

No. 19-

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IN THE  
**Supreme Court of the United States**

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CHRIMAR SYSTEMS, INC., DBA CMS  
TECHNOLOGIES, INC., CHRIMAR  
HOLDING COMPANY, LL C

*Petitioners,*

*v.*

ALE USA INC., FKA ALCATEL-LUCENT  
ENTERPRISE USA, INC.

*Respondent.*

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED  
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

Chrimar brought an action for infringement against ALE under four patents. A jury rejected ALE's invalidity defenses and awarded past damages. The District Court then awarded post-judgment ongoing royalties. The U.S. Court of Appeals for the Federal Circuit affirmed liability and damages, expressly holding that a partial remand to reconstrue one patent was "immaterial to damages because any damages that would result from the alleged infringement of the [remanded] '012 patent also results from the infringement of the '107 and '760 patents." App. 48a.

After the District Court's entry of the eventually-affirmed judgment, the Patent Trial and Appeal Board ("PTAB") (part of an Executive Branch agency) rendered final decisions finding unpatentable all asserted claims (a decision later affirmed). On this basis, the Federal Circuit ordered that the Article III damages judgment be vacated and remanded for dismissal. The Federal Circuit reasoned that the later Executive Branch administrative outcome required vacating the prior already-affirmed Article III judgment.

The questions presented are:

1. Whether the Federal Circuit may apply a finality standard for patent cases that conflicts with the standard applied by this Court and all other circuit courts in nonpatent cases.
2. Whether a final judgment of liability and damages that has been affirmed on appeal may be reversed based on the decision of an administrative agency, merely because an appeal having nothing to do with liability, damages or the proper calculation of the ongoing royalty rate is pending.

**RULE 29.6 STATEMENT**

Chrimar Systems, Inc. is a wholly owned subsidiary of Chrimar Holding Company LLC. No publicly held corporation owns 10% or more of Chrimar Holding Company LLC.

**PARTIES TO THE PROCEEDING  
AND RELATED CASES**

The parties to this proceeding are listed on the front cover.

Related cases to this proceeding are:

- *Chrimar Systems, Inc. and Chrimar Holding Company, LLC v. Alcatel-Lucent Enterprise USA Inc.*, No. 6:15-CV-00163-JDL, U.S. District Court for the Eastern District of Texas. Judgment entered Feb. 27, 2017.
- *Chrimar Holding Company, LLC and Chrimar Systems, Inc. v. ALE USA Inc. f/k/a Alcatel-Lucent Enterprise USA Inc.*, Nos. 2017-1848, 2017-1911, U.S. Court of Appeals for the Federal Circuit. Judgment entered May 8, 2018.
- *Chrimar Systems, Inc. and Chrimar Holding Company, LLC v. Alcatel-Lucent Enterprise USA Inc.*, No. 6:15-CV-00163-JDL, U.S. District Court for the Eastern District of Texas. Amended Final Judgment entered Aug. 24, 2018.
- *Chrimar Holding Company, LLC and Chrimar Systems, Inc. v. ALE USA Inc. f/k/a Alcatel-Lucent Enterprise USA Inc.*, No. 2018-2420, U.S. Court of Appeals for the Federal Circuit. Judgment entered Sept. 19, 2019 and rehearing and rehearing en banc denied Dec. 13, 2019.

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## PETITION FOR A WRIT OF CERTIORARI

Chrimar Systems, Inc. and Chrimar Holding Company, LLC (collectively, “Chrimar”) respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

### OPINIONS BELOW

The opinion affirming Chrimar’s judgment of liability and the quantum of damages (App. 29a-59a) is unreported, and may be found at *Chrimar Holding Co., LLC v. ALE USA Inc.*, Nos. 2017-1848, 2017-1911, 732 F. App’x 876, 2018 U.S. App. LEXIS 12256 (Fed. Cir. May 8, 2018) (“*Chrimar I*”).

The decision affirming without opinion the PTAB final written decisions (App. 84a) is unreported, and may be found at *Chrimar Systems, Inc. v. Juniper Networks, Inc.*, Nos. 2018-1499, 2018-1500, 2018-1503, 2018-1984, 2019 U.S. App. LEXIS 28106 (Fed. Cir. Sept. 19, 2019) (“*Chrimar II*”).

The opinion under review in this petition (App. 1a-9a) is unreported, and may be found at *Chrimar Systems, Inc. v. ALE USA Inc.*, No. 2018-2420, 785 F. App’x 854, 2019 U.S. App. LEXIS 28105 (Fed. Cir. Sept. 19, 2019) (“*Chrimar III*”). The denial of rehearing dated December 13, 2019 (App. 85a) is unreported.

### JURISDICTION

The Court of Appeals issued its decision on September 19, 2019. App. 1a. The court denied petitioner’s request for



rehearing and rehearing en banc on December 13, 2019. App. 85a. This Court has jurisdiction under 28 U.S.C. § 1254(1).

### CONSTITUTIONAL PROVISION INVOLVED

The judicial power of the United States, shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish. The judges, both of the supreme and inferior courts, shall hold their offices during good behaviour, and shall, at stated times, receive for their services, a compensation, which shall not be diminished during their continuance in office.

U.S. Const. Art. III sec. 1.

### INTRODUCTION

The Federal Circuit since at least 2013 has consistently applied legal principles that permit litigants to use Executive Branch action to escape the consequences of final Article III judgments. These Federal Circuit legal principles permit administrative agencies to wipe out final Article III judgments. In dissenting opinions, a slim minority of Federal Circuit active judges (five of twelve) has acknowledged that such rules have created a circuit split, and trigger significant constitutional doubt.<sup>1</sup>

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1. The five active judges expressed their views in panel dissents and dissents from denial of rehearing en banc in the *Fresenius* and *ePlus* cases (cited *infra*), and are Judges Newman, Moore, O'Malley, Reyna and Wallach.

This Court has emphasized that finality is important in judicial proceedings. *E.g.*, *Masssaro v. United States*, 538 U.S. 500, 504 (2003) (describing “the law’s important interest in the finality of judgments”); *Federated Dep’t Stores, Inc. v. Moitie*, 452 U.S. 394, 401 (1981) (noting “vital public interests” served by applying rules of finality); *Stoll v. Gottlieb*, 305 U.S. 165, 172 (1938) (“It is just as important that there should be a place to end as that there should be a place to begin litigation.”). “[E]nforcement [of judicial finality] is essential to the maintenance of social order; for the aid of judicial tribunals would not be invoked for the vindication of rights of person and property if, as between parties and their privies, conclusiveness did not attend the judgments of such tribunals in respect of all matters properly put in issue, and actually determined by them. *Southern Pacific Railroad v. United States*, 168 U.S. 1, 49 (1897) (citations omitted).

The preclusive effect of a judgment is defined by claim preclusion and issue preclusion, which are collectively referred to as “res judicata.” Under the doctrine of claim preclusion, a final judgment forecloses successive litigation of the very same claim, whether or not relitigation of the claim raises the same issues as the earlier suit. Issue preclusion, in contrast, bars successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment, even if the issue recurs in the context of a different claim. A related doctrine is law of the case and the mandate rule, under which courts must follow the final decisions of higher courts in the same proceeding on a given topic. By precluding parties from contesting matters that they have had a full and fair opportunity to litigate, these doctrines protect against the expense and vexation attending

multiple lawsuits, conserve judicial resources, and foster reliance on judicial action by minimizing the possibility of inconsistent decisions. *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008).

In this case, the Federal Circuit deepened an existing circuit split by applying what it called the “*Fresenius / Simmons* preclusion principle.” Under this legal principle, a judgment that has finally resolved a dispute on a merits-question is nearly always open to collateral attack in administrative agency proceedings that address the same merits-question. This “principle” deprives final, fully-litigated and fully-affirmed judgments of their finality if two conditions are met: (1) an administrative agency later issues a conflicting decision; and (2) the party burdened under the judgment has preserved a non-“insubstantial” appellate issue, on anything. The non-“insubstantial” issue need not bear any relationship to the liability or damages determinations that were otherwise finally-decided in the judgment.

This so-called “*Fresenius / Simmons* preclusion principle” is the sole invention of the Federal Circuit, having been adopted by no other court. This legal rule has earned sharp rebuke from academics and jurists alike. It is legally incorrect and conflicts with the decisions of all other circuits and of this Court. The legal rule incentivizes unfairness against patentees, motivates gamesmanship by accused infringers, leads to wasted judicial effort by trial and appeals courts, and disincentivizes innovation by undermining confidence in the patent system.

A slim minority of the active judges on the Federal Circuit (five of its twelve) have called for an end to this

mistaken rule of law. Several academics have criticized the rule. The rule conflicts not only with the finality rule applied by this Court and all other Courts of Appeals, but also with the Restatement (Second) of Judgments. This case thus presents an ideal vehicle for this Court's review of its soundness.

### STATEMENT OF THE CASE

1. This case arises out of ALE's infringement of certain Chrimar patents, which relate to improved Ethernet equipment that permits detection and classification of connected equipment, even where the connected equipment is powered off. Chrimar has asserted that its patented technology covers equipment that implements and conforms to the IEEE 802.3af and 802.3at Power over Ethernet (PoE) standards. App. 31a.

Chrimar is an American company whose President and CEO (a part-owner) is one of the named inventors on the patents-in-suit. The patents-in-suit claim priority ultimately to a 1998 filing, *i.e.*, one submitted to the Patent Office over a decade before the existence of PTAB patent trials. Chrimar sued Alcatel-Lucent USA Inc. in 2013 for infringement of U.S. Patent No. 8,115,012 ('012 Patent). App. 38a n.3. In 2014, Alcatel-Lucent spun out part of its business to a new company named Alcatel-Lucent Enterprise, of which ALE is a part. (*See id.*) In March 2015, Chrimar filed a new suit against ALE for infringement of the '012 Patent and three related patents (U.S. Patent Nos. 8,942,107; 8,902,760; and 9,019,838), and the parties agreed to the dismissal of the 2013 action. (*See id.*)

ALE initially asserted a number of defenses and counterclaims, including various invalidity defenses

and counterclaims seeking declaratory judgments of non-infringement for each of the asserted patents. But as observed in *Chrimar I*, “ALE dropped many of its defenses and counterclaims shortly before or during [the October 2016] trial.” App. 36a. Among the defenses and counterclaims ALE dropped were the majority of its invalidity defenses as well as its non-infringement counterclaims. The only defense ALE tried was invalidity on the basis that Chrimar allegedly failed to name the correct inventor, and the only counterclaims it tried were alleged fraud and breach of contract through Chrimar’s interactions with the IEEE. App. 38a. ALE stipulated to infringement of all four patents just before trial. (*See id.*) The only “issues submitted to the jury were infringement damages, invalidity based on improper inventorship, fraud, and breach of contract.” (*See id.*)

The jury rejected ALE’s invalidity defense and its counterclaims, and awarded Chrimar damages for ALE’s admitted infringement. App. 36a. The district court denied ALE’s post-trial motions and entered Final Judgment on February 27, 2017, finding that the asserted patents were not invalid, and awarding Chrimar \$324,558.34 in past damages plus ongoing royalties in the amount of \$1.2067 per PoE port for products sold by ALE after October 1, 2016. App. 60a-83a. The court awarded ongoing royalties through March 4, 2020 for products covered by the ’012 Patent, and through April 8, 2019 for products covered by the other three patents. App. 22a.

2. ALE appealed three issues: (i) the district court’s denial of its motion to exclude certain damages testimony; (ii) ALE’s fraud counterclaim; and (iii) certain claim constructions. App. 36a-37a. Importantly, although it had

the opportunity to do so, ALE did not appeal the judgment that the patents were not invalid, and did not appeal the ongoing royalty calculation. In other words, ALE did not contest on appeal the district court's determination of no invalidity, nor the district court's award of (or amount of) ongoing royalties.

The Federal Circuit rejected ALE's first two arguments (damages and fraud, App. 48a-58a), but agreed, in part, with ALE on the third, holding that one of the district court's claim constructions—"adapted" in the '012 Patent—was incorrect (App. 37a-42a). Nevertheless, the Court explained that while the revision of the claim construction required "remand for further proceedings on infringement of the '012 [P]atent," a new trial on damages was unwarranted:

Given the (affirmed) judgment of infringement of the '107 and '760 patents, the absence of an infringement judgment on the '012 patent is immaterial to damages because any damages that would result from the alleged infringement of the '012 patent also results from the infringement of the '107 and '760 patents.

App. 48a.

3. As mentioned, Chrimar had sued ALE for infringement in March 2015. Nevertheless, for the year-and-a-half between the filing of the complaint and trial, ALE never challenged any of the patents-in-suit through administrative agency proceedings. But an unrelated company did: Juniper Networks. Juniper filed multiple inter partes review (IPR) proceedings on the patents-in-

suit in July 2016, months before the October 2016 trial. ALE did not request to join those proceedings, nor did it ask the district court to stay the lawsuit while those proceedings remained pending. Instead, ALE's litigation strategy was to stipulate to infringement of Chrimar's patents and proceed to trial asserting no invalidity defenses other than one for alleged improper inventorship.

The administrative agency (the USPTO, through the Patent Trial and Appeal Board (PTAB)) instituted the Juniper IPRs in December 2016 and January 2017, before the district court entered its Final Judgment on February 27, 2017. ALE did not ask the district court to stay entry of the judgment pending the outcome of the IPRs. Nor did it object to the district court's award of ongoing royalties in the Final Judgment for any reason, including the ongoing IPRs.

ALE submitted its Appellant's brief in *Chrimar I* on July 31, 2017. There, ALE identified the pending IPRs in the "Statement of Related Cases." But ALE neither asked the Federal Circuit to stay the appeal, nor did it assert that the IPR proceedings should have any impact on the appeal.

The PTAB issued Final Written Decisions finding unpatentable certain claims of the patents-in-suit on December 20, 2017 ('107 Patent); December 29, 2017 ('838 Patent); January 23, 2018 (the '012 Patent); and April 26, 2018 (the '760 Patent)— all before the Federal Circuit issued its May 8, 2018 *Chrimar I* opinion. The Federal Circuit was aware of the IPR decisions when it issued that opinion. App. 34a-35a n.2.

4. Rather than waste judicial resources by requiring the district court to engage in an academic exercise to determine infringement of the '012 Patent where the appeals court had affirmed the damages award in full, Chrimar instead moved to voluntarily dismiss its infringement claims for the '012 Patent with prejudice, and asked the district court to enter an Amended Final Judgment. Only because ALE asked Chrimar to do so, Chrimar also provided ALE with an unconditional, irrevocable covenant not to sue ALE for infringement of the '012 Patent.

Because infringement of the '012 Patent was the only issue remanded by the Federal Circuit in *Chrimar I*, Chrimar's voluntary removal of that patent (and related stipulation to an earlier expiration of ongoing royalties) should have ended this case. Remarkably, however, ALE opposed Chrimar's motion to dismiss and also moved to stay enforcement, arguing that ALE still had counterclaims pending for the '012 Patent. As the district court found, it did not. App. 24a.

Accordingly, with the only remanded issue voluntarily dismissed with prejudice and consideration of all other issues foreclosed by the *Chrimar I* mandate, the district court dismissed the infringement claims for the '012 Patent and denied ALE's motion to stay. App. 21a-28a. ALE asked the court to reconsider, an invitation the court declined. App. 18a-20a. Instead, the court entered an Amended Final Judgment removing references to the '012 Patent in accordance with the parties' agreement. App. 12a-17a. ALE then renewed its motion to stay, re-urging the exact same arguments it raised in its first two motions, but purporting for the first time to bring it under Federal



Rule of Civil Procedure 60(b)(5), which offers relief from “final judgments”—a motion that omitted any request to vacate the entire underlying judgment. The court again denied the motion, ALE’s third in six weeks on the exact same subject. App. 10a-11a. Within its fusillade of post-remand motions, ALE made no request for the district court to vacate the entire past damages judgment, based on Juniper’s IPR outcomes or otherwise.

ALE appealed to Federal Circuit, complaining of the district court’s grant of Chrimar’s request to declare the case already over through voluntary dismissal with prejudice of the ’012 Patent, and its refusal to stay the ongoing-royalties award that ALE did not appeal in *Chrimar I*. ALE did not appeal the continued vitality of the judgment for past damages.

5. Rather, ALE kept alive for appellate review the nearly irrelevant question of how thoroughly did Chrimar dismiss the single remanded patent (the ’012 patent) from a case that was already over. This was the same patent that the Federal Circuit said did not affect damages, and that Chrimar forewent pursuing, waiving all relief from ALE (*i.e.*, waiving the last 11 months of an unchallenged ongoing royalty amount). As explained below, the Federal Circuit never reached that question, instead going beyond appealed issues to address the effect of administrative agency proceedings. App. 9a (“[W]e do not decide whether ALE is correct on the merits of the just-discussed contentions.”).

The Federal Circuit issued two decisions on the same day. In the Juniper case (*Chrimar II*), the Federal Circuit affirmed without opinion. App. 84a. It thus upheld the

Executive Branch determination that Juniper had proved unpatentability by a preponderance of the evidence.

The other decision (App. 1a-9a) is the one subject to the present petition. In *Chrimar III*, the same panel ordered that the judgment previously affirmed be vacated and remanded for dismissal. Rather than finding that the earlier District Court judgment operated as a preclusion against ALE making invalidity arguments, the Federal Circuit found that the later administrative outcome operated as a preclusion against Chrimar asserting that its patents were valid.

The Federal Circuit applied what it calls the “*Fresenius / Simmons* preclusion principle” in evaluating when a judgment is final enough to be immune from collateral attack in administrative agency proceedings. The *Fresenius* part refers back to a 2013 Federal Circuit decision. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1355-58 (Fed. Cir. 2013), *cert denied sub nom. Baxter Int’l, Inc. v. Fresenius USA, Inc.*, 134 S. Ct. 2295 (2014). The *Simmons* part refers back to a 98-year old decision of this Court. *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922).

This Federal Circuit “principle” deprives final, fully-litigated and fully-affirmed judgments of their finality, if two conditions are met: (1) an administrative agency later issues a conflicting decision; and (2) the party burdened under the judgment has preserved a non-“insubstantial” appellate issue, regardless of whether its issue has anything to do with the liability or damages determinations underpinning the judgment. App. 5a-9a.

Under this principle, no final judgment precludes a losing litigant from pressing lost issues while a case remains pending, and a case remains pending until all not “insubstantial” arguments about any issues remaining in the case have been finally resolved on appeal—even if those issues are unrelated to a claim previously decided by the district court in a judgment upheld on appeal. App. 4a-5a.

Chrimar petitioned for rehearing en banc. Forty-one *amici curiae* (represented through five amicus briefs) supported Chrimar’s petition. The Federal Circuit denied rehearing without opinion. App. 85a.

### **REASONS FOR GRANTING THE PETITION**

The Federal Circuit’s decision extends and deepens a circuit split on the important issue of when a judicial decision becomes binding on the parties, and whether a decree from a different branch of government can reverse an Article III court judgment. This case presents an excellent vehicle for the Supreme Court to address these issues. The so-called “*Fresenius / Simmons* preclusion principle” has received sharp criticism from academics and jurists. It is legally incorrect. And, this principle incentivizes unfairness for patentees, motivates gamesmanship by accused infringers, leads to wasted judicial effort by trial and appeals courts and prolongation of litigation, and disincentivizes innovation by undermining confidence in the patent system.

