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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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Russell Slifer,	:
	:
Plaintiff,	:
	:
-against-	:
	:
CG Technology, L.P.,	:
	:
Defendant.	:
-----X	

1:14-cv-9661

MEMORANDUM & ORDER

ANDREW L. CARTER, JR., United States District Judge:

Plaintiff Russell Slifer brought suit against Defendant CG Technology, L.P., alleging breach of contract and breach of implied covenant of good faith and fair dealing over a contract entitled the Patent Assignment Agreement. From January 9, 2017 to January 17, 2017, the Court presided over a jury trial over these claims. At the close of arguments and before the case was submitted to the jury, Defendant moved pursuant to Fed. R. Civ. P. 50(a) for judgment as a matter of law; the Court reserved judgment on the motion pending the jury’s verdict. On January 17, 2017, the jury returned a unanimous verdict in favor of Plaintiff Russell Slifer against Defendant CG Technology, L.P. After the verdict was returned, Plaintiff sought to modify the jury’s verdict and moved to include equitable relief and equitable judgment in the final judgment. Specifically, Plaintiff asks the Court to order Defendant to return the patent at issue in this case to Plaintiff, rescind the Patent Assignment Agreement, order Defendant to pay prejudgment interest, and refuse to grant a stay pending further motions or appeal.

Defendant timely moved pursuant to Fed. R. Civ. P. 50(b) to renew its Rule 50(a) motion for judgment as a matter of law altering or amending the judgment rendered by the jury on the grounds that the jury had no legally sufficient evidentiary basis for its damages verdict.

Defendant asks the Court to enter judgment as a matter of law in favor of Defendant, setting

aside the damages based on Plaintiff's damages model and claim for breach of the implied covenant of good faith and fair dealing as impermissible. In the alternative, Defendant seeks an order directing a new trial on damages pursuant to Fed. R. Civ. P. 59(a).

For the reasons set forth below, the Court grants Plaintiff's motion in part and denies Defendant's motion in its entirety.

I. BACKGROUND

In 2008, Plaintiff and Defendant executed a Patent Assignment Agreement ("the Agreement"), governed by New York law. Def.'s Counter-Statement of Undisputed Material Facts (Def.'s Stmt.) ¶ 3; Slifer Decl. Ex. 10 ¶ 11. Under the Agreement, Plaintiff assigned his rights to two patents to Defendant in exchange for specified payment terms. Id. ¶ 5. In part, those terms provide for the immediate payment to Plaintiff of \$50,000. Id. ¶ 8. Defendant made that initial payment. Id.

Paragraph 3(d) of the Agreement contains additional payment terms. It states:

If Seller has been paid less than one hundred thousand dollars (\$100,000.00) during the time period from the Effective Date to sixty months after the Effective Date, Cantor shall, in Cantor's sole and exclusive discretion, either (i) assign back to Slifer all of Cantor's right, title and interest in the Patent Rights, or (ii) pay Minimum Royalty Payments each year beginning at the end of sixty months from the Effective Date of this Agreement (but for the avoidance of doubt in no event will more than the Maximum Amount in the aggregate ever be paid to Seller). Minimum Royalty Payments means \$50,000.00 per year provided the Patent Rights have not been invalidated, rendered unenforceable, or rendered incapable of generating net Income, and Minimum Royalty Payments means \$0 otherwise.

Slifer Decl. Ex. 10 ¶ 3(d).

Paragraph 3(b) establishes additional compensation to Plaintiff beyond 3(a)'s initial payment. It labels that compensation as "royalties" and sets it at ten percent of Defendant's

revenue from the patents. Paragraph 3(c) establishes a formula for the calculation of revenue (and thus, royalties) in specific transactions. Finally, paragraphs 3(e) and (f) set additional obligations on Defendant to refrain from selling its rights to the patents unless royalties are paid to Plaintiff and to provide Plaintiff with an accounting of Defendant's annual revenue, for the purpose of verifying correct payment of royalties.

Defendant never made a Minimum Royalty Payment as defined in paragraph 3(d) of the Agreement, nor did it provide Plaintiff with an accounting of the annual revenue. Def.'s Stmt. ¶ 11. Nor had it assigned back to Plaintiff its right, title, and interest in the patents. Id. ¶ 12. Instead, Defendant sent Plaintiff a check for \$50,000 in August 2013. Id. ¶ 35. Summing the original \$50,000 payment made immediately to Plaintiff when the Agreement was signed and the additional \$50,000 payment made five years later, Defendant asserted that it had performed its obligation to pay "\$100,000[] during the time period from the Effective Date to sixty months after the Effective Date" Id. ¶¶ 36-7; Slifer Decl. Ex. 10 ¶ 3(d).

