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

CIOFFI et al.,	§	
Plaintiffs,	§	
v.	§	Civil Action No. 2:13-cv-103
GOOGLE, INC.,	§	
Defendant.	§	

MEMORANDUM OPINION AND ORDER REGARDING ONGOING ROYALTY AND SUPPLEMENTAL DAMAGES

Before the Court is the Motion for Ongoing Royalty (Dkt. No. 277) filed by Plaintiffs Alfonso Cioffi, Melanie Rozman, Megan Rozman, and Morgan Rozman (collectively, "Plaintiffs"). Plaintiffs seek imposition of an ongoing royalty for any continued infringement by Defendant Google, Inc. ("Google"), as well as a corresponding reporting requirement. Having considered the Motion, the Parties' briefing, and the relevant authorities, the Court is of the opinion that the Motion should be **GRANTED AS MODIFIED**. The Court hereby sets the ongoing royalty rate at $0.002601 per Chrome user per month—the implied royalty rate determined by the jury.

I. BACKGROUND

A jury trial commenced in this case on February 6, 2017. On February 10, 2017, the jury returned a unanimous verdict (Dkt. No. 259) finding infringement and also finding the asserted claims not invalid. The jury awarded damages of $20 million in the form of a running royalty. (Dkt. No. 259.)

Plaintiffs concede that a permanent injunction is not appropriate in this case and instead seek an ongoing royalty to compensate them for future infringement that may occur during the remaining nine years of the infringed patents. (Dkt. No. 277 at 6, 17.) Although Plaintiffs initially indicated in a footnote their intent to seek supplemental damages by a separate motion, at the hearing on this Motion, the Parties agreed instead to apply the ongoing royalty rate determined by the Court to any supplemental damages, thus eliminating the need for an additional motion. (Tr. of Mot. Hr'g, July 6, 2017, Dkt. No. 30 ("Hr'g Tr.") at 45:20–47:12.)

II. ONGOING ROYALTY

a. Procedure

At the outset, Google argues that a determination of any ongoing royalty in this case should be deferred until after the Court addresses the Parties' pending JMOL motions. (Dkt. No. 285 at 5.) Google suggests that this Court should instead sever the issue of ongoing royalties from this case and then stay consideration of that issue. (Dkt. No. 285 at 5.)

In this Court's view, it is prudent in this case to address the issue of ongoing royalties now rather than unduly delay the entry of final judgment. *See Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, 515 F. App'x 882 (Fed. Cir. 2012) ("[T]he case is not 'final' because the district court has not yet determined ongoing royalties. An ongoing royalty is not the same as an accounting for damages [under 28 U.S.C. § 1292(c)(2)]."). In *Warsaw Orthopedic*, the Federal Circuit dismissed an appeal because the district court had not yet addressed ongoing royalties. *Id*. Although *Warsaw Orthopedic* is a non-precedential decision, it nonetheless provides some level of guidance as to what issues should be included in a final judgment. Moreover, the Circuit's reasoning in that case is consistent with Supreme Court precedent regarding finality of judgments. *See Catlin v. United*

States, 324 U.S. 229, 233 (1945) ("A 'final decision' generally is one which ends the litigation on the merits and leaves nothing for the court to do but execute the judgment."). Other district courts have agreed, holding that staying the ongoing royalty issue would preclude entry of final judgment, thus preventing the parties from appealing other issues in the case. *See, e.g.*, *Apple, Inc. v. Samsung Elecs. Co.*, No. 12-cv-00630-LHK, 2014 WL 6687122, at *7 (N.D. Cal. Nov. 25, 2014). The *Warsaw Orthopedic* reasoning also promotes the policy underlying final judgments—that all issues be addressed through a single appeal rather than through piecemeal appellate practice. As such, the Court is persuaded that it is prudent under the circumstances in this case to address ongoing royalties before entering final judgment.

As to Google's suggestion to sever the issue of ongoing royalties, Google has not presented any case law to suggest that this Court *must* sever and stay the ongoing royalty determination. The Court sees no particular reason to sever this issue in this case.

b. Legal Standard

A court's authority to award an ongoing royalty for continued patent infringement finds its origin in 35 U.S.C. § 283. *Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360, 1377 (Fed. Cir. 2017) ("We have interpreted that provision [Section 283] to permit a court to award 'an ongoing royalty for patent infringement in lieu of an injunction' barring the infringing conduct." (quoting *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007)). The award of an ongoing royalty is equitable in nature. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 733 F.3d 1369, 1379 (Fed. Cir. 2013) ("*Fresenius II*") ("While we may at times improperly use the term 'damages' as a shorthand term to encompass the concept of the right to some prospective monetary relief, that cannot change the equitable character of that relief.").

i. Whether an Ongoing Royalty is Appropriate

The Federal Circuit has recognized that "[u]nder some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate." *Paice*, 504 F.3d at 1314. More recently, the Circuit has stated that "absent egregious circumstances, when injunctive relief is inappropriate, the patentee remains entitled to an ongoing royalty." *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 807 F.3d 1311, 1332–33 (Fed. Cir. 2015), vacated in part on other grounds, 137 S. Ct. 954 (2017). However, a court is not required to grant a patentee's request for an ongoing royalty, even where a permanent injunction does not issue. *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 35–36 (Fed. Cir. 2012); *Paice*, 504 F.3d at 1315. Instead, whether to grant an ongoing royalty is a matter within the district court's discretion, and a court may decide that a forward-looking royalty is not appropriate in a particular case. *See Whitserve*, 694 F.3d at 35.

The question of whether to award an ongoing royalty is guided at least in part by the form and scope of relief awarded by the jury. For example, in *Summit 6, LLC v. Samsung Elecs. Co.*, the jury's damages award took the form of a lump sum royalty. 802 F.3d 1283, 1301 (Fed. Cir. 2015). There, the Federal Circuit held that "the district court properly denied [the plaintiff's] request for an ongoing royalty because the jury award compensated [the plaintiff] for both past and future infringement through the life of the patent." *Id.* at 1300–01. *See also Telcordia Techs., Inc. v. Cisco Sys.*, Inc., 612 F.3d 1365, 1379 (Fed. Cir. 2010) ("An award of an ongoing royalty is appropriate because the record supports the district court's finding that [the plaintiff] has not been compensated for [the defendant's] continuing infringement."); *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1303 (Fed. Cir. 2009) ("*Fresenius I*") ("A damages award for pre-verdict

sales of the infringing product does not fully compensate the patentee because it fails to account for post-verdict sales of repair parts. . . . The district court was within its discretion to impose a royalty on those sales of disposable products in order to fully compensate [the patentee] for the infringement."); *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, No. 2:15-cv-1202-WCB, 2017 WL 3034655, at *2 (E.D. Tex. July 18, 2017) (Bryson, J.) ("*UroPep*") ("[I]t would be improper for the Court first to conclude that the damages awarded by the jury do not cover the post-verdict period, but then to rule that [the plaintiff] is not entitled to any relief for that period."). Accordingly, whether the jury award compensates the patentee for future infringement is important because without some form of prospective relief, the patent owner is effectively forced to "resort to serial litigation" to receive compensation for future infringement. *UroPep*, 2017 WL 3034655, at *2 (quoting *Whitserve*, 694 F.3d at 35).

Where the jury has not expressly indicated the form of its reasonable royalty award, the form of the award may be inferred based on the arguments and evidence presented to the jury during trial, the district court's instructions to the jury, and the verdict form itself. *See Whitserve*, 694 F.3d at 35 (analyzing the evidence at trial and rejecting the argument that the jury awarded a paid-up license). Here the jury's verdict expressly indicates the reasonable royalty was a running royalty as opposed to a lump sum award.

ii. Setting the Royalty Rate

If a district court finds it appropriate to award an ongoing royalty, the proper royalty rate is "a matter committed to the sound discretion of the district court." *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1362 n.2 (Fed. Cir. 2008). *See also Paice*, 504 F.3d at 1315. Courts routinely use the royalty rate implied by the jury's verdict as the starting point in determining a forward-looking

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