

Fed. Circ. Ruling Will Spark More Patent Damages Fights

By Ryan Davis

Law360 (May 22, 2025, 10:04 PM EDT) -- The full Federal Circuit's decision Wednesday ordering a new trial in a patent case against Google LLC and finding the plaintiff's damages expert unreliable is likely to lead to greater scrutiny of patent damages testimony and more attempts to get it thrown out, attorneys say.

In an 8-2 en banc ruling, the appeals court held that when "the relevant evidence is contrary to a critical fact upon which the expert relied, the district court fails to fulfill its responsibility as gatekeeper by allowing the expert to testify at trial."

The majority opinion held that the evidence did not support the testimony from patent owner EcoFactor Inc.'s damages expert about the royalty rate Google should pay in a case over the tech giant's Nest thermostats. Concluding that the expert's testimony should not have been admitted, the court threw out the jury's \$20 million verdict and sent the case back for a new damages trial.

The opinion was heavily dependent on the facts of the case and the expert's statements, but attorneys said they expect defendants will now more frequently contend that damages testimony put forth by patent owners lacks support, and district judges will spend more time closely evaluating those arguments.

"EcoFactor is another significant decision in a line of cases from the Federal Circuit increasing the rigor of patent damages scrutiny," said Kevin Schubert of McKool Smith PC.

There is a line between when questions about expert testimony should result in a judge finding it inadmissible and when juries should be allowed to consider it, he said, but "it seems like this case is pushing that line, in a way that makes it possible for more district court judges to think they should keep more issues within the gatekeeping role" than they did before the ruling.

The concept that judges should prevent unreliable expert testimony from being admitted is not a new



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one, and is highlighted in the Federal Rules of Evidence and U.S. Supreme Court precedent. As a result, the holding is more of a reminder than a new standard, said Christopher Young of Larkin Hoffman Daly & Lindgren Ltd.

"I think that the reminder was necessary because perhaps courts have become slightly more relaxed with respect to the gatekeeping function," he said. While each judge is different, "I do think that this is certainly going to lead to greater scrutiny about the factual bases for expert opinions," he said.

U.S. Circuit Judge Leonard Stark, one of the two judges who dissented Wednesday, wrote that in his view, EcoFactor's damages expert did have sufficient evidence for his opinion, and that the majority's focus on the specific details of his testimony renders the opinion "so narrow as to have almost no applicability beyond this case."

However, he wrote that "I am concerned that today's opinion will be misinterpreted as constraining damages experts in a manner not called for by" federal rules and precedent. Judge Stark added that "notwithstanding the narrowness of the majority's holding, there is a risk that its opinion will be misread as requiring district judges, in pursuit of their gatekeeping responsibilities, to invade the province of jurors and resolve fact disputes."

Some attorneys said they shared that view and worried that the courts could overread the decision and engage in more stringent reviews of damages testimony than is warranted.

The decision is "very fact-specific, so we don't learn very much about what the courts should do, but there's some concern that they're going to do more than they should do," said Bruce Zisser of Manatt Phelps & Phillips LLP.

He said he typically works on the plaintiffs side, so he's expecting defendants to point to the Federal Circuit's decision in most cases going forward, aiming to pick apart damages testimony by contending that the evidence is contrary to a key fact. Following an en banc Federal Circuit opinion, judges could be more receptive to those arguments, he said.

Defendants will be looking for opportunities to say, "the evidence doesn't support that particular fact, and that sort of unravels the whole thing," Zisser said. "So that would be my concern, and this opinion carries a lot of weight."

If district courts view the opinion as requiring them to more actively police damages testimony, "there's a potential for more expert opinions, or portions of expert reports, to be stricken from trial," Schubert said.

Thomas Wimbiscus of McAndrews Held & Malloy Ltd. said the decision "reinforces the role of district courts as gatekeepers, and we may see increased scrutiny of expert testimony on patent infringement damages. However, this decision is closely tethered to the specific facts of the case."

"While this ruling may invite more challenges, the vast majority of cases will have adequate evidentiary support for purposes of admissibility," he said.

In addition to faulting EcoFactor's expert, the majority also criticized U.S. District Judge Alan Albright for giving "no rationale" for his denial of Google's motion to exclude the expert, and warned that "an absence of reviewable reasoning may be sufficient grounds for this court to conclude the district court

abused its discretion."

That could prompt judges to issue more detailed decisions when deciding whether to admit damages testimony, and "to the extent that you are seeing the shorthand 'the motion is denied,' there's probably going to be a bit more meat on those bones going forward," Young said.

While it remains to be seen how courts will apply the Federal Circuit's opinion in other factual scenarios, it does contain guidance for cases that involve situations similar to the EcoFactor case.

For instance, EcoFactor's expert based his royalty rate calculations on three deals the company reached with other companies that agreed to license its patents to settle litigation. While those agreements included language that EcoFactor believed represented a certain royalty rate, the Federal Circuit said there was no evidence that the licensees agreed.

"This decision is going to make it much harder for patent damages experts to testify about what a licensee ostensibly believed unless there is a statement in the license or the record evidencing the negotiation of the license that makes the licensee's belief clear," Young said.

In addition, the court criticized the expert for relying on statements from EcoFactor's CEO about what the rate should be, calling that merely "an unsupported assertion on behalf of EcoFactor."

While damages experts frequently seek to fill holes in their opinions by interviewing witnesses like CEOs, "litigants and experts will need to think twice about this strategy now," Young said. "The en banc court made clear that in the absence of confirming evidence, even a CEO's testimony regarding his understanding of facts will not provide a reliable basis for an expert's opinion."

Expert testimony on damages is often a key part of a case, but the ruling could lead plaintiffs to give more attention to putting forward other types of damages evidence that can be used if the expert is excluded, Zisser said.

"With this case in mind going forward, you may spend more time trying to build the evidence, and not put all your eggs in the expert basket, so to speak," he said.

--Editing by Brian Baresch.