Plaintiff sued Defendant, alleging breach of contract and breach of the implied covenant of good faith and fair dealing. The case proceeded to trial on both claims. At trial, Defendant argued that it had complied with the Agreement. Defendant asserted that because the plain language of Paragraph 3(d) of the Agreement speaks only of the payment of "less than one hundred thousand dollars (\$100,000.00) during the time period from the Effective Date to sixty months after the Effective Date. . . ." and it therefore, says nothing of the origin of the funds used to make that payment, the payment to Plaintiff could come from any source. Plaintiff averred that Paragraph 3(d) required Plaintiff to receive royalty payments derived from profits Defendant received from utilizing the assigned patents. Because the \$100,000 paid to Plaintiff did not

come from royalties, Defendant had breached the Agreement. Furthermore, because Defendant construed the Agreement in such a way as to deprive Plaintiff of the benefit of his bargain, Defendant had breached the implied covenant of good faith and fair dealing.

At the conclusion of the trial, the Court held a hearing on the jury instructions and verdict form. During the hearing on the verdict form, the parties disagreed over how the jury should be charged on damages. Specifically, with regard to damages and remedies, Defendants' proposed jury verdict form (ECF No. 110-1) in the relief section asked the jury if Plaintiff Russell Slifer was entitled to 1) monetary damages and, if so, what amount; and/or 2) equitable remedies.

In its first draft, the Court adopted the balance of Defendant's proposed jury verdict form and included the section on relief. During the hearing, however, Defendant objected to their own language and argued that this articulation was "bordering on rescission, which is a legal ruling that must come from the Court. And it's an equitable ruling that must come from the Court. It can't come from the jury. And so dictating the manner in which the jury could award that . . . is misleading and invading the province of the jury to decide what the damages might be." Trial Tr. 692:7-13, Jan. 13, 2017. The Court then specifically offered Defendant the opportunity to amend the general damages provision in the jury verdict form to provide for 1) "return of the patent" and 2) monetary damages in order to get "clear elucidation from the jury as to how they're awarding damages" in anticipation of "post-trial litigation about [damages]" and "to perhaps avoid...having another trial on this damages issue." Tr. 693:21- 694:2. Defendant found the Court's suggestion to be problematic because it gave the jury an option, returning the patent to Plaintiff, that the Defendant believed the jury was not authorized to do. Tr. 694:4-5. Later, Defendant offered the following amendment to the jury verdict form: (1) for money

damages relating to return of the patent and (2) for money damages relating to circumstances other than return of the patent. Tr. 705:10-13; 707:22-25. Plaintiff opposed this formulation on the grounds that it presented jurors with an either/or proposition when, in fact, Plaintiff could receive “both damages in this case.” Tr. 708:8-9.

The Court additionally proposed that for further clarity on the issue of damages, the jury verdict form provide one damages section for the breach of contract claim and a separate damages section for the covenant of good faith and fair dealing claim. Tr. 708:17-23.

Defendant opposed the proposal, saying “having two different damages section[s] related to the two different counts might confuse the jury. I think everybody is on the same page there’s only going to be one damages award, if any, in the case, and that would come from the choices that we just discussed in the damage section.” Tr. 709:4-8. The Court adopted the Defendant’s proposed amendment to the jury form: (1) damages for failure to return the patent; and (2) damages for some other reason. Tr. 709:4.

After the hearing, the Court instructed the jury at length on both the breach of contract and breach of implied covenant of good faith and fair dealing. *See* Court Ex. 1 (Jury Charge) at 25-27, ECF No. 186. With regard to damages, the Court instructed the jury on compensatory damages. *Id.* at 28-29. Specifically, the Court instructed the jury that if it found “that the plaintiff has established breach of contract by a preponderance of the evidence, [it] should award money damages that would place the plaintiff back in the same position he would have been in had the defendant performed as obligated under the contract.” *Id.* at 29. Next, the Court instructed the jury on calculating damages for a “breach that substantially defeats the purpose of

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