

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

	§	
	§	
DATATREASURY CORPORATION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION NO. 2:06-CV-72 DF
	§	
WELLS FARGO & COMPANY, et al.,	§	
	§	
Defendants.	§	
	§	
	§	

ORDER

Before the Court is Plaintiff’s Sealed Brief in Support of its Right to Post-Verdict Royalties. Dkt. No. 2452. Also before the Court are Defendants’ response, Plaintiff’s reply, and Defendants’ sur-reply. Dkt. Nos. 2457, 2458, & 2459. Having considered the briefing and all relevant papers and pleadings, the Court finds that Plaintiff’s request for post-verdict royalties should be GRANTED.

I. BACKGROUND

This is a patent infringement case involving check image technology. The Court conducted a “Phase I” trial involving Defendants U.S. Bank, Viewpointe Archive Services, LLC, and The Clearing House Payments Company, LLC on March 15, 2010, through March 26, 2010. The jury found infringement and awarded a “lump sum paid up royalty.” Dkt. No. 2089 at 2. The “Phase II” Defendants settled before their August 2010 trial setting, and the “Phase III” Defendants settled during trial in October 2010.

The Court ruled on the Phase I post-trial motions on September 27, 2010. *See* Dkt. Nos. 2363-2371. The Court held a status conference on November 12, 2010, to address any remaining issues, including the scheduling of a bench trial on Defendants' inequitable conduct case. *See* 11/12/2010 Tr., Dkt. No. 2460. At that conference, the Phase I Defendants waived their inequitable conduct defense and counterclaim. *Id.* at 3:17-20. The parties only remaining dispute is whether Plaintiff is entitled to post-verdict damages. *Id.* at 3:22-4:1.

II. DISCUSSION

The Court instructed the jury that “[d]amages may only be awarded up through the time of trial and not beyond that time.” Dkt. No. 2083 at 22. The verdict form also asked the jury to find either a “running royalty” or a “lump sum paid up royalty,” as part of the Court’s effort to avoid any potential dispute about prejudgment interest:

. . . I think it bears mentioning for the Federal Circuit, we actually have a finding for the jury, if they reach this interrogatory, on whether the running -- the royalty rate is a running royalty or a lump-sum royalty.

As I told the attorneys in conference informally, I have a case where that has become a big issue as far as the amount of interest that is allowed, some 2-million-dollar difference on a 5-million-dollar judgment, so I thought it would be helpful.

No one seemed to oppose that.

3/25/2010 P.M. Tr., Dkt. No. 2114 at 41:8-18. No party objected to these verdict form interrogatories regarding the type of royalty, and no party suggested that these interrogatories would conflict with any of the Court’s other instructions to the jury. *See id.*

Plaintiff argues that “the jury was specifically instructed to cabin its damages award to the limited time period between the commencement of infringement and trial, and that U.S. Bank should be ordered to pay an ongoing royalty for continued, post-trial use” Dkt. No. 2452 at

2. Plaintiff argues that nothing in the verdict form or jury instructions contradicted the above-quoted instruction limiting the time frame for damages. *Id.* at 4. Plaintiff also notes that some of its license agreements provide for a lump sum payment to cover a certain period of time, followed by a running royalty thereafter, for example. *Id.* at 3.

Plaintiff requests that the Court order the parties to meet and confer regarding “a royalty rate and a procedure for periodic payment of royalties from the date of trial forward,” and Plaintiff submits that any disputes regarding the royalty rate can be resolved post-judgment. *Id.* at 2-3. Plaintiff presents no argument regarding the appropriate royalty rate or base, instead submitting that the Court only requested briefing on the availability of post-verdict royalties, not their amount. *Id.* at 6 n.5.

Defendants respond that Plaintiff’s own expert explained that a “lump sum” royalty is a “set dollar amount” for “whatever may have happened in the past and going into the future, basically, paying it all at once.” Dkt. No. 2457 at 1 (quoting 3/19/2010 A.M. Tr., Dkt. No. 2105-1 at 21:6-16). Also, Defendants note, the verdict form explained that a “lump sum paid up royalty” is “a fixed amount paid to the patent holder regardless of use of the purported invention over time.” *Id.* at 1 (quoting Dkt. No. 2089 at 6 & 7). Defendants submit that while Plaintiff’s expert proposed a running royalty, Defendants’ expert proposed a lump sum for the full life of the patents. *See id.* at 1-3.

Defendants further submit that because the Court granted Defendants’ post-trial motion regarding non-infringement as to Claim 46 of the ’988 Patent, any infringement by U.S. Bank in conjunction with Viewpointe ended in 2008. *Id.* at 5 n.3. Defendants conclude that any post-verdict infringement could thus only arise out of U.S. Bank’s use of The Clearing House, for

which the jury found no willfulness and awarded less than 1.5% of the total damage award. *See id.* Defendants further argue that Plaintiff proposes an impossible hypothetical negotiation in which the parties, back in 2003, negotiated a lump sum to cover use of the patents only up through the time of trial in March 2010. *Id.* at 6. Finally, Defendants note that Plaintiffs did not object to the verdict form presenting a clear choice between a “running royalty” or a “lump sum paid up royalty” and nothing in between. *Id.* at 7 n.5

Plaintiff replies that Defendants fail to rebut that the jury must be presumed to have followed the Court’s instructions. Dkt. No. 2458 at 1. Plaintiff also submits that Defendants have not challenged Plaintiff’s proposed procedure of requiring the parties to negotiate an appropriate royalty rate. *Id.* Plaintiff argues that the trial testimony of its expert regarding a lump sum royalty for future use is not inconsistent with considering future use only up to the time of trial. *Id.* at 2. Finally, Plaintiff analogizes the above-captioned case to *Paice LLC v. Toyota Motor Corp.*, Civil Action No. 2:04-CV-211, in which this Court set a post-verdict royalty rate. *Id.* at 4.

