

Wiley Nonprofit Authority

5TH EDITION

INTELLECTUAL PROPERTY

VALUATION, EXPLOITATION, AND
INFRINGEMENT DAMAGES

2021 CUMULATIVE SUPPLEMENT

YURIDIA CAIRE
AND
RUSSELL L. PARR

WILEY

5TH EDITION

INTELLECTUAL PROPERTY

VALUATION, EXPLOITATION, AND
INFRINGEMENT DAMAGES

2021 CUMULATIVE SUPPLEMENT

YURIDIA CAIRE
RUSSELL L. PARR

WILEY

Copyright © 2021 by John Wiley & Sons, Inc. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the Web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of Congress Cataloging-in-Publication Data is Available:

ISBN 9781119356219 (main edition)

ISBN 9781119801016 (Paperback)

ISBN 9781119801030 (ePDF)

ISBN 9781119801023 (ePub)

Cover Design: Wiley

10 9 8 7 6 5 4 3 2 1

CONTENTS

ABOUT THE AUTHORS	v
CHAPTER 31 CASES WHERE COURTS AWARDED ONGOING ROYALTIES	1
CHAPTER 32 NOTABLE CASES DEALING WITH DAMAGES ISSUES IN PAST FIVE YEARS	19
CHAPTER 33 EXAMPLES OF CASES WITH HIGH ROYALTIES IN PAST YEARS	39
CHAPTER 34 2020: THE YEAR OF ZOOM	61
APPENDIX A ACCOUNTING	63
APPENDIX B ECONOMIC BENEFIT, TIMING, AND PATTERN	81
APPENDIX C ROYALTY RATE DATA	115
APPENDIX D RISK AND UNCERTAINTY	221
INDEX	251

ABOUT THE AUTHORS

Russell L. Parr is president of IPRA, Inc. He is an expert at determining the value and royalty rate pricing of intellectual property.

For over 30 years, Russell has completed complex consulting assignments involving the valuation and pricing of patents, trademarks, copyrights, and other intangible assets. His opinions are used to accomplish licensing transactions, acquisitions, transfer pricing, litigation support, collateral-based financing, and joint ventures. Russell also has served as an expert witness regarding patented technology infringement damages and has testified at trial or deposition over 70 times. Past assignments have included the valuation of the Dr. Seuss copyrights and the patent portfolio of AT&T. Russell has also conducted valuations and royalty rate studies for pharmaceuticals, semiconductor process and product technology, agricultural technology, automotive battery technology, biotechnology, camera technology, chemical formulations, communications technology, computer software, cosmetics, consumer and corporate trademarks, drug delivery systems, flowers, incinerator feed systems, lasers, medical instrument technology, and motivational book copyrights.

Russell has authored or co-authored 10 books published by John Wiley & Sons. His books have been translated into Japanese, Korean, Italian, Chinese, Romanian, and Russian. His flagship book is *Intellectual Property: Valuation, Exploitation and Infringement Damages*, fifth edition.

Russell also publishes, through IPRA, Inc., three royalty rate resource books, which have been sold all over the world. These books are dedicated to reporting detailed information about the economic aspects of intellectual property transactions including licensing. The titles are *Royalty Rates for Technology*, sixth edition; *Royalty Rates for Trademarks & Copyrights*, fifth edition; and *Royalty Rates for Pharmaceuticals & Biotechnology*, eighth edition.

Russell has a master's in business administration from Rutgers University (1981) and a bachelor of science in electrical engineering from Rutgers University (1976). His professional designations include Chartered Financial Analyst (CFA), Accredited Senior Appraiser (ASA), and Certified Licensing Professional (CLP). He is a member of the Licensing Executives Society and on the advisory board of three professional publications, *Licensing Economics Review*, *IP Litigator*, and *The Licensing Journal*. Russell is also an Advisory Board Member of Innovation Asset Group, a company developing enterprise software for intellectual property management. He also served on the Intangible Asset Valuation Standards Committee of the American Society of Appraisers.

Yuridia Caire is a senior associate for Kramer Levin Naftalis & Frankel in the Intellectual Property group. With a master of science in chemistry and strong expertise in intellectual property disputes, as well as a minor in mathematics, she has over 12 years of experience as a trusted advisor on various intellectual property issues. She graduated from the University of Texas at Austin, School of Law, University of Notre Dame, and the University of Texas at El Paso. She also completed the George Washington University Law School Munich Intellectual Property Summer Program and Fashion Law Bootcamp, offered through the Fashion Law Institute. She has received recognition for her outstanding pro bono contributions and was named to the Best Lawyers List for 2021, Ones to Watch. She is a trial lawyer who litigates intellectual property cases involving complex technology, with a particular emphasis on computer science, chemistry, and the life sciences. Yuridia litigates patent infringement actions in federal district courts across the country, both representing patent owners seeking to enforce their rights and defending companies against allegations of infringement. Her recent litigation work includes patent infringement actions in the Eastern District of Texas, the Central, Southern, and Northern Districts of California, Eastern District of Virginia, and the District of Delaware. She also handles proceedings before the U.S. Patent and Trademark Office.

