrets that were taken from the United States and exploited in Korea. The damages award was recently overturned on an evidentiary issue on appeal, and is set for retrial.

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