**I. The Federal Circuit does not apply the Restatement (Second) of Judgments.**

The Federal Circuit applied its own unique “*Fresenius / Simmons* preclusion principle” to find that this case lacked a final-enough judgment because issues outside the scope of the appellate mandate remained to be determined. This principle conflicted with the governing Fifth Circuit standard, under which “a judgment may be final [for preclusion purposes] even though an appeal is pending or a lower court has yet to fully dispose of the matter from which the issue arises.” *In re Sims*, 479 B.R. 415, 421–22 (Bankr. S.D. Tex. 2012), *aff’d*, 548 F. App’x 247 (5th Cir. 2013) (citing *Prager v. El Paso Nat’l Bank*, 417 F.2d 1111, 1112 (5th Cir. 1969)). The Federal Circuit should have (but did not) apply this Fifth Circuit standard. *See Pharmacia & Upjohn Co. v. Mylan Pharm., Inc.*, 170 F.3d 1373, 1381 n.4 (Fed. Cir. 1999) (“[B]ecause the application of general collateral estoppel principles, such as finality of judgment, is not a matter within the exclusive jurisdiction of this court, we must apply the law of the circuit in which the district court here sits.”).

Applying Fifth Circuit law, as it should have, the Federal Circuit would have prevented any further litigation related to damages or to infringement of three of the patents-in-suit. The judgment was sufficiently firm to be accorded conclusive effect, even assuming other issues remained unresolved. This is because all federal courts, including the Fifth Circuit, look to the Restatement to determine a judgment’s preclusive effect, and related issues of finality. *See, e.g., Recover Edge L.P. v. Pentecost*, 44 F.3d 1284, 1295 (5th Cir. 1995) (citing Restatement (Second) of Judgments, § 13); *see also B&B*

*Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015) (stating the Supreme Court “regularly turns to the Restatement (Second) of Judgments for a statement of the ordinary elements of [preclusion]”); *Clay v. United States*, 537 U.S. 522, 527 (2003) (“[A] federal judgment becomes final for [] claim preclusion purposes when the district court disassociates itself from the case, leaving nothing to be done at the court of first instance save execution of the judgment.”) (citing Restatement, § 13, cmt. b); *George v. City of Morro Bay (In re George)*, 318 B.R. 729, 733 (9th Cir. BAP 2004) (“The Supreme Court treats the *Restatement (Second) of Judgments* (“*Restatement*”) as an authoritative statement of federal res judicata doctrines . . .”). Applying the Restatement’s plain language, an infringer subject to a damages judgment has no right in any forum to relitigate a lost invalidity case, except on direct appeal of the judgment of no invalidity. Restatement (Second) of Judgments, § 17 (claim or defense “extinguished” when within the scope of a “final personal judgment,” which is “conclusive between the parties, except on appeal or direct review”).

The Restatement anticipates and resolves the very situation here—parallel proceedings on the same issue. Sections 14 and 27 provide that when two pending cases involve the same claim or issue, it is the “final judgment first rendered” that controls the parties to the first proceeding. Restatement (Second) of Judgments § 14 cmt. a; *see also id.* § 27 cmt. 1 (“first final judgment rendered.”). Here, the first rendered judgment on the issue of patent validity is that of February 27, 2017 at the district court. That judgment predated the PTAB decisions rendered between December 2017 and April 2018.

Nor does the Restatement leave room for deeming a judgment “nonfinal” for preclusion purposes because of lingering disputes unrelated to liability or damages. Section 13 provides that a “‘final judgment’ includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.” Restatement (Second) of Judgments, § 13. A “sufficiently firm” adjudication is one that is the “‘last word’ of the rendering court.” Restatement (Second) of Judgments, § 13, cmt. a. Here, the “last word” was the 2017 district court judgment that resolved liability, past damages, and determination of the ongoing royalty. Appeal from that judgment did not obviate finality. Restatement (Second) of Judgments, § 13, cmt. f; *see also Pharmacia & Upjohn*, 170 F.3d at 1381.

Neither the presence of ongoing royalties, nor the remand of one issue in *Chrimar I* that was “immaterial” to damages, changes the calculus. Continuing litigation on matters not germane to liability or damages should not undermine finality. *See, e.g., Pye v. Dep’t of Transp. of State of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975) (“To be final a judgment does not have to dispose of all matters involved in a proceeding.”). For example, a “judgment concluding an action is not deprived of finality for purposes of res judicata by reason of the fact that it grants or denies continuing relief, that is, requires the defendant, or holds that the defendant may not be required, to perform acts over a period of time.” Restatement (Second) of Judgments, § 13, cmt. c.

Under the Fifth Circuit’s final judgment standard, a final judgment does not have to dispose of all matters involved in the proceeding. *Pye*, 513 F.2d at 292. For

example, in *Pye*, the appellate court affirmed the lower court's merits decision but remanded the case on the issue of damages. *Id.* The Fifth Circuit held that the lower court's continuing jurisdiction on the issue of damages did not deprive the judgment on the merits of finality for the purposes of issue preclusion. *Id.*

And re-opening one part of a judgment does not affect the preclusive nature of the rest. "A judgment may be final in a res judicata sense as to a part of an action although the litigation continues as to the rest." Restatement (Second) of Judgments, § 13, cmt. e; *see also, Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 733 F.3d 1369, 1380 (Fed. Cir. 2014) (O'Malley, dissenting from denial of reh'g en banc) (finality in modern law applied "less strictly for preclusion purposes than for purposes of appeal").

On this point, in her panel dissent in *Fresenius*, Judge Newman provided case examples of every single circuit, including the Federal Circuit itself, respecting the finality of judgments for preclusion purposes, "for issues that were litigated and decided." *Fresenius*, 721 F.3d at 1355-58 (Newman, J., dissenting, discussing caselaw from First through Eleventh, D.C. and Federal Circuits).<sup>2</sup> Judge

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2. Judge Newman's non-exhaustive "sampling" of these cases included the following: *O'Reilly v. Malon*, 747 F.2d 820, 822-23 (1st Cir. 1984) (per curiam); *Zdanok v. Glidden Co.*, 327 F.2d 944, 954-55 (2d Cir. 1964); *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209-10 (3d Cir. 2001); *Swentek v. USAIR, Inc.*, 830 F.2d 552, 561 (4th Cir. 1987), *abrogated on other grounds as recognized by Mikels v. City of Durham*, 183 F.3d 323, 331-33 (4th Cir. 1999); *Pye v. Department of Transp. of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975); *Employees Own Fed. Credit Union v. City of Defiance*, 752 F.2d 243, 245 (6th Cir. 1985); *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*,

Newman noted that the *Fresenius* panel majority “insist that no appellate judgment is final as to any issue finally decided, if there is a remand on a different aspect of the case.” *Id.* at 1358. Judge Newman concluded that such “doctrinaire approach has been rejected throughout the federal system,” and stands against “heavy and uniform weight” among the circuit courts. *Id.* Certiorari review can address and eliminate this inter- and intra-circuit split.

Finally, post-judgment administrative invalidation of a patent should not nullify a prior judgment on the spurious ground that the *later* of two inconsistent judgments has preclusive effect. It is the earlier one that controls. Restatement (Second) of Judgments § 14 cmt. a; *see also id.* § 27 cmt. 1 (“first final judgment rendered.”). There does exist an exception that reverses this order, but to qualify for the exception, there must have been (1) availability of a preclusion argument in the second (later) action that the holder does not assert, followed by (2) a third action. Here, Chrimar did not waive a preclusion argument at the PTAB (indeed, none was available against Juniper Networks), nor is this a **third** proceeding (since it is still the **first** one). *See Fresenius*, 733 F.3d at 1380 n.8 (O’Malley, J., dissenting from denial of reh’g en banc) (distinguishing Restatement (Second) of Judgments, § 15).

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605 F.2d 990, 996 (7th Cir. 1979); *Robinette v. Jones*, 476 F.3d 585, 589 (8th Cir. 2007); *Morrell & Co. v. Local Union 304A of United Food & Commercial Workers*, 913 F.2d 544, 563-64 (8th Cir. 1990); *Syverson v. Int’l Bus. Machs. Corp.*, 472 F.3d 1072, 1079 (9th Cir. 2007); *Clements v. Airport Auth. of Washoe County*, 69 F.3d 321, 330 (9th Cir. 1995) *Smith Mach. Co. v. Hesston Corp.*, 878 F.2d 1290, 1293 (10th Cir. 1989); *Christo v. Padgett*, 223 F.3d 1324, 1338-39 (11th Cir. 2000); *Martin v. DOJ*, 488 F.3d 446, 455 (D.C. Cir. 2007); *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1135 (Fed. Cir. 1985); *Block v. ITC*, 777 F.2d 1568, 1571-72 (Fed. Cir. 1985).



These preclusion principles should apply even though Chrimar seeks a preclusion holding in the same case that contains the final judgment.<sup>3</sup> Even the *Fresenius* panel majority called it “correct” to use “well-established principles of res judicata” to inquire when a judgment becomes final enough to be immune to PTAB cancellation during a subsequent appeal in the same case. *Fresenius*, 721 F.3d at 1340-42 (interpreting remand for recalculation of the ongoing royalty rate as “defeat[ing] preclusion entirely” to make the judgment insufficiently final). It is therefore beyond debate that res judicata principles (embodied in the Restatement) should control what level of finality a judgment in the same case must have to be immune to PTAB cancellation. But the Federal Circuit did not apply this well-established law.

## **II. The *Fresenius* panel that generated the precedent relied on below incorrectly believed itself bound by inapposite Supreme Court authority.**

1. The source of the misguided “*Fresenius / Simmons* preclusion principle” is, of course, the Federal Circuit’s earlier *Fresenius* case. That is where the Federal Circuit generated its bright line test that makes federal court judgments vulnerable to administrative nullification. Granting cert in this case can expose and correct the mistakes in the *Fresenius* majority analysis.

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3. All of Chrimar’s arguments supporting certiorari hold force, regardless of which specific preclusion doctrine applies, whether it be law of the case, the mandate rule, claim or issue preclusion. *Fresenius*, 733 F.3d at 1383 (Newman, J., dissenting from denial of reh’g en banc) (identifying law of the case and the mandate rule as the relevant preclusion doctrine).

In particular, the panel majority in *Fresenius* incorrectly believed itself bound to apply *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922). The *Fresenius* panel majority believed that the 1922 *Simmons* decision “demonstrates that the district court **must** apply intervening legal developments affecting the asserted patent’s validity, even if the court of appeals already decided the validity issue the other way.” *Fresenius*, 721 F.3d at 1342 (emphasis added). But one academic has identified numerous flaws in this conclusion. See Paul R. Gugliuzza, *(In)valid Patents*, 92 Notre Dame L. Rev. 271, 313-14 (2016) (“It is a stretch to claim, as the Federal Circuit has, that *Simmons* is controlling in modern cases involving inconsistent validity decisions by a court and the PTO;” noting several reasons).

Judge O’Malley’s *Fresenius* dissent from denial of rehearing en banc ably explains why *Simmons* (and another case) should not have led mandatorily to the *Fresenius* holding. Those earlier cases involved interlocutory decisions in which no measure of damages had been established, rather than appeal from a final judgment and completed accounting. Judge O’Malley explained the distinction:

Neither of those cases, however, involved an appeal from a final judgment and completed accounting (*i.e.*, in those cases, no measure of damages had been established). . . . [I]n *Simmons*, the Supreme Court noted the interlocutory nature of the appeal, and stated that the judgment was not “final” because “an accounting,” which at the time was the *only* procedure by which damages for infringement

were calculated, “was necessary to bring the suit to a *conclusion upon the merits*.” *Simmons*, 258 U.S. at 89 (emphasis added).

The circumstances here are entirely different. Final judgment was entered, the calculation of past damages had occurred, and appellate review of those determinations had concluded. Baxter’s right in the judgment had vested. In other words, unlike in *Mendenhall* and *Simmons*, a true “accounting” had occurred. . . . Consequently, nothing in either *Mendenhall* or *Simmons* suggests that an administrative agency’s actions can undermine the conclusive resolution of rights by the courts.

*Fresenius*, 733 F.3d at 1378 (O’Malley, J., dissenting from denial of reh’g en banc). These same observations apply here. That this Court in *Simmons* revisited a merits judgment in a case that was still open without a damages award does not mandate doing so in a case containing a truly final judgment, complete with a calculated damages award.<sup>4</sup>

In short, Federal Circuit judges themselves (and at least one academic) have raised substantial questions over whether the *Simmons* decision gives support at all for the “*Fresenius / Simmons* preclusion principle.” See also *Fresenius*, 721 F.3d at 1360 (Newman, J., dissenting). This supplies yet further justification for certiorari review.

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4. In addition, *Simmons* related solely to court-to-court relations and was irrelevant to the constitutional question of whether an administrative agency can override a prior judicial decision on the same issue.

2. Though the Federal Circuit did not adopt such reasoning, ALE has in the past argued that patent determinations are somehow different and unique. ALE has argued that ordinary rules of finality do not apply when PTAB decisions are involved, on grounds that PTAB outcomes “extinguish” a cause of action, or render a patent “void ab initio.” (Federal Circuit ECF#114, at 11, 14, citing *Moffitt v. Garr*, 66 U.S. 273, 283 (1862)). ALE’s argument goes too far. If ALE were right, then a judgment could never become final enough to be immune to an administrative agency unpatentability outcome—a result even the *Fresenius* panel decision avoids. That is why “extinguishment” is not the theory underlying *Fresenius*, but rather issue preclusion (or, at least an incorrect application of issue preclusion). *Accord Versata Computer Indus. Sol’ns, Inc. v. SAP AG*, 564 Fed. App’x 600 (Fed. Cir. 2014) (permitting enforcement of judgment that Federal Circuit deemed final enough, despite parallel PRAB invalidation) (non-precedential). Indeed, *Moffitt* does not support ALE’s argument anyway. It is inapposite. *Moffitt* involved a voluntary surrender of patent rights in order to obtain a reissue patent. 66 U.S. at 283. This is not a reissue patent case. There was no surrender. Nothing in *Moffitt* suggests that PTAB outcomes (which are involuntary) render a patent “extinguished” or “void ab initio.”

ALE has also argued that Chrimar’s position is somehow inconsistent with *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018). That decision held that PTAB tribunals do not assert the “judicial power,” and thus do not structurally violate separation of powers. If anything, the *Oil States* result underscores how anomalous it is that government

employees who do not assert the judicial power render decisions that can wipe out final Article III judgments. More pointedly, *Oil States* did not address what level of finality makes Article III judgments immune to later administrative agency unpatentability decisions—a different type of separation of powers issue.

ALE has also argued that Chrimar’s effort to preserve its Article III judgment reflects an improper request for an award of damages on invalid patent claims. But such rhetoric sidesteps the Federal Circuit’s departure from legal norms. The standards governing finality have always existed in the shadow of a potentially meritorious “second bite” from a losing litigant. Even so, the law has already balanced the competing policy concerns, coming down in favor respecting finality by means of tying the hands of a litigant who “shot and missed” in a first proceeding.

Chrimar’s position is in harmony with patent policy. A PTAB-canceled patent is no threat to the general public. Only the losing litigant who had due process in a first fair proceeding must bear the burden of its having lost a validity contest that it had every chance to win. Applying longstanding rules of finality and preclusion would in no way threaten the general public’s right to practice invalidated patent claims.

Indeed, that a second proceeding resulted in invalidity only cements that this case is a proper vehicle, starkly presenting the particular issue of two inconsistent decisions on the same issue, whereupon courts must respect the finality of the first one. This Court’s longstanding precedent reveals that the Federal Circuit approach is in error, and that this case does not

raise any substantial question of *improper* rent-seeking under invalid patents. Having won a damages judgment, Chrimar’s right to collect those damages from a single party arises directly from the judgment and no longer depends on the underlying patent. *Cromwell v. County of Sac*, 94 U.S. 351, 353 (1877) (“Such demand or claim, having passed into judgment, cannot again be brought into litigation between the parties in proceedings at law upon any ground whatever.”); *Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. (18 How.) 421, 431 (1856) (“[I]f the remedy in this case had been an action at law, and a judgment rendered in favor of the plaintiff for damages, the right to these would have passed beyond the reach of the power of congress.”).

**III. The “*Fresenius / Simmons* Preclusion Principle” deepens a circuit split and violates separation of powers by allowing administrative outcomes to nullify otherwise final Article III judgments.**

Judges of the Federal Circuit have also correctly identified a intrinsic constitutional violation. The “*Fresenius / Simmons* preclusion principle” raises implicit constitutional concerns over a rule that allows an administrative agency decision to nullify a court judgment that has otherwise resolved the merits and damages of a patent infringement suit. See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1315 (Fed. Cir. 2015) (O’Malley, J., joined by Wallach, J., dissenting from denial of reh’g en banc) (noting “the constitutional concerns raised by both this case and [*Fresenius*]”); *Fresenius*, 733 F.3d at 1373 n.1 (O’Malley, J., joined by Rader, J. and Wallach, J.) (agreeing there are “constitutional implications” identified by the panel dissent); *Fresenius*,

721 F.3d at 1352-53 (Newman, J., dissenting) (“My colleagues endorse administrative abrogation of final judicial decisions, despite the constitutional prohibition as explained from the earliest days of the nation in *Hayburn’s Case*, 2 U.S. 409, 1 L. Ed. 436, 2 Dall. 409 (1792) (the federal judiciary will not render judgments subject to revision, suspension, modification or other review by executive or legislative branches).”). This case presents a proper vehicle for the Court to address these constitutional questions. Permitting an administrative ruling to vacate the binding effect of an Article III judgment under *Chrimar III* transforms the decision in *Chrimar I* into an advisory opinion that could be “revised and controlled” by the Executive Branch in violation of centuries of this Court’s separation of powers rulings to the contrary. *Hayburn’s Case*, 2 U.S. (2 Dall.) 409, 411 (1792).

In particular, the Federal Circuit decision here expanded *Fresenius* and thus deepened a circuit split. Whereas in *Fresenius*, a panel of the Federal Circuit found finality lacking because of an appellate command to recalculate post-judgment ongoing royalties, the instant *Chrimar III* decision found finality lacking *even though* ongoing royalties were not subject to a rate recalculation. As noted before, the *Chrimar I* panel found it “immaterial” to royalty calculations that claim interpretation under one of four adjudged patents required a remand. App. 48a.

This expansion of *Fresenius* deepens the circuit split already identified by several Federal Circuit judges. *See, e.g., ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1370 (Fed. Cir. 2015), *cert denied*, 136 S. Ct. 1166 (2016) (O’Malley, J., dissenting) (“[T]he majority opinion further deepens the circuit split between our court’s

approach to finality and that of our sister circuits, as identified by Judge Newman in her dissent in *Fresenius II*, 721 F.3d at 1355-59 (Newman, J., dissenting).”). This expansion of *Fresenius* also deepens the circuit split on the constitutional Separation of Powers question.

The case that exemplifies a proper treatment of the issue is *Qualcomm, Inc. v. FCC*, 181 F.3d 1370, 1372 (D.C. Cir. 1999). *Qualcomm* held that after the merits of a suit have been decided by a court of appeals and the appellate mandate issues, another branch of government cannot negate the merits ruling, even while a remand to determine the appropriate remedy is still pending. *Id.* at 1376, 1378-79. *Qualcomm* had applied for an FCC license, but was rebuffed. *Id.* at 1372. The D.C. Circuit vacated that portion of the FCC ruling, and remanded for further proceedings on the proper remedy. *Id.* at 1373. After the mandate, Congress removed statutory authority for the FCC to grant such a license. *Id.* at 1373-74. The agency on remand then dismissed the license proceedings on the basis that it “no longer had authority to act on it.” *Id.* at 1375. Thus in *Qualcomm*, the legislative branch acted through legislation to subvert an earlier appellate court remand order to the FCC.