Yuridia's work involves all aspects of litigation. She also provides infringement analyses, advises clients on intellectual property licensing patent valuations, and transactional matters, and assists clients in entity formation, partnering agreements, employment and inventor

agreements, negotiation and structuring of license agreements, due diligence, and general corporate matters.

Yuridia was part of the trial team that represented Centripetal Networks, Inc., in U.S. District Court for the Eastern District of Virginia. The case is noted as the first-ever virtual federal trial, after a nearly eight-week bench trial, and the largest patent verdict ever, guaranteeing the client a minimum of \$2.65 billion and a maximum of \$3.25 billion based on the running royalty for the next six years.

Yuridia also handled various aspects of multi-patent litigations in the Northern District of California involving antivirus software and computer products for client Finjan, Inc., including cases against Sophos, Inc., which resulted in a jury verdict of \$15 million and Blue Coat Inc., which resulted in one of the Daily Journal's Top Verdicts of 2015, with a \$40 million jury verdict. Yuridia has also secured a preliminary injunction and temporary restraining order for a defendant in a copyright litigation in the Northern District of California and obtained favorable outcomes for clients in trademark matters.

In addition to her work on behalf of clients, Yuridia dedicates significant time to pro bono matters, volunteering with the Legal Aid Society of San Mateo County, serving for several years on its Golf Committee and providing legal assistance at its Housing Clinic, and representing clients of the Community Legal Services in East Palo Alto in securing favorable outcomes at mandatory settlement conferences. Yuridia has also represented pro bono clients in immigration, conservatorship, guardianship, liens, contract, and refugee resettlement matters. Yuridia's publications include articles regarding criminal intellectual property and trademark cases, entitled "Changes to the Enforcement of Intellectual Property Crimes," and "From the Red Carpet to Red Soles."

CASES WHERE COURTS AWARDED ONGOING ROYALTIES

A patent owner seeks to stop the infringement and be compensated for the past infringement. Generally, the patent owner has a few ways to seek justice and compensation, including pursuing litigation, through either a jury or bench trial. What about compensation/remedies after these trials? Some verdicts and awards contemplate a payment through the life of the patents. Some cases will involve an injunction, enjoining the infringer from further use of the patented technology. In other cases, the courts will award what is called an ongoing royalty, a court-enforced royalty so the infringer can continue using the patented technology, rather than granting an injunction. This chapter will highlight memorable cases involving these ongoing royalties, escrow royalties, and sunset royalties.

ROYALTIES

ONGOING ROYALTIES

The Federal Circuit first distinguished an ongoing royalty from damages for past infringement in its 2007 decision in *Paice LLC v. Toyota Motor Corp.* (“[P]re-suit and post-judgment acts of infringement are distinct, and may warrant different royalty rates given the change in the parties’ legal relationship and other factors.”).¹ *Paice* dealt with infringement allegations against Toyota regarding three patents relating

¹ 504 F.3d 1293 (Fed. Cir. 2007).

generally to drive trains for hybrid electric vehicles. The District Court for the Eastern District of Texas entered a judgment that Toyota infringed claims 11 and 39 of U.S. Patent No. 5,343,970 under the doctrine of equivalence.²

In *Paice*, the district court determined that an injunction was not warranted and instead granted an ongoing royalty of \$25.00 per infringing vehicle. The royalties were to be paid quarterly and accompanied by an accounting of infringing vehicles. In addition, if payments were not made within 14 days of the due date, they were to accrue interest at the rate of 10%, compounded monthly. The district court retained the right to enforce this portion of the Final Judgment. In reviewing the district court decision, the Federal Circuit stated, “under some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.”³ Given that the district court did not provide reasoning to support its selection of \$25 per infringing vehicle as the ongoing royalty rate, the Federal Circuit remanded the case so the district court could reevaluate the ongoing royalty rate and provide the reasoning as to why the ongoing rate was appropriate.

In *Prism Technologies LLC. v. Sprint Spectrum L.P.*, a case involving patented technology regarding access to information over untrusted networks. The Federal Circuit confirmed that 35 U.S.C. § 283 provides that a court may grant an injunction “to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”⁴ Citing *Paice*, the Federal Circuit interpreted that provision to permit a court to award “an ongoing royalty for patent infringement in lieu of an injunction” barring the infringing conduct. “If the court determines that a conduct-barring injunction is not warranted, it may instruct the parties to try to negotiate an ongoing royalty and, if the parties cannot agree, award a royalty.”⁵

² *Paice* also appealed the judgment that Toyota did not literally infringe the '970 patent and claims of two other patents, not discussed here.

³ 504 F.3d at 1293.

⁴ 849 F.3d at 1377.

