

# Exhibit B

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

**QPSX DEVELOPMENTS 5 PTY LTD.,**

**Plaintiff,**

**v.**

**JUNIPER NETWORKS, INC.,  
NORTEL NETWORKS, INC.,  
LUCENT TECHNOLOGIES INC.,  
CISCO SYSTEMS, INC., AND  
ALCATEL USA, INC.,**

**Defendants.**

**CIVIL ACTION NO. 2-05CV-268-TJW**

**NORTEL'S RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW,  
MOTION FOR NEW TRIAL AND MOTION FOR REMITTUR AND BRIEF IN  
SUPPORT**

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Defendant Nortel Networks Inc. (“Nortel”) revises all previous grounds for Judgment as a matter of law (“JMOL”) and respectfully submits this Renewed Motion For JMOL, Motion For New Trial And Motion For Remittur and brief in support. Nortel’s motion should be granted for the reasons set forth below.

### I. PRELIMINARY STATEMENT

The verdict cannot be entered as a judgment because it lacks the foundation that the law requires. One need only look to the damage number (\$28 million) to see the largest manifestation of the flaws. This Court correctly excluded Walter Bratic’s attempt to inflate the royalty rate of his already inflated damages calculation, and yet the jury awarded an amount that is 250% of the \$11 million figure that was the highest award on which Mr. Bratic was permitted to opine. *See infra* § III.E.1. At a minimum, Nortel is entitled to a remittitur under threat of a new trial of the entire case.

The evidence of willful infringement is equally deficient. QPSX makes *no claim* (because it cannot) that Nortel copied QPSX’s technology, there is no showing that Nortel was actually even aware of the ‘499 patent before this suit was filed, and QPSX admitted that it did not provide notice to Nortel prior to filing this suit. Moreover, as soon as it became aware of the patent (and after QPSX itself had settled on a theory *du jour* concerning which products infringed that patent) Nortel’s patent counsel reasonably opined that infringement did not occur. The Federal Circuit’s standard for willfulness is much higher than that, and thus the finding of willfulness is unfounded. Regardless, no enhancement of damages is called for here.

Indeed, even QPSX's theory of infringement belies a finding of willfulness and damages more than twice what QPSX's notorious expert<sup>1</sup> would support. This case does not involve direct infringement by defendant Nortel. Instead, it depends upon the supposition that *someone* else, out there, *somewhere*, must be using Nortel's equipment to directly infringe QPSX's patent. Of course, QPSX never bothered to find out who or in what numbers, undermining both the damages award and the notion that Nortel indirectly infringed at all.

For the reasons previously urged and set out herein, Nortel is entitled to JMOL, or at a minimum, a new trial calculated to remedy the prejudice Nortel has suffered.

## II. GROUNDS FOR JMOL OR NEW TRIAL & STATEMENT OF ISSUES

JMOL or a New Trial for Nortel is required for the following reasons:

(1) There was legally insufficient evidence to support the jury's verdict that sales of Nortel's multiservice switch ("MSS") 7000 series, 15000 series and 20000 series products contribute to the infringement or induce infringement of any of method claims 1-3 of the '499 patent.

(2) There was legally insufficient evidence to support the jury's verdict that Nortel's purported infringement was willful.

(3) There was uncontroverted evidence that the '499 patent was invalid.

(4) There was legally insufficient evidence to support the jury's award of damages to QPSX.

(5) The Court's mid-trial amendment to its Markman Order was prejudicial to Nortel.

(6) Prohibiting Mr. Kummer from testifying as a lay witness beyond his deposition was prejudicial.

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<sup>1</sup> *Flourine On Call, Ltd. v. Flourogas, Ltd.*, 380 F.3d 849, 860-61 (5th Cir. 2004) (criticizing Mr. Bratic for a speculative lost profits opinion).

### III. ARGUMENT AND AUTHORITIES

#### A. Standard Of Review

A court should render JMOL under Rule 50(a) when “a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for that party on that issue.” FED. R. CIV. P. 50(a).<sup>2</sup> JMOL is proper when “the facts and inferences point so strongly and overwhelmingly in favor of one party that the court concludes that reasonable jurors could not arrive at a contrary verdict.” *Arsement v. Spinnaker Exploration Co.*, 400 F.3d 238, 248-49 (5th Cir. 2005) (quoting *Bellows v. Amoco Oil Co.*, 118 F.3d 268, 273 (5th Cir. 1997)). JMOL is also appropriate if “there is such a complete absence of evidence supporting the verdict that the jury’s findings could only have been the result of sheer surmise and conjecture.” *Galdieri-Ambrosini v. Nat’l Realty & Dev. Corp.*, 136 F.3d 276, 289 (2d Cir. 1998) (citations omitted). The Supreme Court has recently instructed that:

[T]he court should review all of the evidence in the record...In doing so, however, the court must draw all reasonable inferences in favor of the non-moving party, and it may not make credibility determinations or weigh the evidence...the court should give credence to the evidence favoring the non-movant as well as that “evidence supporting the moving party that is uncontradicted and unimpeached, at least to the extent that that evidence comes from disinterested witnesses.”

*Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150-151 (2000) (citations omitted).

