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

ERFINDERGEMEINSCHAFT UROPEP GbR, *Plaintiff*, v. ELI LILLY AND COMPANY, *Defendant*.	§ § § § § § § § § §	Case No. 2:15-CV-1202-WCB

MEMORANDUM OPINION AND ORDER

Before the Court is the motion of plaintiff Erfindergemeinschaft UroPep GbR ("UroPep") for ongoing royalties in this case. Dkt. No. 363. Defendant Eli Lilly & Co. ("Lilly") opposes. The Court GRANTS IN PART UroPep's motion for royalties for the period between April 17, 2017, and July 9, 2017.

BACKGROUND

In its complaint, UroPep alleged that Lilly infringed UroPep's patent, U.S. Patent No. 8,791,124 ("the '124 patent"), by marketing the drug Cialis for the treatment of benign prostatic hyperplasia ("BPH"). Lilly answered by denying infringement and contending that the '124 patent was invalid. The evidence at trial showed that Lilly made approximately $704.3 million in sales of Cialis attributable to the BPH indication between October 9, 2014 (the date on which Lilly was notified of UroPep's patent), and April 16, 2017 (the day before the beginning of the trial). See Dkt. No. 342, Trial Tr. at 401, 403; Dkt. No. 344, Trial Tr. at 1120. The jury found that Lilly had infringed the '124 patent and that the patent was not invalid. It awarded UroPep

$20 million in damages. The implied royalty rate adopted by the jury was therefore 2.84 percent of the total infringing sales for the pretrial infringement period.

For the reasons set out in detail below, the Court will apply twice the jury's implied royalty rate to the infringing sales of Cialis made between April 17, 2017, and July 9, 2017 (the date the '124 patent expired). That amount has been added to the total amount awarded to UroPep, as reflected in an amended judgment entered today. The prejudgment interest rate (the applicable prime rate, compounded quarterly) will apply to the entire monetary award granted in the amended judgment. The statutory post-judgment interest rate will apply thereafter. The parties are directed to determine the precise amount owed by Lilly to UroPep as an ongoing royalty for the April 17 to July 9 period, based on the Court's award and in light of the volume of the relevant infringing sales during that period. The parties are also directed to determine the dollar value of the prejudgment interest to be paid on the ongoing royalty for the period between April 17 and July 18, the date of the amended judgment in this case.

DISCUSSION

UroPep requests an ongoing royalty rate of 15 percent—much greater than the 2.84 percent royalty rate implied by the jury's verdict for Lilly's pretrial infringing conduct. According to UroPep, the proposed 15 percent rate is supported by (1) the increased profitability of Lilly's post-verdict infringing sales, (2) UroPep's post-verdict bargaining power, and (3) Lilly's post-verdict willful infringement. Lilly, on the other hand, contends that the Court should not award an ongoing royalty. If the Court does award an ongoing royalty, Lilly argues that it should be limited to a royalty rate of 2.84 percent, or at most 3 percent.

I. UroPep's Right to an Ongoing Royalty

At the outset, it is clear to the Court that UroPep is entitled to be compensated for infringement occurring between the cut-off date for its calculation of damages, April 16, 2017, and the expiration date of the '124 patent, July 9, 2017. See Fresenius USA, Inc. v. Baxter Int'l, Inc., 582 F.3d 1288, 1303 (Fed. Cir. 2009) ("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."). Lilly makes several arguments for why any recovery for that period is barred, but none of those arguments is persuasive.

First, Lilly argues that the statement in the Court's Final Judgment denying all relief other than that set forth in the judgment bars any recovery for the post-verdict period. See Dkt. No. 360, at 2, ¶ 6. In fact, however, the Court explained in a telephonic conference conducted on May 15, 2017, shortly before the judgment was entered, that the Court would address the issue of ongoing royalties in an amended judgment following the parties' briefing of that issue. As part of that discussion, the Court stated that it would allow the parties additional time to brief the ongoing royalties issue based on Lilly's request for an extension of time for filing its response to UroPep's motion. The Court made clear that it contemplated addressing the ongoing royalties issue separately from the initial judgment. There is thus no force to Lilly's suggestion that the Court's initial judgment contemplated the termination of UroPep's rights in that regard.

Second, Lilly argues that UroPep waived its right to an ongoing royalty award pursuant to 35 U.S.C. § 283 by not requesting an injunction. Section 283 provides that a court "may grant [an] injunction[] in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." The Federal Circuit has "interpreted that provision to permit a court to award 'an ongoing royalty for patent infringement

in lieu of an injunction' barring the infringing conduct." Prism Techs. LLC v. Sprint Spectrum L.P., 849 F.3d 1360, 1377 (Fed. Cir. 2017) (quoting Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1314 (Fed. Cir. 2007)); SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 807 F.3d 1311, 1332-33 (Fed. Cir. 2015) (en banc) ("[A]bsent egregious circumstances, when injunctive relief is inappropriate, the patentee remains entitled to an ongoing royalty."), vacated in part on other grounds, 137 S. Ct. 954 (2017).

In its complaint, UroPep sought an injunction, or an accounting of future royalties if an injunction was denied. Lilly points out, however, that in the joint pretrial order UroPep did not include an express request for ongoing royalties in lieu of an injunction. Instead, UroPep stated in the joint pretrial order that it "is entitled to recover both pre-verdict and post-verdict damages in the form of a reasonable royalty for the infringement of the '124 patent by Lilly." Dkt. No. 251, at 9, ¶ 2.

The Court interprets that statement as a request for ongoing royalties in lieu of an injunction, to be assessed by the Court pursuant to 35 U.S.C. § 283. UroPep did not request an injunction, no doubt appreciating that the equities would not favor issuance of an injunction in favor of a non-competitor and for the short period of time remaining in the life of the '124 patent. See Prism, 849 F.3d at 1377 (an ongoing royalty may be awarded if "a conduct-barring injunction is not warranted"). In addition, UroPep likely recognized that it would be better served by a post-verdict award of ongoing royalties than by an order enjoining Lilly from promoting the Cialis's BPH indication for a three-month period. Under those circumstances, UroPep's decision to seek a post-verdict royalty award—i.e., ongoing royalties in lieu of an injunction—cannot reasonably be treated as a forfeiture of its right to relief of any sort for the post-verdict infringement period. Lilly cites no authority that would support that odd

proposition. Thus, the Court concludes that UroPep has not waived its right to post-verdict ongoing royalties under 35 U.S.C. § 283.

Third, Lilly argues that the Court has the option to refuse to award any ongoing royalties. While that is technically true, it 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 UroPep is not entitled to any relief for that period. Lilly quotes language from the Federal Circuit's decision in Whitserve, LLC v. Computer Packages, Inc., 694 F.3d 10, 35 (Fed. Cir. 2012), where the court stated that "[t]here are several types of relief for ongoing infringement that a court can consider: (1) it can grant an injunction; (2) it can order the parties to attempt to negotiate terms for future use of the invention; (3) it can grant an ongoing royalty; or (4) it can exercise its discretion to conclude that no forward-looking relief is appropriate in the circumstances." Lilly interprets that statement as offering the Court the unfettered option of granting no relief at all for post-verdict infringement. In Whitserve, however, the Federal Circuit did not suggest that it would be proper to deprive the prevailing plaintiff of any remedy whatsoever for post-verdict infringement. Quite the opposite. The court concluded that the jury's award covered only past harm, rejecting the argument that the jury's verdict indicated that the award was meant to "cover future use of [the asserted] patents." Id. at 35. The Federal Circuit then held that the district court abused its discretion by denying the request for prospective relief (i.e., an injunction or an ongoing royalty), and forcing the plaintiff to "resort to serial litigation" to obtain compensation for the post-verdict period. Id. at 35-36.

This case is quite similar. The parties did not argue to the jury (or the Court) that the damages award would constitute compensation for a paid-up license, nor did they otherwise indicate that the jury should consider future conduct in making its damages assessment. Rather,

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