⁵ *Id.* citing *Paice* at 504 F.3d 1293, 1314; see also *SCA Hygiene Prods. Aktiebo-lag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1332-33, 116 U.S.P.Q.2d 1541 (Fed. Cir. 2015) (en banc), vacated on other grounds, 137 S. Ct. 954 (2017) (finding that “absent extraordinary circumstances,” laches does not preclude an ongoing royalty).

ESCROW ROYALTIES

In *Amado v. Microsoft Corp.*, after a finding of infringement, related to a patent directed to a “point and shoot interface for linking database records to spreadsheets whereby data of a record is automatically reformatted and loaded upon issuance of a recalculation command,” and a jury award of \$0.04 per infringing unit, the court stayed a previously issued permanent injunction and awarded a \$0.12 (trebled from the \$0.04 award) royalty per unit, an escrow royalty.⁶ The Federal Circuit found this increase to be different from the ongoing royalty rate awarded in *Paice*, where an injunction was denied, because in *Amado*, Microsoft was enjoined and allowed to continue the infringing activity only by virtue of the court-ordered stay of the injunction, pending the appeal.⁷ Again, because the Federal Circuit found that not enough information was provided to give a clear explanation for the fee award, it vacated the increased royalty of \$0.12 during the stay and remanded for reconsideration.⁸

SUNSET ROYALTIES

In *ActiveVideo Networks, Inc. v. Verizon Commcn’s, Inc.*, ActiveVideo asserted four patents, dealing generally with interactive television systems and methods for delivering interactive television to subscribers, against Verizon for its video on demand feature.⁹ Verizon counter-claimed with its own patents and alleged that ActiveVideo infringed the Verizon patents dealing with interactive television features, including internet access, two-dimensional channel navigation, and advertising. After a three-week jury trial, the jury found that the parties infringed each other’s patents and awarded ActiveVideo \$115 million and Verizon \$16,000 in damages. After the trial, the district court entered an injunction against Verizon and awarded what is termed the “sunset royalty,” for any infringement from date of judgment until the injunction was to take effect.¹⁰ The sunset royalty

6 517 F.3d 1353, 1361-62 (Fed. Cir. 2008).

7 517 F.3d at 1962.

8 *Id.*

9 694 F.3d 1312 (Fed. Cir. 2012).

10 *Id.*

was based on an eight-month period that Verizon requested in order to complete a design around the ActiveVideo patents.¹¹ The district court granted a six-month stay and awarded a sunset royalty to mitigate the harm to public and provide Verizon considerable time to implement the award.¹²

Verizon then requested, and was granted an additional stay, pending the appeal. On appeal, Verizon argued the sunset royalty should be at most \$0.17 per subscriber per month.¹³ ActiveVideo sought \$3.40 per subscriber per month. In awarding \$2.74 per subscriber per month, the district court accepted Active Video's expert testimony that Verizon received an incremental profit of \$6.86 per subscriber per month.¹⁴

The district court then analyzed the bargaining positions of ActiveVideo and Verizon after the jury verdict and concluded that "it would have been reasonable for the parties to make an agreement whereby Verizon would receive 60% of the profits and ActiveVideo would receive 40% of the profits."¹⁵ Applying 40% to the \$6.86 profit results in the awarded \$2.74 per subscriber per month. The Federal Circuit reversed the grant of the injunction but found no error with the sunset royalty amount awarded.

Thus, on remand the district court was to determine an ongoing royalty, much the same analysis as it conducted in determining the sunset royalty, and consider additional evidence of changes in the parties' bargaining positions and "other economic circumstances that may be of value in determining an ongoing royalty."¹⁶ The Federal Circuit even went so far as to confirm that Active Video's bargaining position was even stronger after the appeal. After this decision, ActiveVideo and Verizon entered into a settlement agreement for \$260 million and an undisclosed additional amount. "In connection with the settlements with ActiveVideo and TiVo, we recorded a charge of \$0.4 billion in the third

11 *Id.* at 1340.

12 *Id.*

13 *Id.* at 1342.

14 *Id.*

15 *Id.*

16 *Id.*

quarter of 2012 and will pay and recognize over the following six years an additional \$0.2 billion.”¹⁷

CONSIDERATIONS IN ONGOING ROYALTY RATE CASES

WHITSERVE

WhitServe LLC v. Computer Packages, Inc., 694 F.3d 10, 35 (Fed. Cir. 2012) dealt with several patents related generally to onsite backup for Internet-Based Data processing, automating delivery of professional services and technology for backing up data. In *WhitServe*, the Federal Circuit found that to provide relief against ongoing infringement, a court can consider several remedies: “(1) it can grant an injunction; (2) it can order the parties to attempt to negotiate terms for future use of the invention; (3) it can grant an ongoing royalty; or (4) it can exercise its discretion to conclude that no forward-looking relief is appropriate in the circumstances.”¹⁸ In *WhitServe*, the Federal Circuit affirmed a finding of willful infringement on four patents but vacated and remanded the damages award. First, the Federal Circuit found that the jury was entitled to find that \$41 per infringing transaction accurately represented the average service fee charged for the infringing products to be included in the royalty base. However, the Federal Circuit also found that the reasonable royalty awarded was speculative because the damages expert for WhitServe made “multiple errors” that resulted in an unsupported royalty rate, which was 16–19%.¹⁹ The expert presented evidence regarding a rate of 31.8% that had no probative value because it was based on a proposed, not accepted licensing offer and used the now defunct 25% rule to increase the estimated royalty rate from the lump sum amounts in plaintiff’s license agreements. The Federal Circuit found “the royalty rate suggested by Dr. Shapiro does not support the verdict because his testimony is conclusory, speculative and, frankly, out of line with economic reality.”²⁰ Plaintiff also sought an injunction but was

¹⁷ <https://www.multichannel.com/news/verizon-settles-patent-spat-activevideo-126026>; *see also* <https://www.law360.com/articles/380918/verizon-pays-510m-to-settle-tivo-activevideo-patent-suits>; <https://www.sec.gov/Archives/edgar/data/1088825/000108882513000008/a20130121averizonsettlemen.htm>.

¹⁸ 694 F.3d 10, 35 (Fed. Cir. 2012).

¹⁹ *Id.* at 30.

²⁰ 694 F.3d at 33.

denied without explanation. The Federal Circuit found that the jury's verdict did not indicate that the award was meant to cover future use of WhitServe's patents, and the trial court did not interpret the award as such. Given that the award was vacated and remanded for a new damages trial, the district court was to consider the appropriate royalty, provide explanation on the injunction, and assign an ongoing royalty, if an injunction was denied, the court must award an ongoing royalty.

GODO V. TCL

Godo Kaisha IP Bridge 1 v. TCL Commc'n Tech Holdings, Ltd., Civ. No. 15-634-JFB (D. Del. April 24, 2019) dealt with three patents related generally to mobile telecommunication technology for transmitting data over the air and was tried before a jury from October 30, 2018, to November 8, 2018, on IP Bridge's claim that TCL's accused mobile phone devices infringed the '239 patent and the '538 patent. After a finding of infringement on both patents, the jury awarded \$950,000. This case dealt with a fair, reasonable, and nondiscriminatory ("FRAND") royalty for use of the invention covered. After trial, IP Bridge argued that it was entitled to supplemental damages between the date of the last produced sales data and the date of the verdict and requested an ongoing royalty for the continued infringement. The requested royalty rate was treble what the jury awarded to account for the changed circumstances, TCL's holdout and ongoing infringement. The court found there was no reason to enhance the royalty rate that the jury awarded, which was \$0.04. Thus, the court found that IP Bridge should recover a reasonable royalty in the amount of four cents per unit per patent on adjudicated products from and after March 31, 2018. The court also found this applied to TCL's other products since they were not colorably different from the accused products.

ERICSSON V. D-LINK SYSTEMS

Ericsson, Inc. v. D-Link Sys., Inc., 773 F.3d 1201, 1214 (Fed. Cir. 2014) dealt with three patents related generally to Wi-Fi technology employed by electronic devices to wirelessly access the Internet.²¹

²¹ See also *Ericsson*, 2013 WL 4046225, at *21.

Following a jury trial, D-Link appealed the finding of infringement, validity, and award of \$10 million, calculated based on a \$0.15 per infringing device price. Specifically, D-Link asked the Federal Circuit to determine, among other things, whether Ericsson's damages theory was presented in violation of the entire market value rule (EMVR) and whether the jury was instructed properly regarding Ericsson's "reasonable and non-discriminatory terms" ("RAND") obligations.²² D-Link argued that Ericsson's expert should not have been allowed to present evidence regarding admitting licenses that D-Link claimed violated the entire market value rule because the claims were practiced entirely by the Wi-Fi chips, not other components of the accused end products. Ericsson countered that there was no violation of entire market value rule because their damages expert apportioned the value of the patents at issue from other patents licensed under the admitted license agreements.²³ The Federal Circuit, affirming infringement, remanded the damages award. However, the Federal Circuit affirmed that the use and admittance of the license agreements were proper and noted that allegedly comparable licenses may cover more patents than those asserted in the litigation, and may include cross-licensing terms, cover foreign intellectual property rights, or, as here, be calculated as some percentage of the value of a multi-component product.²⁴ The Federal Circuit remanded because the district court failed to properly instruct the jury on the RAND obligations and ask the jury to consider patent hold-up and royalty stacking. The Federal Circuit found that the jury should also not be instructed on all *Georgia-Pacific* factors because many are not relevant in the context of RAND considerations or misleading.²⁵ However, the Federal Circuit was clear that there is no specific list of *Georgia-Pacific* factors that should be considered.²⁶ The Federal Circuit found that the district court erred in (1) failing to instruct the jury adequately regarding Ericsson's actual RAND commitment; (2) failing to instruct the jury that any royalty for the patented technology must be apportioned from the value of the standard

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

as a whole; and (3) failing to instruct the jury that the RAND royalty rate must be based on the value of the invention, not any value added by the standardization of that invention – while instructing the jury to consider irrelevant *Georgia-Pacific* factors. The Federal Circuit vacated the jury’s damages award and ongoing royalty rate and remanded for proceedings addressing the errors above and assure that the jury is properly instructed on apportionment principles laid out in *Garretson* and on the proper evidentiary value of licenses tied to the entire value of a multi-component product.²⁷

SERVER TECHNOLOGY V. AMERICAN POWER CONVERSION

Server Tech., Inc. v. Am. Power Conversion Corp., 3:06-CV-00698-LRH-VPC, Dkt. 651 (D. Nev. March 31, 2015) dealt with patents related generally to power distribution units that digitally display the amount of power drawn. After a finding of infringement, the jury verdict established a 5% royalty on the sales of infringing products, and requested that the rate also apply to sales that had occurred but not been accounted for at the time of trial and an injunction against future sales. The plaintiff, Server Technology, filed a motion for a permanent injunction, supplemental damages, and prejudgment interest.²⁸ Under its request for an injunction, Server sought an order from the court ordering a compulsory license and establishing an ongoing royalty rate of 15%, three times the 5% reasonable royalty rate that the jury established, for any future sales of the infringing products. The district court agreed to this ongoing royalty rate.²⁹ American Power appealed the claim construction and thus finding of infringement, which the Federal Circuit reversed and remanded.³⁰ The parties then agreed to vacate the order setting an ongoing royalty rate of 15%, which the district court noted addressed additional claims or issues not impacted by the Federal Circuit’s decision. Nonetheless, later proceedings found the patents invalid and/or not infringed.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.* at 8.

³⁰ *Server Tech., Inc. v. Am. Power Conversion Corp.*, 3:06-CV-00698-LRH-VPC, Dkt. 651 (D. Nev. Feb 23, 2017).

DOUGLAS DYNAMICS V. BUYERS PRODUCTS CO.

Douglas Dynamics, LLC v. Buyers Products Co. dealt with patents related to snowplow assemblies that can be conveniently mounted on a vehicle and removed as a single unit. In this case the plaintiff sought an award for royalties on two patents where the district court refused to grant an injunction, and instead set an ongoing, reasonable royalty.³¹ The Federal Circuit reversed the denial of the injunction, and vacated and remanded the determination of the royalty rate for post-trial sales based in part on reliance on the now-discredited 25% rule.³² The defendant during that post-verdict time sold off the remaining of its infringing inventory, totaling 1206 units.³³ The plaintiff sought \$400 for each unit sold post-verdict, roughly 14% of the average sales price for each infringing unit. This \$400 was an enhanced royalty, from the royalty awarded during the trial, which the plaintiff justified because it considered defendant's sale of these infringing units after the verdict to be willful. Defendant disagreed with this proposed \$400/unit rate because it contends that the jury already made its own determination of a reasonable royalty and thus defendant argued that the court must employ the same rate in calculating post-verdict royalties. However, the district court noted that the Federal Circuit "easily dispose[d]" of that very argument in *Amado v. Microsoft Corp.*, 517 F.3d 1353 (Fed. Cir. 2008). Defendant also argued that the units were made prior to the verdict and it was reasonable to assume that "already manufactured units" would be subject to the same royalty rate as the earlier sales. The district court found no merit to defendant's arguments.

Double Counting: In *Douglas*, the district court found more compelling the defendant's argument that Douglas sought and the jury awarded lost profits for 50% of the units sold, and those units were calculated based on the inventory of infringing units through April 15, 2011. Thus, the district court determined that an ongoing royalty would only apply to infringing units sold after April 15, 2011. With respect to the amount to apply to those roughly 672 eligible units, the court found the requested \$400/unit rate to be unreasonable. The district

31 *Douglas Dynamics, LLC v. Buyers Products Co.*, 76 F. Supp. 3d 806, 820 (W.D. Wis. 2014).

32 *Douglas Dynamics, LLC v. Buyers Products Co.*, 717 F.3d 1336, 1343–46 (Fed. Cir. 2013)

33 *Douglas Dynamics, LLC v. Buyers Products Co.*, 76 F. Supp. 3d at 821 (W.D. Wis. 2014).

court considered the factors leading the parties to negotiate a reasonable royalty, including the certainty of selling a non-infringing product and plaintiff's strong preference to deny a competitor a license at any price. After this consideration, the district court found that the negotiated post-verdict royalty would be \$200 per unit, resulting in an award on 672 units of \$134,400.

TELCORDIA TECHNOLOGIES V. CISCO SYSTEMS

Telcordia Techs., Inc. v. Cisco Sys., Inc. dealt with patents related to transmission of data in telecommunications networks. At the district court, the jury found that Cisco infringed any claim of the asserted patents and awarded \$6.5 million.³⁴ Cisco challenged the district court ruling because it claimed that the jury awarded a paid-up lump-sum licensing fee and that the district court granting Telcordia additional relief beyond the verdict amount was in error. The verdict form asked the jury if they found any claim of the asserted patents to be both valid and infringed to “identify the amount of monetary damages that will compensate Telcordia for the infringement.”³⁵ The jury entered \$6.5 million on the verdict form so it was unclear whether the compensation was for Cisco's past infringement or for both past and ongoing infringement. During the trial, the parties presented three sets of damages numbers to the jury. Telcordia's damages expert testified that the proper damages award should be based on a running royalty. Cisco's expert testified the award should be based on a lump-sum, paid-up license and also applied a running royalty analysis to show the differences between Telcordia and Cisco's approaches to damages. Each party presented different royalty rates and royalty bases.

Past Only or Past and Present Damages? On appeal, the Federal Circuit found that the district court has broad discretion to interpret an ambiguous verdict form, because district courts witness and participate directly in the jury trial process. The Federal Circuit noted that the \$6.5 million award was closer to the \$5 million that Cisco proposed for past and ongoing infringement than the \$75 million that Telcordia proposed. But, neither of these proposals were the \$6.5 million that the

³⁴ 612 F. 3d 1365, 1378 (Fed. Cir. 2010).

³⁵ *Id.*

jury awarded. Thus, the Federal Circuit found no error in the district court's finding that the jury verdict compensated Telcordia only for past infringement.

Injunction Denied: The district court denied an injunction and directed the parties to negotiate a reasonable royalty for ongoing infringement. The Federal Circuit affirmed this direction because the record supports the finding that Telcordia has not been compensated for Cisco's continuing infringement. The Federal Circuit remanded to the district court so that the parties could complete the royalty negotiation process. Should the parties not reach an agreement, the Federal Circuit directed the district court to step in and assist or calculate its own appropriate rate. The parties would have an opportunity to appeal any court-set royalty.

Setting Post-Verdict Rate: Back at the District Court, the parties' negotiations were unsuccessful and submitted cross-proposals for an ongoing royalty rate on the post-verdict sales.³⁶ The question before the district court was whether the calculated effective royalty rate of 0.64% for past infringement is the appropriate measure of damages to compensate for post-verdict infringement. Cisco argued that 0.64% was the appropriate rate, while Telcordia proposed an ongoing royalty rate based on its "market rates" of 3.5% for both patents until the expiration of one of the patents on February 4, 2008 ('763 patent), and 2% thereafter until October 30, 2012, the expiration of the second patent ('633 patent). The difference that these two proposals yield would be roughly \$8.9M. To justify its proposed rate, Telcordia focused exclusively on the infringing optical networking system that was found to infringe. Telcordia argued that the '763 patent ongoing royalty period represented a key strategic time frame for the infringing products from a revenue and product-positioning perspective. For example, the infringing products had more than doubled in sales compared to three to four years earlier. Moreover, Telcordia argued that Cisco could not just pull the infringing products from the market, particularly when demand was increasing, because such actions would disrupt Cisco's relationships. Cisco argued that the post-verdict landscape provided little bargaining

³⁶ *Telcordia Techs., Inc. v. Cisco Sys., Inc.*, Civil Action No. 04-876-GMS, (D. Del. Apr. 14, 2014).

power for Telcordia to negotiate a rate exceeding the jury's effective royalty rate because the post-verdict life of the patent was less than nine months. Thus, Cisco argued that rather than enter into a license for the "exorbitant 3.5% royalty," it could have deferred sales of the accused product, advised customers not to deploy the systems, or disabled the accused functionality during this short period of life remaining on the patent, and that it had non-infringing alternatives that it could have implemented.

The district court found that Telcordia, as the victor at trial and on appeal, was in a stronger bargaining position for both patents but not strong enough to achieve a full 3% market rate. The short patent life and post-verdict licenses to Cisco's competitors were for effective rates well below 1%, thereby undermining Telcordia's bargaining position. The Court also rejected Cisco's arguments that it could have avoided infringement because it did not provide any evidence that it implemented the measures it claimed. The court also found that justice would not be served if Cisco were given the same royalty rate that would be negotiated under a voluntary license. Given these findings, the court found that the appropriate ongoing royalty rate is 1.25% for Cisco products that infringe the '763 patent and 1% for Cisco products that infringe the '633 patent.