But the *Qualcomm* court ruled that constitutional separation of powers forbade another branch’s interference with a final appellate court judgment. *Id.* at 1376. The FCC had “no discretion on remand” to reconsider the merits of the license application, holding that the intervening legislation did not deprive the FCC of authority because the court determination of *Qualcomm*’s entitlement to relief no longer depended on the underlying statute but rather on the court’s mandate. *Id.* Hence, the D.C. Circuit’s



rule, if applied here, would have led to the opposite outcome in the instant proceedings.

*Qualcomm*, but not *Fresenius*, is consistent with this Court’s precedent. This Court’s decisions have recognized several kinds of “unconstitutional restriction[s] upon the exercise of judicial power.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218 (1995). Two concern the effect of judgments once they have been rendered: “Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch,” *id.*, because to do so would make a court’s judgment merely “an advisory opinion in its most obnoxious form,” *Chicago & Southern Air Lines, Inc. v. Waterman S. S. Corp.*, 333 U.S. 103, 113 (1948). And Congress cannot “retroactively command[] the federal courts to reopen final judgments,” because Article III “gives the Federal Judiciary the power, not merely to rule on cases, but to *decide* them, subject to review only by superior courts in the Article III hierarchy.” *Plaut*, 514 U.S., at 218-219 (emphasis in original).

The unifying constitutional principle among these restrictions is that neither branch—whether legislative or executive—can properly interfere with or nullify an Article III final judgment.<sup>5</sup> Yet that is what the “*Fresenius* / *Simmons* preclusion principle” allows. Under *Chrimar*

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5. *Cf. Ward v. Dixie Nat’l Life Ins. Co.*, 595 F.3d 164, 178 (4th Cir. 2010) (“Were we to accept [defendant’s] argument” that the state legislature’s enactment of a statutory change after the mandate had issued on a Fourth Circuit ruling adopting the opposite definition required the Fourth Circuit’s decision to be overturned, “we would be forced to decide whether the legislature’s action was unconstitutional under *Plaut* on the ground that our decision in *Ward I* constituted a ‘final judgment.’”).

*III*, a court’s merits ruling can be vacated even after the mandate has issued, as long as any aspect of the case remains on appeal. Under *Qualcomm*, a merits ruling is final once the mandate has issued, regardless of later developments in another branch of government. This Court should therefore grant certiorari to end the circuit split, and evaluate the “*Fresenius / Simmons* preclusion principle” against important constitutional limits.

#### **IV. Criticism of *Fresenius* should lead to this Court’s review.**

Judges of the Federal Circuit and elsewhere, and academics, have all sharply criticized the *Fresenius* decision—the legal principle applied in the present *Chrimar III* decision addressed by this petition. *See e.g., Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07cv153-RSP, 2014 U.S. Dist. LEXIS 54640, at \*10 (E.D. Tex. Apr. 21, 2014) (“To hold that later proceedings before the PTAB can render nugatory that entire [judicial] process, and the time and effort of all of the judges and jurors who have evaluated the evidence and arguments would do a great disservice to the Seventh Amendment and the entire procedure put in place under Article III of the Constitution.”); Michael Greve, *Exceptional, After All and After Oil States: Judicial Review and the Patent System*, Bos. U.J. Sci. & Tech. L., at 32-33 (forthcoming 2020) (available at <http://dx.doi.org/10.2139/ssrn.3381076>) (criticizing *Fresenius* “absolute finality” rule as “doubly problematic,” and noting that “[i]nfringement actions threaten to become a farce if the Article III action is merely a trial run for subsequent administrative proceedings”); Gugliuzza, *(In)valid Patents*, 92 Notre Dame L. Rev. at 308 (*Fresenius*’s “absolute finality rule encourages wasteful

procedural maneuvering, allows an adjudged infringer a second chance at proving invalidity, and threatens separation of powers by permitting an administrative agency to effectively nullify court judgments.”); Peggy P. Ni, *Rethinking Finality in the PTAB Age*, 31 Berk. Tech. L.J. 557 (2016) (“[T]he incentive to prolong district court litigation so that alleged infringers may potentially receive a favorable PTO decision of invalidity increases gamesmanship, a result that harms the public and patent holder.”). A commentator writing for the magazine of the ABA’s Intellectual Property Section noted that the *Fresenius* decision “is far out of step with well-established [finality] principles in the regional circuits” and is “unlikely to be the last word on inconsistent judgments” between the Executive Branch and the courts. See King & Wolfson, *PTAB Rearranging the Face of Patent Litigation*, 6 Landslide 18, 22 (Nov./Dec. 2013).

Judge Moore also explained why a dual track system of parallel validity litigation that permits PTAB nullification of final judgments encourages “gamesmanship” by infringement defendants. Defendants can (and do) seek administrative outcomes absolving them of their patent infringement liabilities under final Article III judgments.

More generally, there are problems with a system which permits defendants to snatch victory from the already closed jaws of defeat. Whether these problems are to be resolved by the Supreme Court through its precedent on finality or through Congress, this sort of gamesmanship ought to be curtailed. I have no problem with the dual track system Congress has created, but for at least a subset of cases,

defendants are abusing the process by doing both. This is wasteful of judicial, executive, and party resources, and it is just plain unfair. Congress intended the IPR/CBM/reexam route to be an alternative to district court litigation of certain validity issues, not duplicative of them.

*ePlus*, 790 F.3d at 1315 (Moore, J., dissenting from denial of reh'g en banc, joined by O'Malley, J., Reyna, J., and Wallach, J.). This case exemplifies the same problems.

Unless the Court intervenes, ALE and others like it in the future will be allowed to make contentions otherwise precluded under the Restatement that a post-judgment patent cancellation decision abates their previously-adjudged Article III liability. The Federal Circuit will continue to deviate from the otherwise well-settled federal common law of preclusion that applies in every other circuit. As numerous Judges of the Federal Circuit recognize, the time has come to harmonize the Federal Circuit with Supreme Court precedent and the Restatement, unsplit the circuits, restore constitutional validity to our system of parallel track patentability litigation, and eliminate the waste and gamesmanship that current precedent incentivizes.

## **V. This case presents an excellent vehicle.**

1. The issue having percolated through numerous Federal Circuit decisions in recent years, now is the time and this is the case for this Court's review. A recent published analysis about the present case concludes that "the frequency of inconsistent district court and PTAB judgments [will] increase as the number of parallel

proceedings increases.” Robert M. Masters, Jonathan R. DeFosse and Kevin A. Ryan, “Intellectual Property Outlook: Cases and Trends to Follow in 2020—PART 3,” *The National Law Review* (March 5, 2020), available at <https://www.natlawreview.com/article/intellectual-property-outlook-cases-and-trends-to-follow-2020-part-3> (last viewed March 7, 2020). This analysis also warns that, absent this Court’s review, there will be increasing Federal Circuit deployment of the rule and testing of its limits: “We also expect to see litigants test the boundaries of so-called *Fresenius* preclusion in 2020. On the patent owner side, we expect calls for the Supreme Court to intervene and hold that the PTAB cannot override prior infringement and validity determinations rendered as part of an Article III court proceeding.” *Id.* The authors also wryly note the instability of legal rights under the rule: “the result reached in *Chrimar* [III] seems to be dependent on the wording of the order the Federal Circuit issues in connection with its remand decisions.” *Id.*

*Chrimar* recognizes that the parties presented nearly the same issue to this Court in the *Fresenius* (2014) case, but that the Court denied certiorari. At that time, the issue had not yet fully percolated within the Federal Circuit. Even though *Fresenius* had earned strong dissents from numerous Federal Circuit judges, it would not have been clear at the time how far the Federal Circuit would go with its errant doctrine. Now we know.

On the facts, *Fresenius* reflected a more “nonfinal” situation than here. In *Fresenius*, the post-judgment royalty rate had yet to be recalculated at the moment when the agency canceled the patent. 721 F.3d at 1331. Those alterations of an underlying infringement judgment

were arguably closer to appellate reopening of a whole judgment on appeal, a scenario that retrospectively negates finality under traditional principles. In addition, the respondent in those cert proceedings argued against the grant of certiorari because the rise of IPRs “renders highly unlikely a repetition of this fact pattern or anything resembling it.” Brief in Opposition in No. 13-1071, at 28-29. Time has proven that the respondent there was simply wrong. As *Chrimar III* shows, the Federal Circuit has named an entire legal principle after the *Fresenius* legal rulings. The rise of IPRs has, in fact, multiplied the quantity and types of cases that apply the legal principles announced in *Fresenius*. The *ePlus* decision, also cited *supra*, stands as another such example.

It is now clear that the Federal Circuit believes that matters wholly settled in final, no-longer-appealable judgments can be reopened by extraneous Executive Branch actions. For the Federal Circuit, this can happen even in cases where damages and ongoing royalty calculations are long settled. This expansion of *Fresenius* merits this Court’s review, even if the *Fresenius* case did not.

2. The uncertainty about “finality” under the Federal Circuit’s approach has given accused infringers an incentive to engage in dilatory actions to keep otherwise final judgments of an Article III court from becoming “final” “in the hope that they will fare better with the PTO and then be able to unravel the district court judgment against them.” *ePlus*, 790 F.3d at 1314 (Moore, J., dissenting from denial of *en banc* rehearing petition). It has encouraged litigants to “scrap and fight” when they should no longer do so, creating perverse and wasteful

litigation strategies. *Id.* This case illustrates that the Federal Circuit lets final judgments become unwound based on (i) a bright-line rule that there can be no final judgment while a case remains pending, and (ii) a vague corollary rule that a case remains pending until every not “insubstantial” argument raised by a defendant with respect to any question in the case has been fully litigated through appeal.

By injecting such uncertainty into the framework under which all federal litigation proceeds, the Federal Circuit has all but destroyed the finality of those Article III judgments and jury verdicts subject to its jurisdiction. In so doing, it has unwittingly endorsed unnecessary protraction of litigation and pervasive waste of judicial resources. A patent is only as valuable as the ability to enforce it. But under the Federal Circuit’s framework, one can litigate a patent for years through multiple courts, only to have those decisions and jury verdicts erased by the Executive Branch. Uncertainty undermines confidence in and stability of the patent system, and thus subverts the legal structures that exist to encourage investment in new technologies.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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## **APPENDIX**

1a

**APPENDIX A — OPINION OF THE UNITED  
STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT, DATED  
SEPTEMBER 19, 2019**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

2018-2420

CHRIMAR SYSTEMS, INC., DBA CMS  
TECHNOLOGIES, INC., CHRIMAR  
HOLDING COMPANY, LLC,

*Plaintiffs-Appellees*

v.

ALE USA INC., FKA ALCATEL-LUCENT  
ENTERPRISE USA, INC.,

*Defendant-Appellant*

Appeal from the United States District Court for  
the Eastern District of Texas in No. 6:15-cv-00163-JDL,  
Magistrate Judge John D. Love.

September 19, 2019, Filed

Before TARANTO, CLEVINGER, and HUGHES, *Circuit  
Judges.*

TARANTO, *Circuit Judge.*

*Appendix A*

Chrimar Systems, Inc., owns four related patents, U.S. Patent Nos. 8,155,012, 8,942,107, 8,902,760, and 9,019,838, that address the identification and tracking of electronic equipment over an Ethernet network. In 2015, Chrimar sued ALE USA Inc., alleging infringement of those patents. After claim construction, ALE stipulated to infringement of the asserted claims of all four patents but pressed several defenses and counterclaims. A jury trial returned a verdict in favor of Chrimar, and the district court entered a judgment awarding Chrimar damages and post-verdict ongoing royalties.

ALE appealed to this court. We affirmed on all issues presented to us except for the construction of a claim term in the '012 patent, which we reversed, and we remanded for further proceedings. *Chrimar Holding Co., LLC v. ALE USA Inc.*, 732 F. App'x 876 (Fed. Cir. 2018). We noted in our opinion (as amended on June 1, 2018) that the Patent Trial and Appeal Board of the Patent and Trademark Office had recently issued final written decisions deeming un-patentable all the claims at issue in this case, but we did not address any issue that those decisions might raise. *Id.* at 881 n.2.

On remand, both parties filed motions with the district court in July 2018. ALE sought certain relief based on the Board's unpatentability decisions—which Chrimar was in the process of appealing to this court. As relevant here, ALE moved variously for a stay of the ongoing royalties, for a stay of the proceedings as a whole, and for relief from the judgment under Federal Rule of Civil Procedure 60(b) (5). Chrimar, for its part, moved to dismiss the count of

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its complaint that alleged infringement of the '012 patent (which Chrimar had narrowed to claim 31 and possibly also claims 35, 43, and 60), and it provided ALE a covenant not to sue ALE on that patent. ALE opposed Chrimar's motion on the ground that ALE had an unadjudicated, live counterclaim for noninfringement of the '012 patent because the covenant did not extend to ALE's customers and distributors.

In August 2018, the district court ruled as follows on the motions presented. It dismissed Chrimar's '012-infringement count, and it ruled that ALE no longer had any counterclaim left, which, in any event, was mooted by the covenant not to sue and could not be considered in light of this court's mandate. And the court concluded that, with the '012 patent out of the case, there was nothing left in the case to stay, which, in any event, could not be done in light of this court's mandate. The court's amended final judgment included the continuing order to pay ongoing royalties, but only on the three remaining patents (having expiration dates in April 2019), not the '012 patent (having an expiration date in March 2020). We were informed at oral argument that, pursuant to the parties' agreement, ALE has not paid any money under the judgment—neither damages nor ongoing royalties nor any other amount.

ALE timely appealed to this court. In May 2019, after briefing was complete, Chrimar moved to terminate the appeal. It attached to the motion (a) a formal disclaimer of claims 31, 35, 43, and 60 of the '012 patent, dated May 12, 2019, and filed in the PTO under 35 U.S.C. § 253, and (b) a new declaration from Chrimar's president,

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dated May 14, 2019, that now included ALE's suppliers, customers, and distributors within the covenant not to sue for infringement of the '012 patent.

Meanwhile, Chrimar's appeals of the Board's decisions proceeded. We heard those appeals the same day as we heard ALE's appeal in this case. In a separate order issued today, we have affirmed the Board's determination of un-patentability of all the claims of the '012, '107, '838, and '760 patents relevant to this case. *Chrimar Systems, Inc. v. Juniper Networks, Inc.*, Nos. 2018-1499, 2018-1500, 2018-1503, 2018-1984, 777 Fed. Appx. 518, 2019 U.S. App. LEXIS 28106 (Fed. Cir. Sept. 19, 2019).

Our affirmance of the Board's decisions of unpatentability of the patent claims at issue in the present case has "an immediate issue-preclusive effect on any pending or co-pending actions involving the patent[s]." *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018). This is such a case under *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), and related cases. It does not involve the special circumstance of a "fully satisfied and unappealable final judgment" like the one in *WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1072 (Fed. Cir. 2019).

A case is "pending," *XY, LLC*, 890 F.3d at 1294, when it is not yet final in the sense that "the litigation [is] entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment . . . one that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment," *Fresenius*, 721 F.3d

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at 1341. Such finality generally does not exist when a direct appeal is still pending. *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1579-80 (Fed. Cir. 1994) (invalidity judgment may be raised “at any stage of the affected proceedings”); *id.* at 1583-84; *see WesternGeco*, 913 F.3d at 1070-72; *Dow Chemical Co. v. Nova Chemicals Corp. (Canada)*, 803 F.3d 620, 628 (Fed. Cir. 2015); *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358 (Fed. Cir. 2015); *Fresenius*, 721 F.3d at 1344, 1347.

A case is generally to be considered as a whole in judging its pendency. In *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 42 S. Ct. 196, 66 L. Ed. 475, 1923 Dec. Comm’r Pat. 669 (1922), the patent claims had been held invalid in a completed appeal and the case had been remanded only for proceedings on a separate, state-law claim. While the state-law proceedings were pending, the Supreme Court held the patent claims valid in another case. The Court then ruled that this new holding had to be applied to the first case, reviving the patent claims. *Id.* at 88-91. *Simmons* involved applying a decision that upheld validity to revive a patent claim that had been adjudicated invalid in another, still-pending case. But its understanding of the finality principle applies as well in the more familiar situation presented in this case and in the line of authorities cited above, where the issue is application of a holding of invalidity (unpatentability) to patent claims that had been upheld in another, still-pending case.

This case is still pending. And we cannot say that its pendency rests on the assertion of only insubstantial

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arguments. We therefore have no occasion to address questions that might arise about application of the *Fresenius/Simmons* preclusion principle to a case that has been kept alive only on insubstantial grounds.

ALE asked the district court to modify the ongoing royalty portion of the judgment, at least by staying the running of the obligation. A district court has authority and discretion to modify continuing relief when circumstances change. *See System Federation No. 91, Ry. Employees' Dept., AFL-CIO v. Wright*, 364 U.S. 642, 646-47, 81 S. Ct. 368, 5 L. Ed. 2d 349 (1961); *ePlus*, 789 F.3d at 1355 (“[A] continuing decree of injunction directed to events to come is subject always to adaptation as events may shape the need.”) (quoting *United States v. Swift & Co.*, 286 U.S. 106, 114-15, 52 S. Ct. 460, 76 L. Ed. 999 (1932)). We have not been shown any authority declaring that, if asked, a district court may not or should not at least consider staying ongoing royalties in light of new Board unpatentability decisions like the ones at issue here. ALE could reasonably request this relief.

For similar reasons, ALE also could reasonably request a stay of the case in light of the Board’s decisions. As a general matter, a district court has a range of discretion about whether to stay a case before it in light of other proceedings that might simplify resolution of the case. *See, e.g., Murata Machinery USA v. Daifuku Co.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016); *Landis v. North American Co.*, 299 U.S. 248, 254-55, 57 S. Ct. 163, 81 L. Ed. 153 (1936) (holding that a decision to stay proceedings “calls for the exercise of judgment, which must weigh

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competing interests and maintain an even balance”). ALE does not contend that the Board’s decisions themselves have preclusive effect before judicial review has occurred or the time for judicial review has run without a request for judicial review. But it does contend that, even before that time, the Board’s decisions should at least be considered in an equitable determination whether to stay the case—presumably along with other considerations, such as the stage of the case and ALE’s own choices about where to challenge the patent claims at issue. Without addressing the ultimate merits of that contention, we conclude that, at least under present case law, there is nothing insubstantial about ALE’s argument for a stay of the case.

The district court denied the relief requested. It did not, for example, terminate the royalties and leave Chrimar to recover damages for the period at issue through a follow-on lawsuit if the patent claims survived judicial review. ALE was reasonable in appealing the district court’s denial of relief. It had a substantial argument that the district court did not exercise available discretion because, in denying the requested stay, it did not recognize that it had discretion. In these circumstances, we do not decide whether ALE would have had a reasonable basis to appeal had the district court recognized its discretion and exercised it upon consideration of relevant circumstances and policies.

In addition, ALE had a substantial argument to the district court that it still had a counterclaim for noninfringement of the ’012 patent even if Chrimar’s affirmative count asserting infringement of that patent



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was to be dismissed. The procedural history presented to us provides a substantial basis for ALE's contention that it had not dropped or forfeited its counterclaim, and the limited record presented to us provides a substantial basis for uncertainty about whether no case or controversy remained in light of the covenant not to sue that Chrimar gave to ALE in the district court. Without declaring ALE's contention meritorious, we think that ALE could reasonably press those contentions both in the district court and on appeal. We note that only after the briefing was complete on appeal did Chrimar take additional steps—filing a statutory disclaimer and a broader covenant not to sue—to strengthen its argument that there was no longer a case or controversy over infringement of the '012 patent.