In sur-reply, Defendants argue that *Paice* is distinguishable because the jury instructions were different. Dkt. No. 2459 at 1.

Defendants rely on *Trans-World Mfg. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1565 (Fed. Cir. 1984), in which the court noted that “[w]here the damage award is based upon an assumed license for the life of the patent, there is no need to enjoin use, since the license fee authorizes use.” *Trans-World* was a design patent infringement case in which the district court vacated a jury finding of invalidity and found infringement but then postponed a new trial on damages pending appeal. *Id.* at 1558. Because a jury had not yet found damages, the passage

relied upon by Defendants does not provide any clear, binding guidance for this Court:

In the present case . . . there is no way of knowing on what basis the jury will determine damages. We cannot foretell whether the damage award will be based upon a reasonable royalty or some other basis, or if based upon a royalty whether it will be a flat amount or reflect the actual use of the [infringing] display racks. Ordinarily an injunction is designed to prevent future infringement, and damages are awarded as compensation for past infringement. Where the damage award is based upon an assumed license for the life of the patent, there is no need to enjoin use, since the license fee authorizes use. The propriety of an injunction against use, however, arises only if the damages are based upon a flat amount giving the licensee the right to use the patent for its life. Since we do not now know the basis upon which the jury will determine damages, an injunction against use is necessary. If the jury should award damages based upon a flat fee for use of the patent, the district court then may modify the injunction to eliminate the prohibition against use.

Id. at 1565. Because the issue of damages had yet to be tried, the *Trans-World* court had no jury verdict to analyze. Having no jury finding on damages, the critical question in the above-captioned case—determining what the jury awarded—was not before the court in *Trans-World*.

Even reading Defendants' expert's testimony as proposing a lump sum royalty paid up for all future use, and even assuming the jury credited that testimony, the jury was bound by the Court's instruction to only award damages up through the time of trial. Dkt. No. 2083 at 22. The Court must presume that the jury followed that instruction. *See Stambler v. RSA Sec., Inc.*, Nos. 04-1129, -1147, -1148, 123 Fed. App'x 982, 986, 2005 WL 352606, at **3 (Fed. Cir. Feb. 11, 2005) (rejecting argument regarding purportedly improper "false theme" at trial because district court properly instructed jury and "[b]ecause we presume the jury follows the instructions provided by the district court . . ."); *U.S. v. Davis*, 609 F.3d 663, 677 (5th Cir. 2010) (regarding dispute about instructions on future dangerousness, finding instructions adequate and noting that "[w]e presume that the jury follows their instructions."); *Hollis v. Provident Life and Acc. Ins.*

Co., 259 F.3d 410, 417 (5th Cir. 2001) (regarding instruction not to consider certain evidence during deliberations, noting that “[j]uries are presumed to follow the instructions of the court.”). Plaintiff’s request for post-verdict royalties should therefore be granted.

The parties are in a better position than the Court to determine what the post-verdict reasonable royalties should be, so the parties should meet and confer regarding the amount of post-verdict royalties, both for supplemental damages (for the time between trial and judgment) and for post-judgment ongoing royalties. *Cf. Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1315 (Fed. Cir. 2007) (“In most cases, where the district court determines that a permanent injunction is not warranted, the district court may wish to allow the parties to negotiate a license amongst themselves regarding future use of a patented invention before imposing an ongoing royalty.”); *see also id.* at 1317 (Rader, J., concurring) (“[T]he parties to a license are better situated than the courts to arrive at fair and efficient terms.”). If the parties are unable to agree, any dispute should be submitted to the Court within 30 days of this Order. *See id.* at 1315 (“Should the parties fail to come to an agreement, the district court could step in to assess a reasonable royalty in light of the ongoing infringement.”); *see also id.* at 1317 (Rader, J., concurring) (“Of course, if the parties cannot reach agreement, the court would retain jurisdiction to impose a reasonable royalty to remedy the past and ongoing infringement.”).

III. CONCLUSION

Plaintiff’s request for post-verdict royalties (Dkt. No. 2452) is hereby **GRANTED**. The parties are hereby **ORDERED** to meet and confer on the amount of post-verdict royalties. If the parties are unable to agree, any dispute should be submitted to the Court within 30 days of this Order. Any such submission should be made by letter to the undersigned and should simply

state—without argument—that the parties dispute the amount of post-verdict royalties. The Court can then set a status conference to determine the manner by which the dispute will be resolved.

IT IS SO ORDERED.

SIGNED this 12th day of January, 2011.

A handwritten signature in black ink, appearing to read "David Folsom", written over a horizontal line.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE