UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

STC.UNM, Plaintiff, v. INTEL CORPORATION, Defendant.	Civil No. 10-CV-01077-RB-WDS

STC'S SUPPLEMENTAL SUBMISSION IN SUPPORT OF MOTION TO COMPEL

STC is compelled to bring to the attention of the Court a misrepresentation made by Intel's counsel regarding *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 434 F. Supp.2d 257 (S.D.N.Y. 2006). Specifically, during oral argument, Intel's counsel had the following to say:

> So the Merck case . . . had a number of different theories in the case, and one of the theories was: *Hey, we're entitled to a reasonable royalty for your stuff that's going to happen after the patent expires. The Court actually granted summary judgment on that and said: No.* But with respect to the lost profits component of your model, stuff where you can actually prove that you're losing sales, the case law does say accelerated market entry is a viable theory. (emphasis added).

Transcript (May 18, 2011) (Ex. A) at 24:15-24.

The *Merck* decision, however, does not include the words royalty or royalties, and, let alone any discussion of the availability of accelerated market entry to a claim for reasonable royalty damages. At ***no*** time did the court distinguish between lost profits and reasonable royalties for purposes of accelerated market entry. *See id.* at 265-66.

Nor was the court in *Merck* required to do so, as Merck was not seeking a reasonable royalty. A review of the declaration of Merck's expert submitted in opposition to the summary judgment motion that resulted in the afore-cited *Merck* decision reveals the Merck sought only lost profits. *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 1:05-cv-03650-DC, Declaration of

Raymond S. Sims (S.D.N.Y. Nov. 23, 2005) [Docket No. 25] (Ex. B). Thus, the court in *Merck* had no occasion to address the applicability of accelerated market entry to reasonable royalty damages.

Even more importantly, in its opposition, Merck cited a case in which an accelerated market entry component was included as part of the reasonable royalty damages awarded to the patentee. *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.,* 1:05-cv-03650-DC, Merck's Opposition (S.D.N.Y. No. 23, 2005) [Docket No. 23] (Ex. C) at 17, *citing Coyle v. Sega of America,* CV 90-2323 RJK (C.D. Cal. April 10, 1991) (jury awarded the patentee $21 million in reasonable royalties for accelerated market entry).[1] Of course, this is contrary to Intel's main argument for denying STC's Motion to Compel, which is that AME damages are not available to a reasonable royalty plaintiff.

In sum, Merck was not seeking a reasonable royalty, and the court in *Merck* had no occasion to address the availability of accelerated market entry damages as part of a reasonable royalty award, contrary to the express representation made by Intel's counsel at oral argument. Further, Merck did cite to a case where accelerated market entry did apply to a reasonable royalty claim.

[1] Merck also cited *Bayer AG. v. Housey Pharms.*, in which the court stated "[a]ccelerated reentry damages … are not the equivalent of a royalty which extends beyond the expiration of the patent." *Bayer AG. v. Housey Pharms.*, 228 F. Supp.2d 467, 473 (D. Del. 2002), *quoting Amsted Indus. Inc. v. National Castings Inc.*, 1990 U.S. Dist. LEXIS 8553 (N.D. Ill. Jul. 11, 1990).

Dated: May 25, 2011

Respectfully submitted,

/s/ Steven R. Pedersen

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Certificate of Service: I hereby certify that on May 25, 2011, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system which will send notification of such filing via electronic mail to all counsel of record.

/s/ Steven R. Pedersen