Finally, in all of the foregoing respects, we see nothing insubstantial about ALE's contention that our 2018 mandate did not foreclose the district court's consideration of the arguments ALE made. The Board's unpatentability decisions had not existed at the time of the rulings that were challenged on appeal, and we were not asked to rule on the effect of those intervening decisions. In these circumstances, ALE had a substantial argument when the case returned to the district court that any effect of the Board's decisions, in the respects ALE invoked them, was for the district court to decide, with consideration of the issue not foreclosed by our mandate. *See Standard Oil Co. of Cal. v. United States*, 429 U.S. 17, 18-19, 97 S. Ct. 31, 50 L. Ed. 2d 21 (1976); *Engel Industries, Inc. v. Lockformer Co.*, 166 F.3d 1379, 1383 (Fed. Cir. 1999); *Prism Technologies LLC v. Sprint Spectrum L.P.*, 757 F. App'x 980, 982-83 (Fed. Cir. 2019).

*Appendix A*

We reiterate that we do not decide whether ALE is correct on the merits of the just-discussed contentions. We decide only that this case remains pending and that its pending status is not the result of an abuse of the judicial process in the form of presentation of insubstantial arguments. As a result, the now-affirmed unpatentability determinations by the Board as to all claims at issue must be given effect in this case. Accordingly, the motion to terminate the appeal is denied, the final judgment and award of costs are vacated, and the case is remanded to the district court for dismissal.

Each party shall bear its own costs.

**VACATED & REMANDED FOR DISMISSAL**

**APPENDIX B — ORDER OF THE UNITED  
STATES DISTRICT COURT FOR THE EASTERN  
DISTRICT OF TEXAS, TYLER DIVISION,  
FILED SEPTEMBER 7, 2018**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION

CIVIL ACTION NO. 6:15-CV-00163-JDL

CHRIMAR SYSTEMS, INC.,  
CHRIMAR HOLDING COMPANY, LLC,

*Plaintiffs,*

v.

ALCATEL-LUCENT ENTERPRISE USA INC.,

*Defendant.*

**ORDER**

Before the Court is Defendant ALE USA Inc.'s ("ALE") Renewed Motion to Stay and/or Sever Ongoing Royalties Pending Resolution of the Invalidity of the Asserted Patents pursuant to Rule 60(b)(5) of the Federal Rules of Civil Procedure. (Doc. No. 482.) Plaintiffs Chrimar Holding Company, LLC and Chrimar Systems, Inc. ("Chrimar") have filed a response. (Doc. No. 483.)

On August 24, 2018, the Court entered an Amended Final Judgment in this matter pursuant to the Federal

*Appendix B*

Circuit's mandate after the Court denied ALE's request to sever and stay ongoing royalties. (Doc. Nos. 476, 480, 481.) ALE now renews its motion for the sole purpose of foreclosing procedural arguments on appeal that ALE failed to seek relief under Rule 60(b)(5) after entry of the Amended Final Judgment, and incorporates by reference its prior arguments. (Doc. No. 482.)

For the reasons previously stated, the Court **DENIES** ALE's Renewed Motion (Doc. No. 482).

**So ORDERED and SIGNED this 7th day of September, 2018.**

/s/ \_\_\_\_\_  
JOHN D. LOVE  
UNITED STATES MAGISTRATE  
JUDGE

**APPENDIX C — AMENDED FINAL JUDGMENT  
OF THE UNITED STATES DISTRICT COURT FOR  
THE EASTERN DISTRICT OF TEXAS, TYLER  
DIVISION, DATED AUGUST 24, 2018**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION

CIVIL ACTION NO. 6:15-CV-00163-JDL

CHRIMAR SYSTEMS, INC.,  
CHRIMAR HOLDING COMPANY, LLC,

*Plaintiffs,*

v.

ALCATEL-LUCENT ENTERPRISE USA INC.,

*Defendant.*

**AMENDED FINAL JUDGMENT**

A jury trial regarding the claims of Plaintiffs Chrimar Systems, Inc. and Chrimar Holding Company (collectively, “Chrimar”) against Defendant ALE USA Inc. (“ALE”), and regarding ALE’s legal defenses and counterclaims, commenced on October 3, 2016. The jury returned its unanimous verdict on October 7, 2016. (Doc. No. 349). The Court ruled on the parties’ post-trial motions and ultimately entered a final judgment in this matter in accordance with the jury’s verdict. (Doc. No. 423). ALE and Chrimar appealed certain issues to the Federal Circuit.

*Appendix C*

The Federal Circuit rejected the claim construction of the term “adapted” as set forth in claim 31 of the ’012 Patent but otherwise affirmed the verdict in its entirety, including the infringement damages award, the Court’s ruling on fees, and the fraud judgment. (Doc. No. 463). The only issue remanded to this Court was ALE’s liability as to Claim 31 of the ’012 Patent based on a revised construction of the claim term “adapted” found therein. Upon remand, Chrimar moved to dismiss the ’012 Patent from this action and provided ALE with a covenant not to sue on the ’012 Patent. (Doc. No. 469.) The Court subsequently granted Chrimar’s Motion to Dismiss, which resolved the only remaining issue. (Doc. No. 476.) The Court also denied reconsideration of this ruling.

Based on the jury’s verdict, the entirety of the record available to the Court, the Court’s rulings on the parties’ respective post-trial motions, and the Federal Circuit’s opinion, the Court enters this Amended Final Judgment fully and finally disposing of all claims by and between Chrimar and ALE.

The Court ORDERS, ADJUDGES, DECREES, and DECLARES as follows:

- ALE stipulated that the accused PoE Products infringe the following claims, as construed by the Court, based on Chrimar’s PoE Standards compliance-based theory of infringement:
  - claims 1, 5, 72, and 103 (across claims 1, 5, and 72) of U.S. Patent Number 8,942,107 (“the ’107 Patent”);

*Appendix C*

- claims 1, 59, 69, 72 (across claims 1, 59, and 69), and 145 of U.S. Patent Number 8,902,760 (“the ’760 Patent”); and
  - claims 1, 7, and 26 of U.S. Patent Number 9,019,838 (“the ’838 Patent”).
  - Consistent with the jury’s verdict, ALE did not meet its burden of proof with respect to invalidity and unenforceability for the following patent claims:
    - claims 1, 5, 72, and 103 (across claims 1, 5, and 72) of the ’107 Patent;
    - claims 1, 59, 69, 72 (across claims 1, 59, and 69), and 145 the ’760 Patent;
- and
- claims 1, 7, and 26 of the ’838 Patent.
  - The Court awards actual damages to Chrimar for ALE’s infringement of the ’107 Patent, the ’760 Patent, and the ’838 Patent in the amount of \$324,558.34 for damages as of September 30, 2016.
  - Chrimar is further awarded pre-judgment interest on the actual damages found by the jury (\$324,558.34), from the date of July 1, 2015 through the day before entry of the Final Judgment (Doc. No. 423), calculated at the prime rate, compounded quarterly, in the amount of \$18,918.98.

*Appendix C*

- Chrimar is awarded post-judgment interest on the actual damages, pre-judgment interest, and costs awarded herein, at the rate of 0.83%, compounded annually, as provided by 28 U.S.C. § 1961, from the date of entry of the Final Judgment (Doc. No. 423) through the date upon which Chrimar receives from ALE full payment of the amounts ordered herein.
- The following terms have the following meanings:
  - The term “PoE Standards” shall mean the IEEE 802.3af standard, and any amendment to that standard that uses the same detection or classification protocols, and shall also specifically include the IEEE 802.3at standard, and any amendment to that standard that uses the same detection or classification protocols;
  - The term “PoE PDs” shall mean Powered Devices that implement the PoE Standard(s), including PoE wireless access points, VoIP phones, and IP cameras, and any other devices that are capable of automatically receiving operational power over an Ethernet network in compliance with the PoE Standard(s);
  - The term “PoE PSEs” shall mean Power Sourcing Equipment that implement the PoE Standard(s), including PoE switches, routers, hubs, and repeaters, and any other devices that are capable of automatically providing operational power over an Ethernet network in compliance with the PoE Standards;



*Appendix C*

- The term “PoE Products” shall mean PoE PDs and PoE PSEs; and
- Chrimar is further awarded — for so long as ALE’s infringement of the ’107 Patent, the ’760 Patent, and the ’838 Patent continues — post-verdict ongoing royalties in the amount of \$1.2067 per Power over Ethernet (“PoE”) port per PoE Product<sup>1</sup> sold beginning on October 1, 2016, and continuing:
  - As to PDs, through April 8, 2019 (the date of the expiration of the last to expire of the ’107 and ’760 patents); and
  - As to PoE PSEs, through April 8, 2019 (the date of the expiration of the last to expire of the ’838 and ’760 patents).
- All relief not granted in this Final Judgment is DENIED.
- All pending motions not previously resolved are DENIED.
- Chrimar is the prevailing party, and as the prevailing party, Chrimar shall recover its costs from ALE in the amount of \$100,020.58 (Doc. No. 442).

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1. For avoidance of doubt, in no event will there be more than one royalty assessed per PoE port.

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*Appendix C*

- This is a final judgment.

So ORDERED and SIGNED this 24th day of August,  
2018.

/s/  
JOHN D. LOVE  
UNITED STATES MAGISTRATE  
JUDGE

**APPENDIX D — ORDER OF THE UNITED  
STATES DISTRICT COURT FOR THE EASTERN  
DISTRICT OF TEXAS, TYLER DIVISION, FILED  
AUGUST 24, 2018**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION

CIVIL ACTION NO. 6:15-CV-00163-JDL

CHRIMAR SYSTEMS, INC., CHRIMAR HOLDING  
COMPANY, LLC,

*Plaintiffs,*

v.

ALCATEL-LUCENT ENTERPRISE USA INC.,

*Defendant.*

**ORDER**

Before the Court is Defendant Alcatel-Lucent Enterprise USA, Inc.'s ("ALE") Motion to reconsider the Court's Order (Doc. No. 476) denying ALE's Motion to Stay (Doc. No. 470) and granting Plaintiffs' Motion to Dismiss (Doc. No. 469). Plaintiffs Chrimar Systems Inc. and Chrimar Holdings Company, LLC ("Chrimar") filed a response (Doc. No. 479). For the reasons stated herein, ALE's Motion (Doc. No. 477) is **DENIED**.

*Appendix D*

The Federal Rules of Civil Procedure do not specifically provide for motions for reconsideration. *Shepherd v. Int'l Paper Co.*, 372 F.3d 326, 328 n.1 (5th Cir. 2004). Motions to reconsider are considered rare and filed only for the limited purpose: “to permit a party to correct manifest errors of law or fact, or to present newly discovered evidence.” *Krim v. pcOrder.com, Inc.*, 212 F.R.D. 329, 331 (W.D. Tex. 2002) (citations omitted). Mere disagreement with an order of the Court does not warrant reconsideration of that order. *Id.* at 332. A party should not restate, recycle, or rehash arguments that were previously made. *Id.*

Here, ALE argues that the Court’s Order is “fundamentally unfair” and that it makes mistakes of fact and law. (Doc. No. 477, at 4.) Specifically, ALE argues that the Court improperly dismissed ALE’s counterclaims and mischaracterized what those counterclaims were. *Id.* While ALE contends that the Court made a manifest error in these determinations perhaps to bolster its motion, these arguments actually elucidate ALE’s mischaracterization of the Court’s Order. As an initial matter, the Court did not dismiss any counterclaims of ALE’s; rather, the Court determined that “there are no counterclaims of ALE’s that remain pending for the Court to adjudicate.” (Doc. No. 476, at 4.) This conclusion remains correct and unchanged in view of the trial in this case and the Federal Circuit’s mandate. *Id.* Further, perhaps prompted by the Court’s order explaining that ALE had failed to explain any basis for reviving a counterclaim, ALE now confuses what it alleges is a counterclaim versus what was indisputably presented as a *defense* to infringement at trial—namely

*Appendix D*

the issues of derivation and improper inventorship. *See* Doc. No. 476, citing Doc. No. 350 at 10–14 (identifying invalidity as a defense to patent infringement with no objection). Simply put, ALE did not present a counterclaim of invalidity to the jury during the trial of this case. Thus, there is no open issue with respect to any counterclaim and such consideration would ultimately be inappropriate in view of the Federal Circuit’s mandate. As to the Court’s ruling on the motion to stay, ALE has not met the exacting standards required for reconsideration. Indeed, ALE raises the same arguments already considered by the Court. (Doc. No. 477, at 10–11.) These rehashed arguments do not form a basis for reconsideration of the Court’s denial of a stay.

Having considered these arguments, the Court finds that ALE does not establish that the Court committed any manifest errors of law in its prior decision. The remainder of ALE’s arguments were already raised and considered by the Court. The Court finds no reason to reconsider those arguments now. Accordingly, ALE’s Motion for reconsideration (Doc. No. 477) is **DENIED**.

**So ORDERED and SIGNED this 24th day of August, 2018.**

/s/  
\_\_\_\_\_  
JOHN D. LOVE  
UNITED STATES MAGISTRATE JUDGE

**APPENDIX E — ORDER OF THE UNITED  
STATES DISTRICT COURT FOR THE EASTERN  
DISTRICT OF TEXAS, TYLER DIVISION,  
FILED AUGUST 8, 2018**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION

CIVIL ACTION NO. 6:15-CV-00163-JDL

CHRIMAR SYSTEMS, INC.,  
CHRIMAR HOLDING COMPANY, LLC,

*Plaintiffs,*

v.

ALCATEL-LUCENT ENTERPRISE USA INC.,

*Defendant.*

**ORDER**

On October 3–7, 2016 the Court held a five-day jury trial in this matter involving U.S. Patent Nos. 8,115,012 (“the ’012 Patent”), 8,902,760 (“the ’760 Patent”), 8,942,107 (“the ’107 Patent”), and 9,019,838 (“the ’838 Patent”) (collectively “the patents-in-suit”). Defendant Alcatel-Lucent Enterprise USA Inc. (“ALE”) stipulated to infringement of the patents-in-suit. The jury found the asserted claims valid and awarded a lump sum of \$324,558.34. (Doc. No. 349.) The jury also found that ALE did not prove its counterclaims by a preponderance

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of the evidence that Plaintiffs Chromar Systems Inc. and Chromar Holding Company, LLC (“Chrimar”) committed fraud against ALE or that Chromar breached a contract with the IEEE. *Id.* The Court ruled on the parties’ post-trial motions and ultimately entered a final judgment in this matter in accordance with the jury’s verdict. (Doc. Nos. 412, 413, 414, 423.) Of relevance, the Court awarded actual damages to Chromar for ALE’s infringement of the ’012 Patent, the ’107 Patent, the ’760 Patent, and the ’838 Patent in the amount of \$324,558.34 for damages as of September 30, 2016, as well as pre-judgment and post-judgment interest. (Doc. No. 423.) The Court also issued post-verdict ongoing royalties in the amount of \$1.2067 per Power over the Ethernet (“PoE”) port beginning on October 1, 2016 and continuing: (1) as to PoE Powered Devices (“PDs”) that are not ’012 Patent Excluded PDs, through March 4, 2020 (the date of the expiration of the last to expire of the ’012, ’107, and ’760 Patents); (2) as to ’012 Patent Excluded PDs, through April 8, 2019 (the date of the expiration of the last to expire of the ’107 and ’760 Patents); and (3) as to PoE Power Sourcing Equipment (“PSEs”), through April 8, 2019 (the date of the expiration of the last to expire of the ’838 and ’760 Patents). *Id.*

The Court’s final judgment was subsequently appealed to the Federal Circuit. The Federal Circuit affirmed the verdict in its entirety, but rejected the claim construction of the term “adapted” as set forth in claim 31 of the ’012 Patent. (Doc. No. 463.) Specifically, the Federal Circuit rejected the Court’s construction of the claim term “adapted” as “designed, configured, or made” and adopted ALE’s proposed construction that “adapted” means

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“modified.” *Id.* The remainder of the Court’s rulings were affirmed, including the infringement damages award, the Court’s ruling on fees, and the fraud judgment. *Id.* The case was remanded for further proceedings consistent with that opinion and the corresponding mandate subsequently issued. (Doc. No. 465.)

On July 10, 2018, the Court held a status conference to discuss how to proceed with the case on the sole issue before the Court—liability as to claim 31 of the ’012 Patent based upon the Federal Circuit’s modified construction of the term “adapted” found therein. (Doc. No. 467.)<sup>1</sup> At that time, Chrimar offered to dismiss the ’012 Patent and ALE raised, for the first time, an argument that it should not have to pay any damages, including ongoing royalties, because the patents-in-suit had since been found invalid by the Patent Trial and Appeal Board (“PTAB”). The Court ordered the parties to meet and confer and submit subsequent briefing on these issues. (Doc. No. 468.)

In response, the Court first received Chrimar’s motion to voluntarily dismiss Count I of the First Amended Complaint related to infringement of the ’012 Patent. (Doc. No. 469.) ALE opposed this motion. (Doc. No. 473.) From the Court’s perspective, Chrimar should be allowed to dismiss Count I of its live complaint related to infringement of the ’012 Patent. *Elbaor v. Tripath*

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1. Because the other three patents-in-suit support the lump sum damages award, which was affirmed, and do not contain the term “adapted,” the only issue before the Court concerns liability with respect to the ’012 Patent and the difference of 11 months of ongoing royalties with respect to that patent.



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*Imaging, Inc.*, 279 F.3d 314, 317 (5th Cir. 2002) (“As a general rule, motions for voluntary dismissal should be freely granted unless the non-moving party will suffer some plain legal prejudice other than the mere prospect of a second lawsuit.”). Rule 41(a)(2) provides that “an action may be dismissed at the plaintiff’s request only by court order, on terms that the court considers proper. If a defendant has pleaded a counterclaim before being served with the plaintiff’s motion to dismiss, the action may be dismissed over the defendant’s objection only if the counterclaim can remain pending for independent adjudication.” Fed.R.Civ.P. 41(a)(2). Chrimar has agreed to dismiss this claim with prejudice and provide ALE a covenant not to sue. (Doc. No. 469.) ALE claims prejudice because Chrimar has not agreed to a covenant not to sue ALE’s customers and distributors and also contends that the covenant does not divest the Court of jurisdiction over ALE’s counterclaims. (Doc. No. 473, at 5.)

Here, Chrimar’s covenant not to sue and dismissal with prejudice relieves any potential prejudice to ALE, and ALE’s customers and distributors who are not parties to this suit do not create a controversy or cause prejudice to ALE such that the Court should not grant Chrimar’s voluntary dismissal. *Compare Plains Growers By & Through Florists’ Mut. Ins. Co. v. Ickes-Braun Glasshouses, Inc.*, 474 F.2d 250, 255 (5th Cir. 1973) (finding that a third-party claim would not bar a voluntary dismissal of plaintiff’s action.). Indeed, ALE can only cite the mere speculation of future litigation against customers and distributors on a patent that it acknowledges has been

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found invalid by the PTAB.<sup>2</sup> The speculation of bringing a future suit on an invalid patent simply does not create prejudice that would outweigh the interest in granting Chrimar's voluntary dismissal of that patent with a covenant not to sue ALE.

Additionally, there are no counterclaims of ALE's that remain pending for the Court to adjudicate. Prior to trial, ALE dropped all counterclaims but for its counterclaims of fraud and breach of contract. ALE had a full trial on those counterclaims and the judgment as to those claims was affirmed by the Federal Circuit. Indeed, those counterclaims of fraud and breach of contract were not implicated by the single point of remand related to the meaning of the term "adapted" in claim 31 of the '012 Patent and ALE did not pursue a counterclaim of invalidity as to claim 31 of the '012 Patent at trial. *See* Doc. No. 350 at 6–7, 20–21 (final jury instructions identifying ALE's only counterclaims for fraud and breach of contract with no objection) and *id.* at 10–14 (identifying invalidity as a defense to patent infringement with no objection). ALE now provides a conclusory assertion that it has pending counterclaims of non-infringement and invalidity with respect to the '012 Patent. (Doc. No. 473, at 12 n. 12.) Even if the Federal Circuit's remand somehow revived these

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2. While ALE cites to the potential of continued suits based on the Court's decision related to a license agreement with Defendant Accton, that decision was simply an interpretation of an already existing license agreement that resulted from the settlement of ongoing litigation. It does not support the potential of customers being sued in the future on a patent that has since been held invalid by the PTAB.

