

How Much Is an Infringing Feature *Really* Worth?

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The award of damages in a patent or copyright infringement case can often turn on the importance or value of the alleged infringing feature. A holder whose rights have been violated can receive monetary damages “adequate to compensate for the infringement”¹ but “in no event less than a reasonable royalty.”² The profits lost due to the alleged infringement are the obvious starting point for determining adequate compensation. But measuring these lost profits requires an understanding of how customers make decisions, and what they would have done “but for” the infringement. Would all of the customers who bought the infringing product have been captured by the holder, but for the infringement?

A plaintiff will want to claim that without the infringement, the defendant’s product could not exist, so “give me all your money.” Such a claim is usually based on the theory that every sale the defendant made was lost by the plaintiff and contributed to their lost profits. The plaintiff may have a strong case if the al-

leged infringement was of a manufacturing process, for example, in a two-brand market. But if the dispute were related to a specific feature of a product, it is not obvious that the plaintiff can base its claim on all of the sales of the infringing party.

Sometimes an econometric analysis of the sales of competing products can show the impact of one brand’s sales on another. A drop in the absolute level of sales or a change in the sales trend that corresponds with the entry of the infringing product on the market can support a claim of lost profits. Frequently, however, many other factors are also at work and the impact, if any, can occur gradually over months or years as the infringing product gains distribution and market share. Direct questioning of customers can sometimes successfully determine what they would have bought instead. But, if in the “but for” world, the product still would have been on the market absent the specific infringing feature, how would customers have reacted?

The value of an infringing feature can be thought of as the amount by which the price of the product would have to drop in order to compensate for the lack of that

feature. How much would customers be willing to pay if the feature were omitted? How much more would they pay to have that feature added?


This is closely related to a problem that product developers face all the time. What is a product feature worth? How much will customers pay for a product that has a particular feature, or set of features, as compared to a product without that feature? Customers may have a difficult time answering such hypothetical questions directly. But there is a particular type of market research survey that can measure how consumers would have reacted had the defendant’s product not contained the infringing features.

“Conjoint analysis” is a term used to describe a broad range of market research techniques for measuring the value people place on the attributes or features that define products and services. Discrete choice, choice modeling, hierarchical choice, card sorts, trade-off matrices, preference-based conjoint, and pairwise comparisons are some of the names used for various forms of conjoint analysis. Over the past 25 years, these techniques have gained widespread acceptance and validation in the new product development community. As just one example, Marriott’s Courtyard chain of hotels, which claims to have been “designed by business travelers,” really was designed by business travelers who participated in a conjoint analysis survey.³

The goal of any conjoint survey is to assign specific values to the range of options buyers consider when making a purchase decision. These values are often “dollar scaled” and indicate the added price customers would pay for a product having a specific feature or the price concession needed to compensate for the lack of a specific feature. This is exactly the task required to determine the value of a particular feature in a litigation setting.

In a landmark case involving a software product accused of copying a single feature of a competitor, a conjoint analysis survey was conducted to support the defendant’s contention that the infringing feature was an insignificant element in a customer’s decision to choose its product over the plaintiff’s. The first step was to identify the various features that customers considered in deciding to purchase a product of this type. These included issues related to file formats, display capabilities, available libraries of functions, the price of the product, and other non-infringing features. The conjoint survey then let customers show the value they placed on all of these features, including the alleged infringing feature. In this case, the result showed clearly that the infringing feature was only a very small part of the reason why customers had purchased the defendant’s product and that many customers were unaware that the feature even existed. In the face of

such evidence, the plaintiff could not succeed in the large-scale cash extraction it had been planning. When the infringing feature can be shown to be such a minor part of the purchase decision, it logically follows that the plaintiff would not have lost many sales because of the infringement, nor would “reasonable royalties” have been significant.

In order to be successfully introduced into evidence, a conjoint survey must adhere to the rules for other forms of survey research including correctly identifying the universe, selecting an appropriate sampling frame, choosing respondents for the study, etc.⁴ In addition, careful research preceding the actual survey is needed to clearly identify and specify the features to be included in the conjoint task. Properly conducted and presented, conjoint analysis can be an effective and persuasive means of measuring the value of a single, specific feature in a patent or other infringement litigation. 

ENDNOTES

1. 35 USC 284
2. 35 USC 284
3. Wind, Jerry.; Green, Paul E.; Shifflet, Douglas.; Scarbrough, Marsha, Courtyard by Marriott: Designing a Hotel Facility with Consumer-Based Marketing Models, *Interfaces*; Jan/Feb 1989, v19n1, p. 25-47
4. Diamond, Shari Seidman, “Reference Guide on Survey Research,” *Reference Manual on Scientific Evidence*, Federal Judicial Center, 1994.



Applied Marketing Science (AMS) is a leading provider of market research surveys to the legal community: Our surveys have been used in matters involving alleged misappropriation of intellectual property, antitrust violations, fraud and misrepresentation, and potential class action matters. Bob Klein, president of AMS, has directed numerous customer survey projects on behalf of major national law firms, and has served as an expert witness in litigation. Prior to founding AMS in 1989, he was executive vice president of Information Resources, Inc. Mr. Klein holds an S.B. in mechanical engineering and an S.M. in management from MIT. For further information, please contact Mr. Klein at (781) 684-1230, ext. 121, or bklein@ams-inc.com.



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