

Upon Reconsideration, E.D.Tex. Judge Affirms Ericsson's Previously-Vacated Jury Award Against TCL

Wednesday, May 16, 2018

On May 10, 2018, Magistrate Judge Payne [reconsidered his previous March 2018 order](#) which had vacated a jury award, and granted plaintiff Ericsson's motion for reconsideration. The May ruling makes clear that the accused infringer bears the burden of production for royalty-stacking and other mitigatory arguments on damages. Whereas the March ruling excluded Ericsson's damages expert for failing to account properly for the royalty stack on the accused products that his damages theory implied, the May ruling scrutinized the record and found that TCL had failed to submit any evidence into the record that would support even a jury instruction on royalty stacking. The decision underscores the importance of developing an affirmative record in support of each element of a damages theory or counter-theory.

The ruling also stands in stark relief to Judge Selna's 2017 ruling in the Central District of California case between the parties. There, Judge Selna determined that approximately \$20 million would represent a fair, reasonable, and non-discriminatory (FRAND) royalty for TCL's infringement of Ericsson's worldwide portfolio of patents declared essential to various telecommunications standards (SEPs) – thousands of patents that, the parties agreed, represented a significant share of the value of the technology in those standards.

1. Background

This case, as alluded to above, is one facet of an ongoing, global patent dispute between Ericsson and TCL. Much of that dispute, including last year's ruling by Judge Selna, has focused on Ericsson's SEPs. The patents asserted in the case at hand, however, were not declared essential to a standard and instead are directed to user interface and security functionality.

After a December 2017 trial, the jury found TCL liable for infringement of this patent and awarded Ericsson a lump sum of \$75 million. By reaching a damages award of this amount, the jury implicitly credited Ericsson's damages expert, Robert Mills. The jury further found that TCL's infringement was willful.

[As discussed previously on this blog](#), in March 2018 Magistrate Judge Payne vacated the \$75 million damages award. Magistrate Judge Payne found that the infringed patent read on just one of many features in the handset, and Mr. Mills's proffered royalty rate implied an overall royalty stack on the devices that exceeded TCL's total profits. The opinion was therefore unreliable. Ericsson moved for reconsideration.

2. Damages

In a rare order granting reconsideration, Magistrate Judge Payne accepted Ericsson's arguments that the March ruling deviated from established law. Specifically, Magistrate Judge Payne ruled on reconsideration that Mr. Mills'



Article By [Andrew H. DeVoogd](#)
[Michael T. Renaud](#)[Daniel B. Weinger](#)
[Robert J. Moore](#)[Mintz](#)
[Global IP Matters Blog](#)
[Communications, Media & Internet](#)
[Intellectual Property](#)
[Litigation / Trial Practice](#)
[Texas](#)

opinions in this case were in line with his opinions other courts had accepted. At least some of those courts explicitly ruled that his election not to address royalty stacking went to the weight, not the admissibility, of his testimony. See *Sentius International, LLC v. Microsoft Corp.*, C.A. No. 5:13-cv-825-SG, at *9 (N.D. Cal., Jan. 27, 2015). Further, the order granting reconsideration recognized that TCL failed to proffer evidence of a royalty stack, which TCL was obligated to do if it wanted a jury instruction on royalty stacking:

[W]hile there was evidence that consumers would consider a few other features essential to their purchase [of accused TCL devices], including ability to make a call, text messaging, and W-Fi, ... the jury was not presented evidence that any one of those features was covered by another patent. ... Although there are many patents that likely read on the accused products, as far as the jury was concerned, this was only a possibility.

Because TCL provided no record evidence that royalty stacking was an issue, the record did not merit an instruction on royalty stacking, let alone vacancy of the jury award.

Driving home the point regarding weight versus admissibility, Magistrate Judge Payne found that other gaps in Mr. Mills' testimony did not warrant a new trial on damages. Specifically, Mr. Mills did not take into account the erosion of TCL's profits from a hypothetical royalty stack, but this omission went to the weight rather than admissibility, for two reasons. First, "an accused infringer's profit is not a cap on a reasonable royalty." Second, "TCL opened the door to evidence that TCL underestimated its profit[.]" *id.*, calling into question how one could reliably compute the impact of the award on TCL's profitability.

3. Conclusion

Magistrate Judge Payne's order granting reconsideration reinforces important lessons for both accused infringers and patent owners seeking damages in heavily patented spaces such as converged devices. In particular, it reminds defendants that if they are alleging royalty stacking or other mitigating circumstances for damages, they will need to conduct discovery and prove their case rather than taking the risk of relying only on shortcomings in the plaintiff's damages case.

Additionally, the sheer difference between the outcomes - \$75 million award to Ericsson here for TCL's infringement of one patent, versus approximately \$20 million awarded by Judge Selna for TCL's infringement of Ericsson's global SEP portfolio - speaks to the power of FRAND encumbrances to limit royalties. Judge Selna's ruling is part of a trend over the past five years of judicially-determined FRAND rates that downplay the probative value of existing licenses. The \$75 million award here (for infringement of one patent) was informed by the traditional *Georgia-Pacific* factors and, consequently, by licenses Ericsson actually struck. Notwithstanding that parties once negotiated FRAND licenses - including past FRAND licenses between Ericsson and TCL - via traditional, bilateral negotiations, Judge Selna placed little weight on the results of Ericsson's robust licensing program. As a result, he arrived at FRAND royalty rates materially lower than past licensing practices would suggest. The dichotomy between these outcomes illustrates a major advantage for licensors of asserting implementation patents and not SEPs: a reasonable royalty rate determined under the *Georgia-Pacific* regime will probably be higher than a FRAND rate and more in line with past licenses.

© 1994-2019 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. All Rights Reserved.

Source URL: <https://www.natlawreview.com/article/upon-reconsideration-edtex-judge-affirms-ericsson-s-previously-vacated-jury-award>