CARNEGIE MELLON UNIVERSITY V. MARVELL TECHNOLOGY

Carnegie Mellon Univ. v. Marvell Tech. Grp. (Fed. Cir. 2015) dealt with infringement of two hard disk drive patents and award of a reasonable and ongoing royalty, roughly \$1.17 billion in past damages that the district court raised to roughly \$1.5 billion based on a continuing royalty of \$0.50 per chip. Marvell appealed. The Federal Circuit affirmed infringement and validity, but reversed the award of enhanced damages and affirmed the award, with one exception: chips that were made and delivered abroad were not included in the award. Thus, the court found that the award should be reduced and ordered a new trial but explicitly stated that Marvell must pay at least \$278.4 million. That minimum amount was calculated based on 556,812,091 chips that the jury could have found were imported times a \$0.50 royalty per chip, yielding \$278,406,045.50 in past royalties. Additionally, on remand the court was to determine the additional amount necessary to bring that figure forward to the date of judgment and the ongoing royalty order, to the extent the reach was on

imported Marvell chips. The new trial was to consider the locations of the sale of chips that were made and delivered abroad, i.e. never imported into the United States. The Federal Circuit made clear that only if the United States was the location the place of sale, for any of those chips made and delivered abroad, could any portion of those chips be included in past and or ongoing royalties.³⁷ The court did not discuss the ongoing royalty rate of \$0.50 that was awarded but remanded for a reliable estimate on the quantity imported after date jury award already covered. The Federal Circuit also gave a quick discussion on why previous licenses for a flat fee payment were not sufficient to require that the same sort of payment, instead of the awarded per-unit fee, apply against Marvell.

Six months after the appeal, the parties agreed to settle the case for \$750 million, roughly three times the minimum payment the Federal Circuit noted.³⁸ Without additional details, it is not possible to determine how that amount was calculated but one possibility is that the parties agreed to pay the past-due royalties and an additional amount for sales of future chips and any chips where the sale occurred from the United States.

WBIP V. KOHLER

WBIP, LLC v. Kohler Co. 829 F. 3d 1317 (Fed. Cir. 2016) dealt with patents directed to marine engine exhaust systems that reduce the amount of carbon monoxide released in the exhaust. The Federal Circuit found that the district court in refusing to grant a permanent injunction and award an ongoing royalty rate as a “more appropriate solution” was an abuse of discretion. As such, the Federal Circuit vacated the judgment and ordered the district court to conduct a more thorough analysis of the *eBay* factors.³⁹ The factors require proof that (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. *eBay v. Mercexchange* 547 U.S. 388, 391 (2006). The Federal Circuit focused

³⁷ *Carnegie Mellon v. Marvell* at 4.

³⁸ <https://www.reuters.com/article/us-marvell-technlgy-carnegiemellon/marvell-technology-to-pay-carnegie-mellon-750-million-over-patents-idUSKCN0VQ2YE>.

³⁹ 829 F. 3d at 1343.

on the failure to address the public interest to uphold patent rights versus the public interest in having more than one manufacturer of gen-sets that produce low-carbon monoxide in their exhaust, especially if the patentee has the manufacturing capacity to meet the industry's needs. While the district court can award ongoing royalty rates, this is a case where the Federal Circuit disagreed with the analysis taken to get to that conclusion because the lower court relied solely on the public interest factor.

INGURAN V. ABS

In *Inguran, LLC d/b/a Stgenetics, XY, LLC, and Cytonome/St, LLC v. ABS, Global, Inc., Genus PLC and Premium Geneticss (UK) Ltd.*, Case No. 17-cv-446-wmc, a jury found infringement of two patents, ending in '476 and '309, related to defendants' microfluidic chips. The defendants were ordered to pay for (i) sales made by ABS or any ABS affiliate or licensee of sexed semen straws that were processed in the United States with infringing microfluidic chips (specifically including sales and/or transfers of such straws to any ABS affiliate (the "U.S. Processed Straws"), and (ii) sales of the same straws that were processed outside the United States with infringing microfluidic chips that were either manufactured in or at any time prior to the production of such straws imported into the United States (the "Foreign-Processed Straws"). For sales of U.S. Processed Straws that took place before September 11, 2019, and Foreign-Processed Straws that took place on or before June 30, 2019, defendants were ordered to pay roughly \$10.3 million, along with prejudgment interest in the amount of \$653,600. Additionally, for Foreign-Processed Straws that took place between July 1 and September 10 of 2019, defendants were ordered to pay damages at the rate of \$2.6 per sexed semen straw, along with prejudgment interest. In addition, judgment was entered for an ongoing royalty on (a) infringing sales after September 10, 2019, in the amount of \$2.60 for every sale of a U.S. or Foreign-Processed Straw, where the infringing chip that produced the straw was manufactured in or imported into the United States before January 22, 2020, and (b) \$3.25 for every sale of U.S. or Foreign-Processed Straw, where the infringing chip that produced the straw was manufactured in or imported into the United States after January 22, 2020. These ongoing royalty obligations are set to continue through the life of the patents.