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claims, which it did not, the question of infringement is of course mooted by Chrimar's willingness to dismiss the '012 Patent and provide ALE a covenant not to sue. As to any invalidity counterclaim possibly being revived, the question of invalidity was only raised as one of improper inventorship, which did not implicate the meaning of the term "adapted." ALE has not now identified any prior art or any defense that would merit reviving a counterclaim of invalidity based on the Federal Circuit's interpretation of the term "adapted," and indeed this burden rests with ALE. *See Dow Jones & Co. v. Abblaise Ltd.*, 606 F.3d 1338, 1345 (Fed. Cir. 2010) ("[s]ubject matter jurisdiction in a declaratory judgment suit depends upon the existence of a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment, and the plaintiff bears the burden of proving the existence of such a controversy throughout the litigation.") (internal quotations omitted) citing *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007).

Finally, a voluntary dismissal of that claim avoids the expenditure of further Court and party resources in a matter that has already seen a five-day trial, significant post trial rulings by this Court, and an appeal resulting in a full opinion. As noted above, the narrow issue remanded to this Court was whether ALE infringes the '012 Patent based on a revised construction of a claim term. That question implicates only 11 months of the ongoing royalty, the remainder of the ongoing royalty is intact due to the Federal Circuit's affirmance of the judgment as to the other patents-in-suit.

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For these reasons, Chrimar’s Motion to Dismiss (Doc. No. 469) is **GRANTED** and Count I of the First Amended Complaint for infringement of the ’012 Patent is **DISMISSED** with **PREJUDICE**.

Having dismissed the ’012 Patent from this action with prejudice, there is nothing left for the Court to resolve. ALE has filed a motion to stay and/or sever the ongoing royalties pending appeal of the PTAB’s decision on invalidity (Doc. No. 470), but given that the sole basis for this Court’s jurisdiction on remand has been resolved via voluntary dismissal of the claim, there is nothing to stay. Indeed, the ongoing royalties were affirmed by the Federal Circuit with the Circuit Court’s express knowledge that the PTAB had invalidated at the patents-in-suit. *See* Doc. No. 463, at 6 n. 1 (“The claims of the ’107, ’838, ’012, and ’760 patents to which ALE stipulated infringement in this case were all determined to be unpatentable by the Patent Trial and Appeal Board in four final written decisions.”). Despite ALE’s awareness of the PTAB’s decisions, to the Court’s knowledge, ALE never raised the issue with the Federal Circuit that any ongoing royalties should be stayed. Indeed, despite the Federal Circuit’s express knowledge of these decisions, the case was not remanded to this Court for a determination of whether any of the affirmed ongoing royalties should be stayed given the PTAB’s decisions. As discussed above, this case was remanded for the sole purpose of adjudicating Chrimar’s claim on the ’012 Patent with a new construction of the term “adapted.” Because the ’012 Patent has been dismissed with prejudice, there is nothing left for this Court to resolve. *See Samsung Elecs.*

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*Co. v. Rambus, Inc.*, 523 F.3d 1374, 1380 (Fed. Cir. 2008) (“[a]fter [declaratory plaintiff] offered the entire amount of attorney fees in dispute, the case became moot...[t]he district court had no case or controversy to continue to consider.”) *citing Chathas v. Local 134 IBEW*, 233 F.3d 508, 512 (7th Cir. 2000) (“if the defendant has thus thrown in the towel there is nothing left for the district court to do except enter judgment...”). Thus, ALE’s Motion (Doc. No. 470) is **DENIED** as moot.

Within **7 days** of this Order the parties shall submit an amended final judgment to the Court consistent with this opinion and the mandate of the Federal Circuit.

**So ORDERED and SIGNED this 8th day of August, 2018.**

/s/John D. Love  
JOHN D. LOVE  
UNITED STATES MAGISTRATE  
JUDGE

**APPENDIX F — OPINION OF THE UNITED  
STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT, DATED MAY 8, 2018**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

May 8, 2018, Decided

2017-1848, 2017-1911

CHRIMAR HOLDING COMPANY, LLC, CHRIMAR  
SYSTEMS, INC., DBA CMS TECHNOLOGIES, INC.,

*Plaintiffs-Cross-Appellants*

v.

ALE USA INC., FKA ALCATEL-LUCENT  
ENTERPRISE USA, INC.,

*Defendant-Appellant*

**Judges:** Before PROST, Chief Judge, WALLACH and  
TARANTO, Circuit Judges.

**Opinion**

TARANTO, *Circuit Judge*.

Chrimar Systems, Inc., filed a patent infringement suit against ALE USA Inc. (formerly known as Alcatel-Lucent Enterprise USA Inc.). In response, ALE asserted

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numerous defenses and counterclaims, including a claim of fraud under Texas law. As relevant here, a jury found infringement by ALE and awarded damages to Chrimar, and it rejected ALE's fraud claim. The court entered judgment in favor of Chrimar on those issues. The court also denied Chrimar's post-trial motion for attorney fees under 35 U.S.C. § 285. Both parties appeal. We reject one of the claim constructions adopted by the district court, but we affirm the damages award, the judgment on ALE's fraud claim, and the denial of fees.

**I****A**

Chrimar owns four related patents—U.S. Patent Nos. 8,155,012; 8,942,107; 8,902,760; and 9,019,838—whose specifications are materially the same for present purposes. We treat the '012 patent's specification as representative. The specification describes the use of devices that connect to a wired network, such as Ethernet, and that manage or track remote electronic equipment, such as a personal computer, on that network. '012 patent, col. 1, lines 23-26, 37-39. In the arrangement described, such equipment, called an "asset," has a tracking device, called a "remote module," attached internally or externally to it. *Id.*, col. 1, line 66 through col. 2, line 2. The asset can be managed, tracked, or identified by using the remote module to communicate a unique identification number, port identification, or wall jack location to the network monitoring equipment, or "central module." *Id.*, col. 3, lines 22-27; *see id.*, col. 8, line 58 through col. 9, line 23;

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*see also id.*, col. 6, lines 48-67 & Fig. 4. Asset identification may be done without using existing network bandwidth, because the remote module can convey information about the asset to the central module through the same wiring or cables that convey the high-frequency data on the network, without adversely affecting the high-frequency data. *See id.*, col. 3, lines 10-12; *id.*, col. 11, line 64 through col. 12, line 1 (“The system transmits a signal over preexisting network wiring or cables without disturbing network communications by coupling a signal that does not have substantial frequency components within the frequency band of network communications.”). And asset identification does not require that the asset be powered on. *Id.*, col. 4, lines 65-67; *id.*, col. 12, lines 48-50.

According to Chrimar, all four patents are standard-essential patents in that they cover features required by the Institute of Electrical and Electronics Engineers (IEEE) Power over Ethernet (PoE) 802.3af standard (ratified in 2003) and 802.3at amendments to the IEEE PoE 802.3 standard (ratified in 2009). Those standards address detection, classification, power-on, operating power, and removal of power. Chrimar’s patents cover the first three features (detection, classification, and power-on).

A Power over Ethernet controller chip controls the activities addressed in the standard relevant here. Products with such a controller chip interact with other products to enable the safe delivery of power from power-sourcing equipment (*e.g.*, switches) to powered devices (*e.g.*, wireless access points and voice over internet protocol



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(VoIP) phones). ALE sells VoIP phones, wireless access points, and switches that implement the IEEE PoE 802.3af/at standard.

**B**

The IEEE ratified the PoE 802.3af standard in 2003. That ratification followed a series of meetings convened by the IEEE regarding adoption of the standard. John Austermann, Chromar’s Chief Executive Officer and listed inventor on the patents, participated in several such meetings in 2000.

Under the then-applicable bylaws of the IEEE Standards Association Board (2000)—which have since been changed—if the IEEE knew of an essential patent, the IEEE could adopt a standard that includes the known use of that patent or patent application “if there is technical justification in the opinion of the standards-developing committee and provided the IEEE receives assurance from the patent holder that it will license under reasonable terms and conditions for the purpose of implementing the standard.” J.A. 10548. The bylaws also stated that the letter of assurance “shall be provided without coercion,” J.A. 10548; and the IEEE Standards Association operations manual required that the working group “shall request that known patent holders submit statements” but that the working group refrain from coercing the patent holders to do so, J.A. 6711. According to Chromar’s expert Clyde Camp, who served as Chair of the IEEE Patent Committee, the IEEE’s patent policy at the time was one of “request and encourage,” J.A. 6706,

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consisting of sending letters to owners of patents that may be essential and requesting (without requiring) that the patent owner return a “Letter of Assurance,” J.A. 6705-09; *see also* J.A. 6713-14 (IEEE 2002 statement submitted to FTC: “Disclosure of patents is based on the willingness of the individual participants to disclose any known patents whose use would be required in the practice of the standard.”). Mr. Camp also testified that patent holders did not always provide a letter of assurance in response to such requests. J.A. 6712.<sup>1</sup>

In October 2001, while the relevant IEEE component was considering the adoption of the PoE 802.3af standard, Chrimar expressed its belief to the IEEE that the Chrimar-owned U.S. Patent No. 5,406,260—not asserted in this case—was an essential patent for that standard. Chrimar submitted a “letter of assurance” agreeing to license the ‘260 patent upon request “to all applicants at royalty rates that [Chrimar] deems reasonable in light of the specific circumstances of this particular situation.” J.A. 10559. The IEEE never requested, and Chrimar did not submit, any similar letter regarding the four patents asserted in this case.

**C**

In 2015, Chrimar sued ALE in the Eastern District of Texas for direct and indirect infringement of the ‘012, ‘107, ‘838, and ‘760 patents under 35 U.S.C. §§ 271(a), (b).

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1. In 2004, the IEEE changed its policy regarding the submission of letters of assurance. *See* J.A. 6512-13, 6716-17, 6725-26.

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ALE asserted defenses of, *inter alia*, noninfringement, invalidity (including anticipation, obviousness, lack of enablement, lack of sufficient written description, and lack of proper inventorship), unenforceability based on unclean hands and inequitable conduct, prosecution laches, equitable estoppel, waiver, and implied license. ALE also asserted counterclaims of, *inter alia*, breach of contract with the IEEE (with ALE as a third-party beneficiary), fraud, and violation of section 2 of the Sherman Act, as well as declaratory judgment counterclaims corresponding to several of ALE's affirmative defenses.

The court issued a claim construction order in late March 2016. *Chrimar Sys., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:15-cv-163, 2016 U.S. Dist. LEXIS 40686, 2016 WL 1228767 (E.D. Tex. Mar. 28, 2016) (*Claim Construction Order I*). Two weeks before trial, on September 20, 2016, ALE stipulated to infringement of claims 1, 5, 72, and 103 of the '107 patent and claims 1, 7, and 26 of the '838 patent under the governing claim construction order; and ALE requested further construction of the claim terms "adapted" and "physically connect" in the asserted claims of the '012 and '760 patents. A week later, the court issued a second claim construction order construing those terms. *Chrimar Sys., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:15-cv-163, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853 (E.D. Tex. Sept. 27, 2016) (*Claim Construction Order II*). In light of that order, ALE, on September 30, 2016, stipulated to infringement of claims 31, 35, 43, and 60 of the '012 patent and claims 1, 59, 69, 72, and 145 of the '760 patent.<sup>2</sup>

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2. The claims of the '107, '838, '012, and '760 patents to which ALE stipulated infringement in this case were all determined to

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In late June 2016, ALE moved to strike the expert report and exclude the testimony of Chrimar's damages expert, Robert Mills, arguing that, in his damages calculation, he did not properly limit compensation to the value of the patented features of ALE's products, *i.e.*, he did not adequately separate the value of the patented features from the value of nonpatented features and the value associated with the IEEE standardization. In August 2016, the court granted the motion only in part. The court concluded that, for admissibility, Mr. Mills had adequately separated patented from nonpatented features. But the court concluded that Mr. Mills improperly stated in his report that there was no need even to assess the value of standardization because, when the IEEE standard was adopted, there were no noninfringing alternatives to the features at issue; the court struck that statement. Mr. Mills then submitted a supplemental report, as authorized, addressing the value of standardization. When ALE again moved to strike and exclude, the court again granted ALE's motion only in part, striking from the supplemental report one sentence about the lack of noninfringing alternatives at the time the standard was adopted.

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be unpatentable by the Patent Trial and Appeal Board in four final written decisions. Appeals from the final written decisions for the first three patents have been filed with this court. Notice of Appeal, *Chrimar Sys., Inc. v. Juniper Networks, Inc.*, No. 18-1499 (Fed. Cir. Feb. 1, 2018), ECF No. 1; Notice of Appeal, *Chrimar Sys., Inc. v. Juniper Networks, Inc.*, No. 18-1500 (Fed. Cir. Feb. 1, 2018), ECF No. 1; Notice of Appeal, *Chrimar Sys., Inc. v. Juniper Networks, Inc.*, No. 18-1503 (Fed. Cir. Feb. 1, 2018), ECF No. 1. ALE has not yet appealed the final written decision regarding the '760 patent, entered by the Board on April 26, 2018.

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A jury trial was held in early October 2016. ALE dropped many of its defenses and counterclaims shortly before or during trial and, as mentioned previously, stipulated to infringement under the governing claim constructions shortly before trial. The issues submitted to the jury were infringement damages, invalidity based on improper inventorship, fraud, and breach of contract. On October 7, 2016, the jury returned a verdict in favor of Chrimar on all issues and awarded Chrimar a royalty of \$324,558.34. The defenses of equitable estoppel, waiver, prosecution laches, and inequitable conduct were left to the court, which ruled for Chrimar on all issues.

After the jury trial, Chrimar filed a motion for attorney fees under 35 U.S.C. § 285, and ALE moved for judgment as a matter of law or a new trial. The court denied both motions. *Chrimar Sys., Inc. v. Alcatel-Lucent Enter. USA Inc.*, No. 6:15- cv-163, 2017 U.S. Dist. LEXIS 19587, 2017 WL 568712 (E.D. Tex. Feb. 13, 2017) (*JMOL Order*); Mem. Op. & Order, *Chrimar Sys., Inc. v. Alcatel-Lucent Enter. USA Inc.*, No. 6:15-cv-163, 2017 U.S. Dist. LEXIS 220804 (E.D. Tex. Jan. 23, 2017), ECF No. 412 (*Fees Order*), J.A. 20001-05. On February 27, 2017, the court entered final judgment.

ALE timely appealed. Chrimar timely cross-appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

## II

ALE appeals three of the district court's claim constructions, the denial of its motion to exclude Mr.

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Mills's damages testimony, and the jury instruction on ALE's state-law fraud claim.

**A**

We review de novo a district court's claim construction, while reviewing for clear error any underlying factual findings. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 840-42, 190 L. Ed. 2d 719 (2015). ALE challenges the district court's construction of (1) "adapted," as used in the relevant claims of the '012 patent; (2) a series of infinitive phrases in the relevant claims of the '107, '760, and '838 patents; and (3) "physically connect," as used in the relevant claims of the '760 patent. We agree on the first issue, not the others.

**1**

ALE objects to the court's construction of "adapted" in claim 31 of the '012 patent (on which claims 35, 43, and 60 directly or indirectly depend). That claim reads:

31. An *adapted* piece of Ethernet data terminal equipment comprising:

an Ethernet connector comprising a plurality of contacts; and

at least one path coupled across selected contacts, the selected contacts comprising at least one of the plurality of contacts of the Ethernet connector and at least another one

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of the plurality of contacts of the Ethernet connector,

wherein distinguishing information about the piece of Ethernet data terminal equipment is associated to impedance within the at least one path.

'012 patent, col. 18, line 62 through col. 19, line 5 (emphasis added).

In this case, the district court, at the parties' request, adopted the construction of “[a]n adapted piece of Ethernet data terminal equipment” from an earlier case in which the same court construed the preamble in claim 31 of the '012 patent. *See Claim Construction Order II*, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853, at \*1, \*3 (referring to *ChriMar Sys., Inc. v. Alcatel-Lucent, Inc.*, No. 6:13-cv-880, 2015 U.S. Dist. LEXIS 1801, 2015 WL 233433, at \*7-9 (E.D. Tex. Jan. 8, 2015) (*6:13-cv-880 Claim Construction Order*)). In the claim construction order entered in the earlier case, the court construed the preamble as “limiting” and stated that its “plain and ordinary meaning” should govern its scope, a construction with which both parties to that case agreed.<sup>3</sup> *6:13-cv-880 Claim Construction Order*, 2015 U.S. Dist. LEXIS 1801,

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3. That case, filed in 2013, involved Chrimar and Alcatel-Lucent. (The present case involves Chrimar and ALE USA Inc., which was spun off from Alcatel-Lucent in 2014.) With the parties' agreement, the 2013 case was dismissed without prejudice in June 2015. *Chrimar Sys., Inc. v. Alcatel-Lucent, Inc.*, No. 6:13-cv-880, 2015 U.S. Dist. LEXIS 1801 (E.D. Tex. Jan. 8, 2015), ECF No. 140.

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2015 WL 233433, at \*9. While acknowledging that the parties continued to dispute the meaning of the term “adapt,” *id.*, the court in that order reasoned:

The “adapting” requirement in the claims of the ’012 Patent is essential to address the problem confronted by the inventors taking existing networks and adapting them to make equipment distinguishable. Thus, the word “adapting” must have some meaning.

*Id.* The court did not say more about what that “meaning” is. *See id.*

Two weeks before trial in the present case, ALE asked for further claim construction of the term “adapted.” *Claim Construction Order II*, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853, at \*1. According to ALE, the term should be construed as a “modification of preexisting equipment.” *See* 2016 U.S. Dist. LEXIS 131816, [WL] at \*3. The court disagreed with that narrowing construction. 2016 U.S. Dist. LEXIS 131816, [WL] at \*4. Instead, the court construed the term “consistently with its plain and ordinary meaning to mean ‘designed, configured, or made.’” 2016 U.S. Dist. LEXIS 131816, [WL] at \*3-4.

In light of the parties’ agreement in this case that the preamble is limiting, both before the district court and on appeal, *see* ALE Br. 12; Chrimar Br. 18 n.5, we disagree with the district court’s claim construction. Generally, every apparatus may be described as “designed, configured, or made,” and Chrimar has not explained



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how that construction in any way limits the scope of claim 31. Chrimar also contends that “piece of Ethernet data terminal equipment,” rather than “adapted,” is the limiting term in the preamble, but it does not explain *how* the former is limiting. Chrimar Br. 20-21. The district court did not adopt that position. *See Claim Construction Order II*, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853, at \*3-4; *see also 6:13-cv-880 Claim Construction Order*, 2015 U.S. Dist. LEXIS 1801, 2015 WL 233433, at \*9 (assuming that “the word ‘adapting’ must have some meaning”).

