

Despite Supreme Court Victory, Patent Owner's \$63 Million Award Vacated on Remand

In May of 2015, Commil USA (a patent holding company) won a major victory before the U.S. Supreme Court, which ruled that an accused infringer's good faith belief in the invalidity of a patent is not a defense against an allegation of inducement of infringement.¹ The Supreme Court vacated an earlier Federal Circuit ruling that had overturned a jury award of \$63 million against Cisco for direct infringement and inducement of customers to infringe U.S. Patent No. 6,430,395 B2 (the '395 patent).

Despite Commil's precedential win before the highest court in the land, the Federal Circuit granted Cisco's request to rule on other issues not previously reached on appeal.² On remand in December of 2015, the Federal Circuit found that substantial evidence presented at trial did not support the jury's finding of direct infringement, thus precluding Commil from recovering any damages. Commil's award of damages was once again vacated, albeit on different grounds.

-- Brief Overview of the Procedural History

According to Commil's website, the company operated between 2002-2005 before shutting down. In 2007, Commil brought suit against Cisco, which markets wireless networking equipment, for the alleged infringement of the '395 patent. The '395 patent contains claims generally directed toward methods of communication between wireless base stations and mobile devices. Commil prevailed in a district court in the Eastern District of Texas when Cisco was found liable for over \$3 million in damages due to direct infringement of the asserted claims, but not liable for inducing Cisco's customers to infringe the asserted claims.

Commil sought a retrial on the issue of inducement due to some allegedly prejudicial comments made by counsel for Cisco, and later successfully obtained a jury award of over \$63 million in damages. A key issue during the second trial was the exclusion of Cisco's evidence of a good faith belief in the invalidity of the asserted patent claims.

On appeal, the Federal Circuit vacated the finding of inducement of infringement.³ The Federal Circuit held that evidence of a good-faith belief of invalidity may negate the requisite

¹ *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015).

² *Commil USA, LLC v. Cisco Systems, Inc.*, 813 F.3d 994 (Fed. Cir. 2015).

³ *Commil USA, LLC v. Cisco Systems, Inc.*, 720 F.3d 1361 (Fed. Cir. 2013).

intent for induced infringement, and that the district court had improperly excluded Cisco’s evidence thereof.

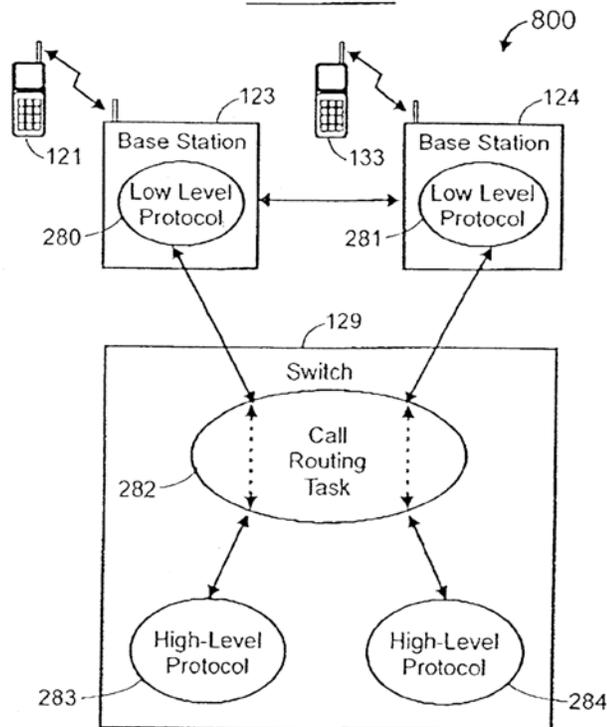
The Supreme Court granted Commil’s petition for writ of certiorari, and, as discussed above, vacated the Federal Circuit’s decision and remanded the case back to the Federal Circuit.

-- The Federal Circuit’s Second Ruling

Chief Judge Prost of the Federal Circuit, writing for a unanimous panel on remand, found that the proof of Cisco’s direct infringement presented at trial was insufficient to support the jury’s finding of infringement.

The claim at issue set forth a method of communicating between base stations and mobile units (see Fig. 8A below from the ‘395 patent), whereby the method requires a first step of dividing a short-range communication protocol into (i) a low-level protocol for performing tasks that require accurate time synchronization and (ii) a high-level protocol for performing tasks that do not require accurate time synchronization. The method requires a second step of running an instance of the low-level protocol at the base station *for each mobile unit* connected thereto.

Figure 8A



At trial, Cisco had presented expert testimony that its accused system could not literally infringe the asserted method claim because the accused Cisco system ran only a single instance of a low-level protocol for all mobile units, up to 2,000, connected to the system. The Federal Circuit found Cisco's expert testimony more persuasive than that of Commil's expert, whose cross-examination testimony at trial seemed to admit that the method claim element was not present in the accused system.

-- The Supreme Court Revisited?

Commil recently filed a new petition for writ of certiorari with the Supreme Court asking for a review of the Federal Circuit's second decision on a number of grounds. Primarily, Commil alleges that the Federal Circuit improperly failed to credit Commil's own expert testimony regarding the direct infringement of the asserted claims. Commil further argues that the Federal Circuit improperly supplanted the findings of the jury with its own reasoning, such that Commil had been effectively denied its right to a jury trial. Unfortunately for Commil, the Federal Circuit's second ruling is not based on any change of law and rests on fairly solid ground as the ultimate conclusion of infringement is a legal determination subject to *de novo* review on appeal.