ADDITIONAL CASES

Additional cases that might serve of interest regarding ongoing royalty rates both from district and Federal Circuit level are in the table below.⁴⁰

Case Name	Rate Mentioned	Year ⁴¹
<i>The California Institute of Technology v. Broadcom Limited et al.</i> , 2-16-cv-03714 (CDCA)	To be determined	2020
<i>XY, LLC v. Trans Ova Genetics, LC</i> 1-13-cv-00876 (DCO)	3.93% 5% 12.63% 18.75% \$6.25	2020
<i>Juno Therapeutics, Inc. et al. v. Kite Pharma, Inc.</i> , 2-17-cv-07639 (CDCA)	27.6%	2020
<i>Omega Patents, LLC v. Calamp Corp.</i> 6-13-cv-01950 (MDFL)	\$5.00	2020
<i>National Products Inc. v. High Gear Specialties Inc.</i> , 6-18-cv-00543 (MDFL)	\$0.41	2020
<i>Evolusion Concepts, Inc. d/b/a AR Maglock v. Cross Engineering, LLC d/b/a Ross Armory et al.</i> , 3-18-cv-00871 (SDCA)	18.77%	2020
<i>BASF Plant Science, LP v. Commonwealth Scientific and Industrial Research Organisation et al.</i> , 2-17-cv-00503 (EDVA)	3.5%	2020
<i>Vectura Limited v. GlaxoSmithKline LLC et al.</i> , 1-16-cv-00638 (DDE)	3%	2019
<i>Opticurrent, LLC v. Power Integrations, Inc. et al.</i> , 3-17-cv-03597 (NDCA)	3.5%	2019
<i>Godo Kaisha IP Bridge 1 v. TCL Communication Technology Holdings Limited et al.</i> , 1-15-cv-00634 (DDE)	\$0.04	2019

(continued)

⁴⁰ The recent *Centripetal v. Cisco* case also addressed this issue and is discussed in a later chapter of this Supplement. Moreover, subsequent appeals and decisions may have occurred with respect to these cases, but information is provided regarding cases in the past couple of years where an ongoing royalty was noted for reference and additional analysis and consideration.

⁴¹ Last year where activity was seen on docket.

16 Ch 31 Cases Where Courts Awarded Ongoing Royalties

Case Name	Rate Mentioned	Year
<i>Hologic, Inc. et al. v. Minerva Surgical, Inc.</i> , 1-15-cv-01031 (DDE)	16.1%	2019
<i>XY, LLC v. Trans Ova Genetics, LC</i> , 1-13-cv-00876 (DCO)	\$6.25	2019
<i>EcoServices, LLC v. Certified Aviation Services, LLC</i> , 5-16-cv-01824 (CDCA)	\$400	2019
<i>Mass Engineered Design, Inc. v. Planar Systems, Inc.</i> , 3-16-cv-01510 (DOR)	3.5%	2018
<i>Optis Wireless Technology, LLC et al. v. Huawei Technologies Co., Ltd. et al.</i> , 2-17-cv-00123 (EDTX)	0.02% 0.335% 0.145% 0.048% 1.45%	2018
<i>Packet Intelligence LLC v. NetScout Systems, Inc. et al.</i> , 2-16-cv-00230 (EDTX)	1.55%	2018
<i>Arctic Cat, Inc. v. Bombardier Recreational Products, Inc. et al.</i> , 0-14-cv-62369 (SDFL)	\$205.08	2018
<i>VirnetX, Inc. et al. v. Apple, Inc.</i> , 6-12-cv-00855 (EDTX)	\$1.20	2018
<i>Chrimar Systems, Inc. et al. v. Alcatel-Lucent S.A. et al.</i> , 6-15-cv-00163 (EDTX)	\$1.2067	2018
<i>ABS Global, Inc. v. Inguran, LLC</i> , 3-14-cv-00503 (WDWI)	\$1.25	2018
<i>The Chamberlain Group, Inc. v. Techtronic Industries Co., Ltd. et al.</i> , 1-16-cv-06097 (NDIL)	\$4.00	2018
<i>EMC Corporation et al. v. Zerto, Inc.</i> , 1-12-cv-00956 (DDE)	0.6% 0.7% 1.0% 1.5% 1.6%	2018
<i>Genband US LLC v. Metaswitch Networks Corp. et al.</i> , 2-14-cv-00033 (EDTX)	\$0.30 \$0.81 \$1.35 \$2.03 \$7,965 \$405,000	2018

Case Name	Rate Mentioned	Year
<i>Saint Lawrence Communications, LLC v. Motorola Mobility, LLC</i> , 2-15-cv-00351 (EDTX)	\$0.39	2017
<i>Cioffi et al. v. Google, Inc.</i> , 2-13-cv-00103 (EDTX)	\$0.002601	2017
<i>Erfindergemeinschaft UroPep GbR v. Eli Lilly and Company et al.</i> , 2-15-cv-01202 (EDTX)	5.86%	2017
<i>Server Technology, Inc. v. Schneider Electric IT Corp.</i> , 3-06-cv-00698 (DNV)	5%	2017
<i>Imperium IP Holdings (Cayman), Ltd. v. Samsung Electronics Co., Ltd. et al.</i> , 4-14-cv-00371 (EDTX)	\$0.02 and 0.04	2017