The specification is consistent with giving “adapted” a meaning tied to existing equipment to avoid stripping the concededly limiting claim language of meaning. The specification describes the invention generally as designed to operate on a preexisting network connected to pieces of networked terminal equipment. *See* ’012 patent, col. 3, lines 18-22 (“In accordance with the teachings of the present invention, a communication system is provided for generating and monitoring data over a pre-existing wiring or cables that connect pieces of networked computer equipment to a network.”); *id.*, col. 1, line 67 through col. 2, line 2 (“[A] method for permanently identifying an asset by attaching an external or internal device to the asset and communicating with that device using existing network wiring or cabling is desirable.”). As the district court noted, moreover, the specification states that “[t]his invention is particularly adapted to be used with an existing Ethernet communications link or equivalents thereof,” ’012 patent, col. 3, lines 35-37, and that “[t]he communication system 15 and 16 described

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herein is particularly adapted to be easily implemented in conjunction with an existing computer network 17 while realizing minimal interference to the computer network,” *id.*, col. 4, lines 56-60. *Claim Construction Order II*, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853, at \*3; *see also 6:13-cv-880 Claim Construction Order*, 2015 U.S. Dist. LEXIS 1801, 2015 WL 233433, at \*9 (stating that “[t]he ‘adapting’ requirement in the claims of the ’012 Patent is essential to address the problem confronted by the inventors taking existing networks and adapting them to make equipment distinguishable” and therefore “must have some meaning”).

Chrimar does not dispute that the specification describes embodiments that require modification of a preexisting piece of Ethernet data terminal equipment. Nor does it dispute that “adapted” appears only in the claims of the ’012 patent, not the other patents involving essentially the same specification, suggesting that the claim scope chosen for the asserted claims in *this* patent is only a subset of what the specification may support.<sup>4</sup> It is hardly unknown for one set of claims to use language that picks out one among several embodiments, especially

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4. The district court noted that the patent describes at least one embodiment in which the invention is implemented at the manufacturing stage, rather than through a modification of already-manufactured equipment. *Claim Construction Order II*, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853, at \*4 (citing ’012 patent, col. 11, lines 16-19 (“It is also envisioned that the electronics of the network identification circuitry can be placed on a motherboard within the computer or as part of the circuitry on the NIC [network interface controller] card.”)).

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where other claims (perhaps in the same or related patents) claim more broadly or focus on other embodiments. *E.g.*, *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1305-06 (Fed. Cir. 2001) (refusing to apply limitations expressed in prosecution histories of related patents where relevant claim term was not included in claims of the asserted patent and “[t]he patentee’s whole point in filing the application that resulted in the [asserted patent] was to secure broader claims”); *see also, e.g.*, *Haemonetics Corp. v. Baxter Healthcare Corp.*, 607 F.3d 776, 782 (Fed. Cir. 2010) (construing term “centrifugal unit” differently in two separate claims in the same patent where language in each claim tracked different embodiments described in the specification). The claim language here, to be meaningful, requires such a construction of “adapted.” We therefore adopt ALE’s proposed construction of “adapted” to mean “modified.”

## 2

ALE also objects to the constructions of the infinitive phrases “to detect,” “to control,” “to provide,” and “to distinguish” in the relevant claims of the ’838 patent; “to draw,” “to result,” and “to convey” in the relevant claims of the ’107 patent; and “to draw,” “to detect,” “to control,” and “to distinguish” in the relevant claims of the ’760 patent. *E.g.*, ’838 patent, col. 17, lines 17, 19-20; ’107 patent, col. 17, lines 18, 20, 23; ’760 patent, col. 17, lines 28, 33-35. ALE argues that those terms should have been construed as means-plus-function elements subject to 35 U.S.C. § 112, ¶ 6 because they do not recite sufficient

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structure to perform the required function.<sup>5</sup> The district court rejected that argument. So do we.

The district court properly recognized the presumption against application of § 112, ¶ 6 where, as here, the word “means” is not used in the claim and properly asked whether the terms preceding the infinitive phrases— “central piece of equipment,” “Ethernet terminal equipment” (or “BaseT Ethernet terminal equipment”), and “end device”—identify structures or instead are, like “means,” essentially place-holder nonce words. *Claim Construction Order I*, 2016 U.S. Dist. LEXIS 40686, 2016 WL 1228767, at \*5; see *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1349 (Fed. Cir. 2015) (en banc) (For functional terms lacking the word “means,” the challenger arguing for the application of § 112, ¶ 6 must satisfy “[t]he standard[, which] is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.”). ALE did not dispute before the district court, and has not disputed on appeal, that those terms refer to known structures in the art. *Claim Construction Order I*, 2016 U.S. Dist. LEXIS 40686, 2016 WL 1228767, at \*5-6; see also 2016 U.S. Dist. LEXIS 40686, [WL] at \*5 n.2 (noting that ALE’s “expert repeatedly discusses the ‘Ethernet terminal equipment’ and ‘end device’ interchangeably and without any question as to the understanding of these

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5. Paragraph 6 of 35 U.S.C. § 112 was replaced with 35 U.S.C. § 112(f) when the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), took effect on September 16, 2012. Because the applications resulting in the asserted patents were filed before that date, we refer to the pre-AIA version of § 112.

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terms in the art”). ALE therefore has not met its burden to overcome the presumption against applying § 112, ¶ 6 for those infinitives. A claim term that has an understood meaning in the art as reciting structure is not a nonce word triggering § 112, ¶ 6. *Williamson*, 792 F.3d at 1349; *see, e.g., Skky, Inc. v. MindGeek, s.a.r.l.*, 859 F.3d 1014, 1019-20 (Fed. Cir. 2017) (even including use of the word “means,” “wireless device means” was not a means-plus-function term because “‘wireless device’ is used in common parlance . . . to designate structure”) (ellipsis in original).

## 3

ALE argues that the district court erred in construing “physically connect”—as used in claim 1 of the ’760 patent (on which claims 59, 69, and 72 depend) and claim 73 of the ’760 patent (on which claim 145 depends). Claim 1 reads:

1. A BaseT Ethernet system comprising:

a piece of central BaseT Ethernet equipment;

a piece of BaseT Ethernet terminal equipment;  
and

data signaling pairs of conductors comprising first and second pairs used to carry BaseT Ethernet communication signals between the piece of central Ethernet BaseT Ethernet equipment and the piece of BaseT Ethernet terminal equipment, the first and second pairs ***physically connect*** between the piece of BaseT

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Ethernet terminal equipment and the piece of central BaseT Ethernet equipment having at least one DC supply, the piece of BaseT Ethernet terminal equipment having at least one path to draw different magnitudes of current flow from the at least one DC supply through a loop formed over at least one of the conductors of the first pair and at least one of the conductors of the second pair, the piece of central BaseT Ethernet equipment to detect at least two different magnitudes of the current flow through the loop and to control the application of at least one electrical condition to at least two of the conductors.

'760 patent, col. 17, lines 15-36 (emphasis added).

The district court considered dependent claim 71 (not asserted in this case), in which the only additional limitation is that “the first and second pairs ***are physically connected*** between the piece of BaseT Ethernet terminal equipment and the piece of central BaseT Ethernet equipment.” *Id.*, col. 21, lines 28-30 (emphasis added). In light of that dependent claim and the presumption of claim differentiation, the court stated that the term “physically connect” in claim 1 requires only that the components be *configured* (have the *ability*) to physically connect, rather than actually be physically connected (as in claim 71). *Claim Construction Order II*, 2016 U.S. Dist. LEXIS 131816, 2016 WL 5393853, at \*4-5.

On appeal, ALE argues that the district court’s construction renders the term “physically connect”

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meaningless and that, without an actual physical connection, the system would be inoperable. But requiring that a system be configured to physically connect is a meaningful limitation (it imports a meaningful capability), and such a system is operable (upon action by a user, the system makes the physical connection needed for actual operation). Not surprisingly, it is hardly uncommon for an apparatus or system claim, as a claim to a product rather than a process (or a forbidden mix), to be directed to capability, instead of actual operation. *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197, 1204 (Fed. Cir. 2010) (“[W]e have held that, to infringe a claim that recites capability and not actual operation, an accused device need only be capable of operating in the described mode.” (citation and quotation marks omitted)); *see, e.g., Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1217 (Fed. Cir. 2014) (affirming infringement verdict based on claims directed to components “reasonably capable of ‘arranging information for transmission . . . which identifies a type of payload information’” (quoting U.S. Patent No. 6,466,568, col. 13, lines 12-18)); *Finjan*, 626 F.3d at 1204-05 (affirming infringement verdict for “non-method claims describ[ing] capabilities without requiring that any software components be ‘active’ or ‘enabled’” because “software for performing the claimed functions existed in the products when sold—in the same way that an automobile engine for propulsion exists in a car even when the car is turned off”). Chrimar cites no authority barring a claim to a component “configured to” work and capable of operation by a user, where the user’s actual operation is unclaimed. *See Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255, 1262-63 (Fed. Cir. 2013)

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(affirming infringement verdict based on evidence that the system would operate in an infringing manner if a user followed the accused infringer's instructions, and explaining that "[w]hile a device does not infringe simply because it is possible to alter it in a way that would satisfy all the limitations of a patent claim, . . . an accused product may be found to infringe if it is reasonably capable of satisfying the claim limitation" (citation and quotation marks omitted)). Thus, ALE has not provided any reason that overcomes the presumption in favor of claim differentiation. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1315 (Fed. Cir. 2005) (en banc).

4

We affirm the judgment of infringement of the '107, '838, and '760 patents. Because we agree with ALE as to the term "adapted" in the '012 patent, we vacate the district court's claim construction order as to that term. We remand for further proceedings on infringement of the '012 patent under the proper construction of "adapted."

That result does not call for a new trial on damages. ALE did not ask for a new trial on damages based on our adoption of its construction of "adapted." *See* ALE Br. 21 (requesting only reversal of the infringement judgment); ALE Reply Br. 11 (requesting that the court either "reverse or vacate the infringement judgment . . . so that the fact finder may assess whether the accused products infringe the asserted claims of the '012 patent under a proper construction"). And a new trial on damages is not warranted on that basis. Chrimar's technical expert



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Dr. Vijay Madisetti testified that all four patents “cover the PSE [power sourcing equipment] and the PD [power device] aspects of classification, detection, and controlling the power,” J.A. 5892—a proposition that ALE agrees with on appeal, ALE Br. 8. Dr. Madisetti also testified that the smallest saleable patent-practicing units are ALE’s power sourcing equipment, which infringe the ’760 and ’838 patents, and ALE’s power devices, which infringe the ’012, ’107, and ’760 patents, J.A. 5921—a proposition ALE does not dispute on appeal. Given the (affirmed) judgment of infringement of the ’107 and ’760 patents, the absence of an infringement judgment on the ’012 patent is immaterial to damages because any damages that would result from the alleged infringement of the ’012 patent also results from the infringement of the ’107 and ’760 patents. We therefore proceed to consider ALE’s independent arguments directed to damages.

**B**

ALE challenges the damages award by attacking the testimony of Mr. Mills, Chrimar’s damages expert. According to ALE, Mr. Mills, in calculating a reasonable royalty, (1) relied on licenses not comparable to the hypothetical negotiation for the present case; (2) did not adequately separate the value of patented features from the value of standardization and the value of nonpatented features; and (3) prejudicially referred to ALE’s total net revenue and profit. The challenge is most naturally viewed as a challenge to the admission of Mr. Mills’s testimony, reviewable for abuse of discretion. *See Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 138-39, 118 S. Ct. 512, 139 L. Ed.

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2d 508 (1997); *Versata*, 717 F.3d at 1261 (applying Fifth Circuit law); *Snap-Drape, Inc. v. Commissioner*, 98 F.3d 194, 197 (5th Cir. 1996). Our conclusion would not change even if we viewed ALE's argument as challenging the denial of judgment as a matter of law, reviewed de novo for compliance with the deferential standard for such challenges to jury verdicts, see *Mirror Worlds, LLC v. Apple Inc.*, 692 F.3d 1351, 1356-57 (Fed. Cir. 2012) (applying Fifth Circuit law), or the denial of a new trial, reviewed for an abuse of discretion, see *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 66 (Fed. Cir. 2012) (applying Fifth Circuit law).

1

There is no reversible error based on Mr. Mills's reliance on certain licenses to come to a range for a reasonable royalty rate and his selection of a rate in the low end of that range—*i.e.*, \$2.50 per PoE port. See J.A. 6223-28 (Mills's trial testimony); see also J.A. 6164-89 (testimony of Chrimar CEO Austermann going through 30 licenses). To the extent that ALE argues that those licenses were not sufficiently comparable to be reliable indicators of what would have occurred in a hypothetical negotiation between it and Chrimar, ALE failed to make that challenge when seeking to exclude Mr. Mills's testimony or when that testimony was presented at trial. See *JMOL Order*, 2017 U.S. Dist. LEXIS 19587, 2017 WL 568712, at \*6 & n.7. In addition, ALE was able to—and did—attack any discrepancies in the license-comparison approach by presenting extensive contrary testimony from its expert. J.A. 6807-27. This court has approved

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reliance on licenses, which often will not be in identical circumstances, as long as reasonable adjustments for differences in contexts are made. *See, e.g., Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360, 1368-70 (Fed. Cir. 2017) (citing cases). ALE has not persuasively shown either an unreasonable methodology or prejudicial error under that standard.

## 2

Nor has ALE shown reversible error regarding Mr. Mills's testimony as to apportionment—separating the patented features' value from other elements of value in the accused products. Mr. Mills explained at trial that he accounted for the products' non-PoE functionality (nonpatented functionality outside the PoE standard), the products' nonpatented PoE functionality (two nonpatented features of the PoE standard: operating power and removal of power), and the value of standardization (generally requiring practice of a standard-essential patent rather than noninfringing alternatives). J.A. 6239. For the first, he calculated the “profit premium” of the PoE functionality, comparing ALE's products that differ only in the addition of that functionality. *See* J.A. 6240-42. In apportioning the value of that profit premium to each of the nonpatented and patented features of the PoE standard, Mr. Mills relied on the testimony of the technical expert, Dr. Madisetti, who stated that the patents “are fundamental to the provision of PoE under the standards” and “relate to the majority and the most critical aspects of the standard”; that “the standards would not be successful without Chrimar's inventions”; and that “the standards would not have

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gained widespread adoption without Chrimar’s patented inventions.” J.A. 6243-44; *see also* J.A. 4642-43 (Mills expert report relying on Dr. Madisetti’s explanation); J.A. 5878, 5887-88, 5892 (Madisetti testimony). Mr. Mills also testified that, although there was some value attributable to the nonpatented features of the PoE standard and to standardization, he adopted a conservative estimate of the profit premium attributable to the patented features (\$2.50 per PoE port), which did not include those values. J.A. 6244-45 (relying on Dr. Madisetti’s testimony regarding the value of standardization and the nonpatented features of the PoE standard, and stating that the testimony “ultimately tells me that \$2.50 per port is inherently reasonable”).

Mr. Mills’s opinion that his conservative estimate of the portion of the profit premium attributable to the patented features did not encompass the value of standardization and nonpatented features does not flunk standards of reliability and reasonableness. *See Aqua Shield v. Inter Pool Cover Team*, 774 F.3d 766, 771 (Fed. Cir. 2014) (noting that royalty calculations often involve “approximation and uncertainty”); *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1328 (Fed. Cir. 2014) (stating that “absolute precision” is not required in the task of apportionment, as “it is well-understood that this process may involve some degree of approximation and uncertainty”). Nor is unreliability or unreasonableness established by the fact that Mr. Mills’s proposed royalty rate did not change in his supplemental report, after he was directed to take into account the value of noninfringing alternatives. Mr. Mills assumed, based on Dr. Madisetti’s testimony, that the

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value of nonpatented features of the PoE standard and the value of standardization were not large, and he selected a figure toward the low end of the range of royalty rates from comparable licenses, *see* J.A. 6223-28, including a license that covered comparable technology and in which ALE was the licensee, J.A. 6227-28, to reach a royalty rate for the patented features. In light of those assumptions and his initially conservative estimate, the unchanged royalty rate does not prove his method unreliable or unreasonable.

Mr. Mills's assumptions underlying his damages theory were the subject of cross-examination. ALE used that process to suggest that he had neither adequately appreciated the value of nonpatented features and standardization nor quantified such value. *See, e.g.*, J.A. 6273-84. ALE also provided contrary testimony from its own expert about the value of standardization and noninfringing alternatives available at the time the standard was adopted (leading to ALE's proposed royalty rate of \$0.05 per PoE port). J.A. 6824-27. The jury was given instructions regarding apportionment (not challenged here), including a specific instruction regarding the need to factor out the value of standardization and of nonpatented features. J.A. 349-50. ALE has not shown reversible error in leaving the damages dispute in this case to that process.

3

ALE's final challenge regarding damages is that the district court improperly allowed Mr. Mills to refer to ALE's total revenue and profit, a reference that, according

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to ALE, “skewed” the damages inquiry. ALE Br. 62. The district court, however, allowed that testimony only after concluding that ALE had opened the door to it by soliciting testimony from its own witness that relied on ALE’s net revenue to estimate the very large amount that would go to Chrimar at ALE’s proposed rate of \$0.05 per PoE port. J.A. 6316-18. We have no basis for disturbing the district court’s determination that ALE opened the door and that the now-challenged reference was accordingly permissible. *See United States v. Keith*, 582 F. App’x 300, 302 (5th Cir. 2014) (no abuse of discretion in “allow[ing] the government to elaborate more fully on th[e] line of questioning” opened by the defendant) (citing *United States v. Walker*, 613 F.2d 1349, 1353 (5th Cir. 1980)).

**C**

ALE challenges the district court’s instruction to the jury on the law of fraud under Texas law. “[W]e review the district court’s determination of state law de novo, though the district court still has ‘wide discretion’ in formulating the jury charge.” *EMJ Corp. v. Hudson Specialty Ins. Co.*, 833 F.3d 544, 550 (5th Cir. 2016).

The jury instruction at issue is as follows (challenged portions emphasized):

To prove fraud, ALE must show by a preponderance of the evidence that Chrimar: (1) made a misrepresentation of material fact **to ALE**, (2) with knowledge of its falsity, (3) with the intent to defraud **ALE**, (4) which induced

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justifiable reliance by ALE, and (5) which resulted in damage to ALE. . . .

In order to prove fraud by omission, ALE must show by a preponderance of the evidence that: (1) Chrimar concealed or failed to disclose a material fact within its knowledge **from ALE**; (2) Chrimar had a duty to disclose that fact; (3) Chrimar knew that ALE was ignorant of the fact and ALE did not have an equal opportunity to discover the truth; (4) Chrimar intended **to induce ALE** to take some action by concealing or failing to disclose the fact; (5) ALE relied on Chrimar's non-disclosure; and (6) ALE was injured as a result of acting without that knowledge.

J.A. 351-52 (emphases added).

ALE argues that the instruction improperly excluded the possibility that Chrimar's alleged misrepresentations or omissions to the IEEE, in failing to submit a Letter of Assurance regarding the four asserted standard-essential patents, could support ALE's fraud claim.<sup>6</sup> ALE relies on *Exxon Corp. v. Emerald Oil & Gas Co.*, 348 S.W.3d 194 (Tex. 2011), for the proposition that common-law

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6. ALE has not disputed Chrimar's contention on appeal that ALE "provided no evidence at trial regarding its predecessor's interest and involvement in the IEEE or the PoE standard-setting process." Chrimar Br. 52 n.19 (emphasis omitted) (quoting *Chrimar Sys., Inc. v. Alcatel-Lucent Enter. USA Inc.*, No. 6:15-cv-163, 2017 U.S. Dist. LEXIS 9819, 2017 WL 345991, at \*3 (Jan. 24, 2017)).

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fraud under Texas law “does not require proof that the entity committing the fraud—here, Chrimar—intended to defraud the specific party that is making the fraud allegation.” ALE Br. 68. We see no reversible error in the district court’s decision to give the instruction it gave.

The district court’s instruction mirrors a statement of the law in an intermediate Texas court of appeals decision, *7979 Airport Garage, L.L.C. v. Dollar Rent A Car Sys., Inc.*, 245 S.W.3d 488, 507 n.27 (Tex. App. 2007) (reciting elements of a Texas state law fraud claim in materially identical terms). That decision post-dates the Texas Supreme Court’s decision in *Ernst & Young, L.L.P. v. Pac. Mutual Life Ins. Co.*, 51 S.W.3d 573 (Tex. 2001), which announced the fraud standard later applied by

*Exxon*, 348 S.W.3d at 218-19. And after *Exxon*, the Fifth Circuit itself recited (in an unpublished decision) that same statement of the elements of a fraud claim from the *7979 Airport Garage* decision. *Shaver v. Barrett Daffin Frappier Turner & Engel, L.L.P.*, 593 F. App’x 265, 271 (5th Cir. 2014). Unless *Exxon* clearly showed those rulings to be incorrect, the district court permissibly followed them.

*Exxon* does not clearly show those rulings to be incorrect. In *Exxon*, the court addressed the “intent to induce” element of fraud. 348 S.W.3d at 217-18 (affirming principle announced in *Ernst & Young*, 51 S.W.3d at 580-82). Emerald, a lessor of the O’Connor oil well field, presented evidence that Exxon, the previous lessor, filed public plugging reports with the Texas Railroad



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Commission with false representations regarding the amount of reserves in the oil field, as well as evidence that “the first place subsequent operators turn is to those very filings at the Railroad Commission when deciding whether redevelopment can be economically undertaken.” *Id.* at 216-17. The Texas Supreme Court stated that whether a party “might or should rely on statements” in such reports “alone is not sufficient to establish an intent to induce reliance.” *Id.* at 218. Rather, as in § 531 of the Restatement (Second) of Torts (1977), “[o]ne who makes a fraudulent misrepresentation is subject to liability to the persons or class of persons whom he intends or has reason to expect to act or to refrain from action in reliance upon the misrepresentation, for pecuniary loss suffered by them through their justifiable reliance in the type of transaction in which he intends or has reason to expect their conduct to be influenced.” *Id.* at 218-19 (quoting Restatement § 531). As explained by the court:

[The] “reason-to-expect standard requires more than mere foreseeability; the claimant’s reliance must be ‘especially likely’ and justifiable, and the transaction sued upon must be the type the defendant contemplated.” *Ernst & Young*, 51 S.W.3d at 580 . . . . Even an obvious risk that a misrepresentation might be repeated to a third party is not sufficient to satisfy the reason-to-expect standard. A plaintiff must show that “[t]he maker of the misrepresentation [has] information that would lead a reasonable man to conclude that there is an especial likelihood that it will reach those persons and will influence

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their conduct.” [Restatement] § 531, cmt. d . . . ,  
quoted in *Ernst & Young*, 51 S.W.3d at 581.

*Id.* at 219. As a matter of law, the court said, it is not enough that Exxon “knew” that subsequent lessors would rely on its reports; Exxon must have known that there was “an especial likelihood that Emerald specifically would rely on the plugging reports in a transaction being considered at the time [Exxon] filed the plugging reports.” *Id.* The *Exxon* court therefore ruled that the misrepresentation, even in a public filing, must be directed at the defrauded party. That court’s language can fairly be viewed in the terms (intent even with some constructive aspect) articulated before *Exxon* in *7979 Airport Garage* (adopted after *Exxon* by the Fifth Circuit in *Shaver*).

It is true that Texas law “does not require proof that a misrepresentation be made *to* the defrauded party” in the sense ALE suggests—in substance, *directly to*. ALE Br. 68. But the jury instructions did not require that the misrepresentation or omission be made “directly to” ALE. The instructions permitted liability if the misrepresentation or omission was made to ALE, whether directly or indirectly. *See Neuhaus v. Kain*, 557 S.W.2d 125, 138 (Tex. Civ. App. 1977) (“We recognize the rule that a fraudulent representation may be either direct or indirect”). Perhaps the instruction would have benefited from specifying that the fraudulent statement could be made “directly or indirectly” to ALE; but ALE made no request for inclusion of words to that effect. ALE objected to the instruction on the ground that “[w]e think that the evidence has shown that the - Chrimar has committed

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fraud on the IEEE in general and that it's not necessary to show fraud against ALE in this case." J.A. 6919. The district court could reasonably reject that proposal as incorrectly suggesting that neither a direct nor indirect misrepresentation is required. In these circumstances, ALE lacks a meritorious argument on appeal for vacatur of the fraud verdict based on erroneous instructions.

**III**

Chrimar cross-appeals the district court's denial of its motion for attorney fees under 35 U.S.C. § 285, which we review for abuse of discretion. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 134 S. Ct. 1744, 1747, 188 L. Ed. 2d 829 (2014).

Chrimar's argument relies chiefly on the ground that ALE pressed a large number of defenses and counterclaims for years, only to drop most of them (*e.g.*, concerning antitrust, inequitable conduct, and some invalidity grounds) late in the litigation, even during trial. Chrimar does not meaningfully show that those dropped claims were objectively meritless. It focuses on the contention that ALE never truly intended to try them.

The district court did not abuse its discretion in making what here was a case-specific judgment that it was distinctively well-positioned to make. The court denied summary judgment as to a number of the claims ALE later dropped, allowing them to proceed. And the court determined that ALE's litigation decisions fell within the range of ordinary practices involving the narrowing

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of claims for trial. *Fees Order*, 2017 U.S. Dist. LEXIS 220804 at \*9.

We have considered Chrimar’s arguments that this was an exceptional case as a matter of law and find them unpersuasive. We therefore affirm the district court’s ruling on ALE’s § 285 motion.

**IV**

We vacate in part the district court’s second claim construction order—the part adopting a construction of “adapted” in claim 31 of the ’012 patent, a construction we reject. We affirm the district court’s remaining claim constructions and the infringement damages award and the fraud judgment. We remand for further proceedings consistent with this opinion.

Each party shall bear its own costs.

**AFFIRMED IN PART, VACATED IN PART, AND  
REMANDED**

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**APPENDIX G — REDACTED MEMORANDUM  
OPINION AND ORDER OF THE UNITED  
STATES DISTRICT COURT FOR THE EASTERN  
DISTRICT OF TEXAS, TYLER DIVISION, FILED  
FEBRUARY 13, 2017**

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION

CIVIL ACTION NO. 6:15-CV-00163-JDL

CHRIMAR SYSTEMS, INC., CHRIMAR  
HOLDING COMPANY, LLC,

*Plaintiffs,*

v.

ALCATEL-LUCENT ENTERPRISE USA INC.,

*Defendant.*

February 3, 2017, Decided

February 13, 2017, Filed

**REDACTED MEMORANDUM OPINION  
AND ORDER**

Before the Court is: (1) Defendant Alcatel-Lucent Enterprises USA, Inc. (“ALE”) Motion for Judgment as a Matter of Law and Motion for A New Trial (Doc. No. 378); and (2) Plaintiffs’ Chrimar Systems, Inc. d/b/a CMS Technologies and Chrimar Holding Company

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LLC (“Chrimar” or “Plaintiffs”) Motion for Judgment as a Matter of Law on ALE’s IEEE-related Equitable Defenses and Counterclaims (Doc. No. 379). The Motions have been fully briefed. For the reasons stated below, Defendant’s Motion for Judgment as a Matter of Law and Motion for a New Trial (Doc. No. 378) is **DENIED**. Plaintiffs’ Motion for Judgment as a Matter of Law (Doc. No. 379) is **DENIED**.

**BACKGROUND**

On March 9, 2015, Plaintiffs Chrimar Systems, Inc. d/b/a CMS Technologies and Chrimar Holding Company LLC (“Chrimar”) filed the instant action against ALE. (Doc. No. 3.) In this action, Chrimar alleges infringement of U.S. Patent Nos. 8,115,012 (“the ’012 Patent”), 8,902,760 (“the ’760 Patent”), 8,942,107 (“the ’107 Patent”), and 9,019,838 (“the ’838 Patent”) (“patents-in-suit”)<sup>1</sup>. Chrimar maintains that each of the patents-in-suit are standard essential patents (“SEP”). Specifically, Chrimar maintains that the patents-in-suit are SEPs for Power over the Ethernet (“PoE”) standards IEEE 802.3af-2003 and IEEE 803.3at-2009. This case proceeded through claim construction, dispositive motions and pretrial, and the trial between Chrimar and ALE commenced on October 3, 2016. The following claims, defenses, and counterclaims were presented to the jury: damages, invalidity based on derivation and improper inventorship, fraud, and breach of contract. (Doc. No. 350.)

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1. Prior to trial, ALE stipulated to infringement of all of the asserted claims of the patents-in-suit. (Doc. Nos. 298, 337.)

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At the conclusion of Plaintiffs' case-in-chief, ALE moved pursuant to Rule 50(a) for judgment as a matter of law on Plaintiffs' allegations of willfulness and damages. Trial Transcript "Tr." at 612:17-616:3. The Court denied ALE's motion as to Plaintiffs' damages model (Tr. at 616:8-9), and granted ALE's motion as to willfulness (Tr. at 624:4-7). At the close of Defendant's case-in-chief, Plaintiffs moved pursuant to Rule 50(a) on the following issues: (1) infringement; (2) invalidity; (3) derivation; (4) antitrust; (5) implied license; (6) fraud; (7) breach of contract; and (8) damages reduction by noninfringing alternatives. (Tr. at 964:14-984:14.) The Court denied all of these motions, but granted as to written description and enablement, the antitrust claim, and implied license. (Tr. at 965:17-20; 966:12-18; 969:14; 969:25-970:1; 984:14; 986:4-9.) Additionally, at the close of evidence, the Court also provided ALE an opportunity to present additional evidence pertaining to ALE's equitable defenses.

On October 7, 2016, the trial concluded and the jury returned a verdict as follows: (1) Claims 31, 35, 43, and 60 of the '012 Patent were not invalid; Claims 1, 5, 72, and 103 of the '107 Patent were not invalid; Claims 1, 59, 69, 72, and 145 of the '760 Patent were not invalid, and Claims 1, 7, and 26 of the '838 Patent were not invalid; (2) the sum of money that would fairly and reasonably compensate Chrimar for ALE's infringement was \$324,558.34; (3) ALE did not prove by a preponderance of the evidence that Chrimar committed fraud against ALE; and (4) ALE did not prove by a preponderance of the evidence that Chrimar breached a contract with the IEEE. (Doc. No. 349.) Both Chrimar and ALE have now moved to renew their motions

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for judgment as a matter of law pursuant to Rule 50(b). Specifically, ALE moves to renew its motion on damages (Doc. No. 378); and Chrimar moves on all IEEE-related claims and defenses, including (1) estoppel; (2) unclean hands; (3) waiver; (4) implied license; (5) patent misuse; (6) unenforceability; (7) breach of contract; (8) fraud; (9) antitrust. (Doc. No. 379.)

**LEGAL STANDARDS****I. Judgment as a Matter of Law**

A renewed motion for judgment as a matter of law (“JMOL”) is a challenge to the legal sufficiency of the evidence supporting the jury’s verdict. *Power-One, Inc. v. Artesyn Techs., Inc.*, 556 F. Supp. 2d 591, 593 (E.D. Tex. 2008) (citing *Flowers v. S. Reg’l Physician Servs.*, 247 F.3d 229, 235 (5th Cir. 2001)). Rule 50 provides that judgment as a matter of law is appropriate if the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue. Fed.R.Civ.P. 50(a)(1). In ruling on a renewed motion for JMOL, the court may allow judgment on the verdict, if the jury returned a verdict; order a new trial; or direct the entry of judgment as a matter of law. Fed.R.Civ.P. 50(b).<sup>2</sup> A post-trial motion for JMOL should be granted only when the facts and inferences so conclusively favor one party “that reasonable jurors could not arrive at a

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2. In order to advance a renewed motion for judgment as a matter of law under Rule 50(b), the movant must raise the same arguments during trial, in a Rule 50(a) motion for judgment as a matter of law. Fed.R.Civ.P. 50 (a)-(b).



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contrary verdict.” *TGIP, Inc. v. AT&T Corp.*, 527 F. Supp. 2d 561, 569 (E.D. Tex. 2007) (citing *Tol-O-Matic, Inc. v. Proma Produkt-Und Mktg. Gesellschaft m.b.H.*, 945 F.2d 1546, 1549 (Fed. Cir. 1991)). “If reasonable persons in the exercise of impartial judgment could differ in their interpretations of the evidence, then the motion should be denied.” *Id.* Thus, a jury’s verdict may be overturned if, viewing the evidence and inferences therefrom in the light most favorable to the party opposing the motion, there is no legally sufficient evidentiary basis for a reasonable jury to find as the jury did.<sup>3</sup> *Guile v. United States*, 422 F.3d 221, 225 (5th Cir. 2005) (citing *Delano-Pyle v. Victoria County*, 302 F.3d 567, 572 (5th Cir. 2002)). The court may not make credibility determinations, nor weigh the evidence. *Power-One*, 556 F. Supp. 2d at 594 (citing *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150, 120 S. Ct. 2097, 147 L. Ed. 2d 105 (2000)).

## II. New Trial

Under Federal Rule of Civil Procedure 59, a new trial may be granted to any party to a jury trial on any or all issues “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Fed.R.Civ.P. 59. “A new trial may be granted, for example, if the district court finds the verdict is against the weight

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3. Because a motion for judgment as a matter of law is a procedural matter not unique to patent law, the law of the regional circuit governs under Rule 50(b). See *SynQor, Inc. v. Artesyn Techs.*, 709 F.3d 1365, 1373 (Fed. Cir. 2013) (“This court reviews the grant or denial of a motion for JMOL under the law of the regional circuit . . .”).

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of the evidence, the damages awarded are excessive, the trial was unfair, or prejudicial error was committed in its course.” *Smith v. Transworld Drilling Co.*, 773 F.2d 610, 612-13 (5th Cir. 1985). The Court is required to view the evidence “in a light most favorable to the jury’s verdict, and [] the verdict must be affirmed unless the evidence points so strongly and overwhelmingly in favor of one party that the court believes that reasonable persons could not arrive at a contrary conclusion.” *Dawson v. Wal-Mart Stores, Inc.*, 978 F.2d 205, 208 (5th Cir. 1992).

**ALE’S MOTION FOR JUDGMENT AS A MATTER  
OF LAW AND MOTION FOR NEW TRIAL ON  
DAMAGES**

ALE moves for JMOL, a vacatur of the damages verdict, or in the alternative, a new trial, on grounds that Chrimar failed to prove damages. Specifically, ALE claims that: (1) Chrimar’s damages expert, Mr. Mills, improperly based his opinions on the Entire Market Value Rule (“EMVR”); (2) Mr. Mills failed to properly apportion; (3) the Court erred in its instruction on smallest saleable unit; (4) the Court erred in allowing Chrimar to present evidence of and rely on settlement agreements; and (5) the Court erred in allowing Chrimar to present evidence on *Georgia-Pacific* Factors 8, 9, and 10. (Doc. No. 378).

**a. Applicable Law**

The damages statute, 35 U.S.C. § 284, sets the floor for “damages adequate to compensate for [patent] infringement” at “a reasonable royalty for the use

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made of the invention by the infringer.” The burden of proving damages falls on the patentee. *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1381 (Fed. Cir. 2003). Calculation of a reasonable royalty requires determination of two separate and distinct amounts: (1) the royalty base, or the revenue pool implicated by the infringement; and (2) the royalty rate, or the percentage of that pool “adequate to compensate” the plaintiff for the infringement. *See Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp. 2d 279, 286 (N.D.N.Y. 2009). A reasonable royalty is based on a hypothetical negotiation that takes place between the patentee and the infringer on the date infringement began. *Unisplay, S.A. v. American Electronic Sign Co., Inc.*, 69 F.3d 512, 517 (Fed. Cir. 1995). “Although this analysis necessarily involves an element of approximation and uncertainty, a trier of fact must have some factual basis for a determination of a reasonable royalty.” *Id.* The trial court has discretion to discern the reliability of methods used to arrive at a reasonable royalty. *See SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 926 F.2d 1161, 1164 (Fed. Cir. 1991) (“[D]ecisions underlying a damage theory are discretionary with the court, such as, the choice of an accounting method for determining profit margin, or the methodology for arriving at a reasonable royalty.”) (internal citations omitted)).

**b. Analysis****1. Entire Market Value Rule**

ALE argues that Mr. Mills improperly calculated his royalties by “applying percentage rates from Chrimar’s

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past licenses to ALE's net sales of the accused products," "which is equivalent to the entire market value of such products." (Doc. No. 378, at 5.) Chrimar points out that ALE never objected to Mr. Mills's testimony as violating the EMVR, and argues that Mr. Mills properly "apportioned the value of the patented technology and arrived at a royalty rate tied to the number of PoE ports per device, regardless of the price or revenue generated by the product," and that "he does not use the entire accused device as the royalty base." (Doc. No. 393, at 5.)

In determining a reasonable royalty for a multi-component product, it is generally required that "royalties be based not on the entire product, but instead on the 'smallest salable patent-practicing unit.'" *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012). The entire market value rule is an exception to this rule, and "allows a patentee to assess damages based on the entire market value of the accused product only where the patented feature creates the 'basis for customer demand' or 'substantially create[s] the value of the component parts.'" *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (quoting *Lucent Techs. V. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1549-50 (Fed. Cir. 1995)).

The accused devices in this case were Powered Device ("PD") and Power Sourcing Equipment ("PSE") products compliant with the relevant IEEE PoE standards. Sealed Tr. at 17:9-18:12; Doc. No. 206, at 4. Specifically, Chrimar accused ALE's PD products such as wireless

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access points, VOIP phones, and WLAN controllers that comply with the PoE standard. *Id.* As an initial matter, Mr. Mills did not base his reasonable royalty off of the entire accused device.<sup>4</sup> Instead, Mr. Mills testified that he used PoE ports as a royalty base. Sealed Tr. at 8:7 -9. In fact, the parties agreed to the number of PoE ports as a royalty base on which the jury was instructed. *See* Final Jury Instructions (Doc. No. 350, at 19) (“[i]n this case, the parties have stipulated that there are 268,971 ports sold by ALE that create the royalty base.”) ALE did not then, nor does it now, object to this instruction.

When ALE filed its initial *Daubert* motion challenging Mr. Mills’s opinions, ALE did not accuse Mr. Mills’s opinions of violating the EMVR. (Doc. No. 205.) It was not until ALE’s reply brief that ALE first challenged Mr. Mills’s opinions based on the EMVR.<sup>5</sup> (Doc. No. 228.) In its reply, the only basis ALE identified as violating the EMVR was Mr. Mills’s comparison of PoE premiums that were based on the sale of an end product. (Doc. No. 228, at 3.) As to that specific challenge, the Court found that “Mr. Mills’s consideration of the price difference between

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4. ALE disputes this because they contend the ports are not distinct components. (Doc. No. 378, at 5.) Regardless, it is undisputed that Mr. Mills did not use the entire revenue of the accused devices to begin his analysis, but instead started his analysis with an average revenue per PoE port. *Id.*; Sealed Tr. at 53:4-12.

5. *See Jones v. Cain*, 600 F.3d 527, 541 (5th Cir. 2010) (“Arguments raised for the first time in a reply brief are generally waived.”) Although this argument was waived during briefing, the Court nonetheless considered the argument in ruling on ALE’s *Daubert* motion.

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Defendants' products that include PoE functionality and those that do not include PoE functionality, does not violate the entire market value rule" because "Mr. Mills is not using the revenue numbers of the final products to establish a royalty base or to assess damages based on the entire market value of the accused products, but instead has isolated the premium in an attempt to apportion and value the patented features." (Doc. No. 253, at 7.)

Despite the fact that Mr. Mills's damages opinions have not changed, not once did ALE affirmatively raise an issue with respect to his opinions and the EMVR, let alone the plethora of issues it now outlines for the Court in its JMOL. Indeed, ALE filed a second motion to strike Mr. Mills's opinions and again did not raise any argument that his opinions violated the EMVR. (Doc. No. 284.) Similarly, ALE did not challenge these opinions at the pretrial conference. (Doc. No. 268.) Most importantly, not once during the entirety of Mr. Mills's testimony, did ALE object. Sealed Tr. at 5:5-34:6. Thus, ALE waived its contention it now brings that Mr. Mills violated the EMVR. Rather than objecting to Mr. Mills's testimony on this basis, at trial, ALE instead attempted to insert the EMVR in cross examining Mr. Mills. For example, ALE's Motion begins by citing a portion of Mr. Mills's testimony that was solicited on cross-examination. (Doc. No. 378, at 4.) [TEXT REDACTED BY THE COURT] In the entirety of that testimony, Mr. Mills actually explained that [TEXT REDACTED BY THE COURT]

Next, ALE argues that Mr. Mills violated the EMVR by using net sales of the accused products in his analysis

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of past licenses. (Doc. No. 378, at 5.) As Mr. Mills testified, where he looked at past licenses and considered net sales, he did so in order to do a direct comparison because those past licenses were running royalty agreements based on a percentage of net revenue. Sealed Tr. at 6:12-16; 8:16-21. Because the royalty bearing licenses were negotiated based on the invention or comparable inventions—not the value of the accused products—the starting point for such an analysis cannot be said to be off of the total revenue of the accused product. Thus, multiplying a running royalty from a past license that was based on a percentage of net sales to ALE’s net sales of the accused products does not violate the EMVR. Instead, it provides a direct comparison to apportion the value of the technology (as previously licensed) and ascertain a reasonable royalty as to ALE.

In sum, Mr. Mills is not using the revenue numbers of the final products to establish a royalty base or to assess damages based on the entire market value of the accused products. Accordingly, ALE’s motion is **DENIED** as to its challenges based on EMVR.

## 2. Apportionment

ALE argues that Mr. Mills failed to apportion for the features of the accused products that are unrelated to PoE, that he failed to apportion for the patented versus unpatented features of the PoE standard, and that he failed to apportion for the value of standardization. (Doc. No. 378, at 7-10.)

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During direct examination, Mr. Mills identified for the jury these three issues with respect to apportionment in this case:

Q. Now, do we have any particular apportionment issues in this case that we need to talk about?

A. Yes. There are three issues in this case. One is the value of PoE functionality. The products at issue here have other functionality besides just PoE functionality; so, we need to focus, when we're talking about profit, on the profit associated with PoE functionality.

The second is within PoE functionality there are technologies that are covered by the patents-in-suit and technologies that are not. And, so, we need to focus the analysis on the aspects of PoE that are covered by the patents-in-suit.

And, finally, we need to consider the value of standardization to determine whether the act of standardization itself provided any kind of artificial value or enhanced value to the patents-in-suit.

(Sealed Tr. at 21:7-23.)

Mr. Mills then went on to testify as to how he accounted for apportionment in each of these manners. Sealed Tr. at 22:5-26:22. With respect to apportionment of the value of the patented PoE technology, Mr. Mills



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testified that he was able to look at PoE price and profit premiums to compare the prices (and profits) of the exact same products with and without the PoE functionality. Sealed Tr. at 22:5-25:12. [TEXT REDACTED BY THE COURT] Sealed Tr. at 24:10-13. The use of price and profit premiums from the sale of non-PoE products as compared to the same products with PoE functionality is a measurable and appropriate way to isolate the value of the PoE functionality. This analysis alone allowed Mr. Mills to begin to apportion the value of the patented technology.

With respect to the value of the patented features contained in the standard, Mr. Mills testified that he relied on Dr. Madisetti's opinions that "the patents-in-suit relate to the majority and the most critical aspects of the standard," and that therefore the patents "should be credited with a significant portion of this profit premium"—[TEXT REDACTED BY THE COURT] discussed above. Sealed Tr. at 25:13-26:11. Mr. Mills then testified that this information indicated his \$2.50 per port rate was inherently reasonable. *Id.* And ultimately, Mr. Mills testified that \$2.50 was reasonable for just the contributions of the patents and setting aside artificial value due to standardization. Sealed Tr. at 26:12-22.

The jury heard evidence that the profit premium on ALE's accused products that include the PoE functionality is [TEXT REDACTED BY THE COURT] As discussed above, because this premium is the difference between the same products that have and do not have the PoE functionality, it is a reliable indicator of the value of the PoE functionality. The jury was thus then able to

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consider Mr. Mills's \$2.50 royalty rate as a fraction of that value that he opined was reasonable based on Dr. Madisetti's opinions regarding the importance of the patented technology to the standard and irrespective of any value from standardization itself.<sup>6</sup> Moreover, the jury heard evidence as to how Mr. Mills's analysis of Chrimar's past license agreements led him to believe \$2.50 was a reasonable rate. Sealed Tr. at 5:5-6:16; 28:3-29:7. The jury also heard Mr. Mills testify regarding a [TEXT REDACTED BY THE COURT] that Mr. Mills testified showed what ALE was willing to pay for comparable technology. Sealed Tr. at 9:5-10:23. [TEXT REDACTED BY THE COURT] Sealed Tr. at 10:8-11.

The jury heard all of this testimony and evidence on apportionment and ultimately did not fully accept Mr. Mills's rate, but determined a rate of \$1.2067 per port was reasonable:

**2. QUESTION 2- DAMAGES**

Answer Question No. 2 only if you have found at least one claim in Question No. 1 is not invalid (*i.e.* wrote "No" in any blank).

What sum of money do you find by the preponderance of the evidence would fairly

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6. The jury heard Dr. Madisetti's testimony on the importance of the "detection" and "classification" aspects of the patented inventions as it relates to the IEEE standard. *See, e.g.*, Tr. at 316:23-319:10. The jury was allowed to weigh the credibility of this testimony based on the evidence presented.

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and reasonably compensate Chrimar for ALE's infringement of the patent claims?

\$324,558.34 (\$1.2067 per port)

(Doc. No. 349, at 2.)

In light of the testimony that was provided at trial, the Court finds that substantial evidence supported the jury's damages determination. Accordingly, the Court **DENIES** ALE's request for judgment as a matter of law that Chrimar failed to prove damages.

### **3. The Court's Instructions**

Finally, ALE argues that the Court erred in three ways: (1) its instructions on the smallest saleable unit; (2) by allowing Chrimar to present evidence of settlement agreements to support its royalty rate; and (3) by allowing Chrimar to present evidence on *Georgia-Pacific* Factors 8, 9, and 10. (Doc. No. 378, at 11-16.)

#### **i. Smallest Saleable Unit**

As to the instructions on the smallest saleable unit, ALE objects to the following instruction by the Court:

A product may have both infringing and non-infringing components. In such products, royalties should be based not on the entire product, but instead on the "smallest saleable unit" that infringes each asserted claim of the

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patents and has close relation to the chimed invention. Where the smallest saleable unit is, in fact, a multi-component product containing several non-infringing features with no relation to the patented feature, damages must only be based on the portion of the value of that product that is attributable to the patented technology. This may involve estimating the value of a feature that may not have ever been individually sold.

(Doc. No. 350, at 19.)

As discussed above, while the Court did not intend to provide this instruction based on the testimony presented in this case, because ALE interjected this issue during the cross-examination of Mr. Mills, the Court felt it necessary to clarify the issue for the jury. Not surprisingly, it was ALE who proposed and argued for such an instruction in the first place. (Doc. No. 317, at 64.) ALE now objects to the change from “the ‘smallest salable unit’ that *practices* the patent and has close relation to the claimed invention” to “the ‘smallest salable unit’ that *infringes* the patent and has close relation to the claimed invention.” (Doc. No. 378, at 11.)

As an initial matter, ALE did not clearly object on the bases it now raises. At the charge conference, counsel for ALE stated “I don’t think any change needs to be made” and that a change would be “to basically just skew the argument in favor of the Madisetti testimony.” Tr. at 1099:23-1100:14. Thus, the arguments now raised are

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extraneous to what was raised on the record and have been waived. However, even if not waived, the focus of ALE's current argument is on the need to include the idea that the "smallest saleable unit" have "close relation to the claimed invention." The Court instructed the jury that the smallest saleable unit must have "close relation to the claimed invention." (Doc. No. 350, at 19.) Thus, the only real objection can be some imputed difference between the words "practice" and "infringe." ALE has not explained the significance of that difference such that a new trial would be warranted. Moreover, even if an error was made in stating the word "infringes" instead of "practices" in the instructions, that error was harmless because, as discussed above, the royalty base was agreed and the jury was instructed on the exact per port base at issue in this case. *See* Final Jury Instructions (Doc. No. 350, at 19) ("[i]n this case, the parties have stipulated that there are 268,971 ports sold by ALE that create the royalty base.") For these reasons, the Court **DENIES** ALE's request for judgment and a new trial based on this instruction.

**ii. Settlement Licenses**

As to the settlement licenses, ALE did not challenge these licenses as unreliable in its *Daubert* motions or during the pretrial proceedings. *See* Doc. Nos. 205, 284, 268.<sup>7</sup> ALE also did not object to this evidence and

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7. ALE's only objection to the licenses in its *Daubert* motion was that the licenses were entered after industry adoption of the standard and that therefore Mr. Mills did not properly account for the value of the standard. (Doc. No. 205, at 12-13.) ALE raised no objection to reliance on these licenses because they were the result of a litigation settlement—the challenge it now raises.

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testimony regarding the licenses at trial. In fact, each of the licenses were admitted into evidence without objection. Tr. at 602:1-16. Accordingly, this argument was waived. ALE's failure to timely raise objections on the issues it now presents to the Court is a consistent theme throughout its JMOL. While the Court functions as a gatekeeper, it is the litigant's responsibility to raise issues they believe warrant gatekeeping in a timely manner at an appropriate stage in the case. Here, the Court held an early damages hearing on April 19, 2016, where early damages expert reports were exchanged by the parties on March 31, 2016. As early as that point in time, ALE knew Mr. Mills was relying on these license agreements and yet never challenged those opinions or testimony during pretrial or trial.

Finally, even if the settlement licenses here had not been presented to the jury, the jury's verdict is still supported by the additional evidence discussed above including the PoE premiums. Accordingly, there is no basis for a judgment of no damages or a new trial based on this evidence and the Court **DENIES** ALE's requests.

**iii. *Georgia-Pacific* Factors 8, 9, and 10**

As to *Georgia-Pacific* Factors 8, 9, and 10, it was the Court that first raised a concern on these issues with the parties. Again, ALE has filed a motion for judgement as a matter of law on an issue that ALE did not raise with respect to Mr. Mills's opinions before or during trial. When Mr. Mills testified as to these factors during the trial, ALE did not object to this testimony. Sealed Tr. at

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5:5-34:6. The Court, recognizing the precedent on this issue and having concerns with Mr. Mills's testimony, had to call the parties into chambers to discuss if and how the Court could proceed in light of Mr. Mills's testimony. The Court and the parties were in agreement that any harm could be cured with specific jury instructions. Therefore, the Court carefully crafted its final instructions to the jury to address this issue. Specifically, the Court removed factors 8, 9, and 10 from its list of factors to be considered and instead instructed the jury as follows:

You may also consider the established profitability of the product made under the patents, its commercial success, and its current popularity; the utility and advantages of the patented property over the old modes or devices, if any, that had been used for working out similar results; and 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. However, if you consider these factors you must also consider the standard's role (as opposed to the patents' role) in causing commercial success, as well as the standard's role in the profitability of the accused products and the accused products' popularity. In addition, you must consider the benefits of the standard over old modes as well as the benefits to those who use the standard to which the patents-in-suit are alleged to be essential. You must take this into consideration

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because the patentee's royalty must be premised only on the value of the patented feature, not any value added by the standard's adoption of the patented technology. These steps are necessary to ensure that the royalty award is based on the incremental value that the patented invention adds to the product, not any value added by the standardization of that technology. In other words, the patent holder should only be compensated for the approximate incremental benefit derived from his invention.<sup>¶</sup> This is particularly true for standard essential patents. When a technology is incorporated into a standard, it is typically chosen from among different options. Once incorporated and widely adopted, that technology is not always used because it is the best or the only option; it is used because its use is necessary to comply with the standard. In other words, widespread adoption of a standard essential technology is not entirely indicative of the added usefulness of an innovation over the prior art.

(Doc. No. 350, at 18-19.)

The Court finds these instructions were sufficient to cure any harm that may have come from Mr. Mills's testimony on these factors. Indeed, the Federal Circuit has never stated that these factors should be all together removed in a case involving standard essential patents, but instead that they should be modified. For example, in *Ericsson*, the Federal Circuit stated as follows:



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Several other *Georgia-Pacific* factors would at least need to be adjusted for RAND-encumbered patents—indeed, for SEP patents generally. For example, factor 8 accounts for an invention’s “current popularity,” which is likely inflated because a standard requires the use of the technology. Factor 9—“utility and advantages of the patented invention over the old modes or devices,”—is also skewed for SEPs because the technology is used because it is essential, not necessarily because it is an improvement over the prior art. Factor 10, moreover, considers the commercial embodiment of the licensor, which is also irrelevant as the standard requires the use of the technology. Other factors may also need to be adapted on a case-by-case basis depending on the technology at issue. Consequently, the trial court must carefully consider the evidence presented in the case when crafting an appropriate jury instruction. In this case, the district court erred by instructing the jury on multiple *Georgia-Pacific* factors that are not relevant, or are misleading, on the record before it, including, at least, factors 4, 5, 8, 9, and 10 of the *Georgia-Pacific* factors.

*See Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1231 (Fed. Cir. 2014) (emphasis added).

Given this precedent, the Court’s instructions on these issues were proper and Mr. Mills’s testimony cited by ALE was not so harmful that the bell could not be “unrung”

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as ALE claims. It is again important emphasize that litigants carefully consider the testimony and evidence presented to the jury and timely raise objections where appropriate. While the Court will always proactively scrutinize evidence that comes in during a trial to ensure the jury is not impermissibly tainted by any testimony and/or evidence, the Court must also rely on litigants to raise meritorious objections when warranted. In this case, not a single objection was raised by counsel and the parties submitted proposed *agreed* jury instructions with a parroted list of *Georgia-Pacific* factors. (Doc. No. 317, at 59-63.) This issue should have been teed up by the parties long before trial when the Court had to initiate the conversation with the parties and conduct a chambers conference, delaying the trial and making the jury wait in recess. Given the circumstances, however, in this instance the harm could be cured with proper instructions from the Court, as was done here. Therefore, the Court **DENIES** ALE's request for a new trial on this basis.

**CHRIMAR'S MOTION FOR JUDGMENT AS  
A MATTER OF LAW AS TO IEEE RELATED  
CLAIMES AND DEFENSES**

Chrimar moves for judgment as a matter of law on all IEEE related equitable defenses and counterclaims. (Doc. No. 379.) As a preliminary matter, Chrimar moves on the basis that all of the equitable defenses require a duty of disclosure for which Chrimar seeks a judgment that it owed no such duty. (Doc. No. 379, at 1-2.) This Court has already issued an order finding that on the evidence presented "Chrimar did not owe a duty of

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affirmative disclosure to the IEEE.” (Doc. No. 413, at 6.) A judgment will be entered in accordance with that finding. Accordingly, Chrimar’s JMOL is **DENIED** as moot as to that point. Specifically, the Court has issued findings that ALE did not carry its burden on claims of equitable estoppel, unclean hands, and waiver. (Doc. No. 413.) Accordingly, as to those defenses, Chrimar’s JMOL is **DENIED** as moot.

As to the implied license defense, the Court granted Chrimar’s JMOL on implied license pursuant to Rule 50(a) during trial. Tr. at 986:4-9. Accordingly, Chrimar’s request to enter renewed judgment on that defense pursuant to Rule 50(b) is **DENIED** as moot.

As to the claims of breach of contract and fraud, the jury found that ALE did not prove those claims by a preponderance of the evidence. (Doc. No. 349.) Chrimar’s renewed motion for JMOL merely seeks to confirm its favorable outcome on those issues. Accordingly, because Chrimar prevailed on those claims at trial, Chrimar’s renewed motion for JMOL as to those claims is **DENIED** as moot.

Finally, Chrimar moves on the remainder of IEEE defenses and claims that were not presented by ALE at trial, including claims pursuant to monopolization under § 2 of the Sherman Act and patent misuse. While the antitrust claim was specifically raised by Chrimar in a 50(a) motion at the close of evidence, and subsequently granted by the Court (Tr. at 969:15-970:1), to clarify the record, the Court’s intention in granting that motion was

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to confirm that that issue was not going to be presented to the jury as the parties were in agreement that evidence on that claim had not been presented and the claim was no longer being pursued. As to these claims specifically, and all claims and defenses that were not presented at trial, the Court **DENIES** Chrimar's request to enter judgment as a matter of law. The Court will not enter judgment on claims that were dropped and not presented at trial.

**CONCLUSION**

ALE's Motion for Judgment as a Matter of Law and New Trial (Doc. No. 378) is **DENIED**. Chrimar's Motion for Judgment as a Matter of Law (Doc. No. 379) is **DENIED** as set forth herein. Final judgment will issue as a separate order.

Within **7 days** of the issuance of this Order, the parties shall jointly submit a proposed redacted version of this Order so that a public version can be made available.

**So ORDERED and SIGNED this 3rd day of February, 2017.**

/s/ John D. Love  
JOHN D. LOVE  
UNITED STATES MAGISTRATE  
JUDGE

**APPENDIX H — JUDGMENT OF THE UNITED  
STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT, FILED SEPTEMBER 19, 2019**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

2018-1499, 2018-1500, 2018-1503, 2018-1984

CHRIMAR SYSTEMS, INC.,

*Appellant,*

v.

JUNIPER NETWORKS, INC., RUCKUS  
WIRELESS, INC., NETGEAR, INC.,

*Appellees.*

September 19, 2019, Filed

TARANTO, CLEVINGER, and HUGHES, Circuit  
Judges.

**JUDGMENT**

THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

**AFFIRMED**

PER CURIAM

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**APPENDIX I — DENIAL OF REHEARING  
OF THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT, FILED  
DECEMBER 13, 2019**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

2018-2420

CHRIMAR SYSTEMS, INC., DBA CMS  
TECHNOLOGIES, INC., CHRIMAR HOLDING  
COMPANY, LLC,

*Plaintiffs-Appellees,*

v.

ALE USA INC., FKA ALCATEL-LUCENT  
ENTERPRISE USA, INC.,

*Defendant-Appellant.*

Appeal from the United States District Court for  
the Eastern District of Texas in No. 6:15-cv-00163-JDL,  
Magistrate Judge John D. Love.

**ON PETITION FOR REHEARING EN BANC**

Before PROST, *Chief Judge*, NEWMAN, LOURIE,  
CLEVINGER\*, DYK, MOORE, O'MALLEY, REYNA, WALLACH,  
TARANTO, CHEN, HUGHES, and STOLL, *Circuit Judges*.

PER CURIAM.

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\* Circuit Judge Clevenger participated only in the decision on  
the petition for panel rehearing.

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**ORDER**

Appellees Chrimar Holding Company, LLC and Chrimar Systems, Inc. filed a petition for rehearing en banc. A response to the petition was invited by the court and filed by Appellant ALE USA Inc. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on December 20, 2019.

FOR THE COURT

December 13, 2019  
Date

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court