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<sup>2</sup> The sufficiency of evidence for the issues tried to the jury is, generally, reviewed under the law of the regional Circuit Court of Appeals, here the Fifth Circuit. However, since the substantive issues themselves are matters of patent law, the law of the Court of Appeals for the Federal Circuit applies to non-infringement, lack of willfulness, invalidity, and priority. *See. Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1106 (Fed. Cir. 2003). The excessive damages issue is governed by Fifth Circuit law as a matter not unique to the patent law. *Id.*

Under Rule 59(a), new trials: “may be granted to all or any of the parties and on all or part of the issues (1) in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States.” FED. R. CIV. P. 59(A) (2007). A motion for new trial at common law could be based on any number of grounds. Such a motion “may invoke the discretion of the court in so far as it is bottomed on the claim that the verdict is against the weight of the evidence, that the damages are excessive, or that, for other reasons, the trial was not fair to the party moving; and may raise questions of law arising out of alleged substantial errors in admission or rejection of evidence or instructions to the jury.” *Montgomery Ward & Co. v. Duncan*, 311 U.S. 243, 251 (1940).

**B. There Is Legally Insufficient Evidence To Support A Finding Of Indirect Infringement By Nortel**

It is uncontested that Nortel does not directly infringe the ‘499 Patent. (4/16 PM:10:11-16) As a result, the only charges of infringement against Nortel were induced and contributory infringement of method claims 1-3. (*Id.*:10:17-20). The elements required for these forms of infringement are not met, and moreover, there is legally insufficient evidence of direct infringement by anyone.

***1. A finding of indirect infringement cannot stand because there is legally insufficient evidence of direct infringement***

Proof of direct infringement by a third party is a prerequisite to finding both induced<sup>3</sup> and

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<sup>3</sup> To prove induced infringement, QPSX must prove by a preponderance of the evidence that Nortel: (1) had knowledge of the ‘499 patent; (2) actively encouraged or instructed another person how to use the process in a way that infringes the method claims; (3) specifically intended to cause direct infringement, and not just the activity itself, and knew or should have known that its actions would cause direct infringement; and, (4) the induced person directly infringed the method claims in the United States. *See DSU Med. Corp. v. JMS Co. Ltd.*, 471 F.3d 1293, 1303 (Fed. Cir. 2006).

contributory<sup>4</sup> infringement. *Fina Research, S.A. v. Baroid Ltd.*, 141 F.3d 1479, 1484 (Fed. Cir. 1998) (citing *Met-Coil Sys. Corp. v. Korner's Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986); *C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc.*, 911 F.2d 670, 673 (Fed. Cir. 1990) (“Of course, a finding of induced or contributory infringement must be predicated on a direct infringement. . .”). Here, there is legally insufficient evidence for a reasonable jury to find infringement.

Without limitation, QPSX offered only supposition and conjecture on the issue of actual use of the accused products *in an infringing manner* by Nortel’s customers. QPSX failed to provide evidence demonstrating that Nortel’s customers actually used the accused products to perform EPD or whether they even enabled EPD.<sup>5</sup> QPSX called no customer witnesses nor did it provide any customer documentation. QPSX did not provide any witness with first hand knowledge of customer use. *See. Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.* 2002 WL 1801525, No. IP 96-1718-CH/K, at \*28 (S.D. Ind. July 5, 2002)<sup>6</sup> (“The problem for CPI is that it

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<sup>4</sup> Under 35 U.S.C § 217(c), contributory infringement requires a showing that the defendant sold or offered to sell or imported into the United States a component of a patented invention that constitutes a material part of the invention, knowing it to be especially made or especially adapted for use in an infringement of the patent and that the component is not a staple article or commodity of commerce *suitable for substantial noninfringing use*. (emphasis added) On the element of substantial noninfringing use, it is the plaintiff’s burden to make a prima facie showing that there is no substantial non-infringing use, which the defendant must then rebut. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1363 (Fed.Cir.2006).

<sup>5</sup> Dr. Olivier admitted that the accused products are shipped with EPD defaulted to off. (4/16 PM:32:7-9).

<sup>6</sup> No appeal was taken from the relevant decision, reversed on another patent, *Cardiac Pacemakers* 381 F.3d 1371 (Fed. Cir. 2004) (“No appeal is taken as to the ‘472 patent.”). On remand regarding infringement and damages on another patent the District Court held, as a matter of law, that “damages for infringement of [a method claim] are limited to only those devices that can be shown to have executed the claimed method.” *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 418 F.Supp.2d 1021, 1042 (S.D. Ind. 2006). The CPI court distinguished

presented no evidence at all that any physician has ever used a St. Jude device in this manner.”).<sup>7</sup>

“[I]n the absence of evidence of actual infringing use, there simply is no basis for a finding of infringement . . . . [plaintiff’s] suggestion that the jury was ‘free to conclude’ that such use had occurred is a baseless invitation for speculation.” *Cardiac*, 2002 WL 1801525 at \*29.<sup>8</sup> “Simply

infringement of the method claims from infringement of an apparatus claim which “was directly infringed by each sale of the device, whether it was used or not.” (*Id.* at 1041).

<sup>7</sup> Dr. Olivier, QPSX’s expert, proclaimed his interpretation of the claims and his unsupported opinion that EPD is covered by the claims. As a consequence, and ignoring that method claims are involved, he testified that the accused products **can** perform EPD and *a fortiori*, the accused products infringe the claims. QPSX merely presented testimony from Dr. Olivier that based on his experience in the industry, Nortel customers were using EPD. (4/16 AM:100:4-19). Not Nortel EPD, not EPD on Nortel products, just EPD. (*Id.*:132:4-16) Dr. Olivier testified that he never (i) interviewed Nortel’s customers, (ii) even saw an accused Nortel product or (iii) reviewed any documents that reflect customer configuration or use. (4/16 PM:21:5-7, 13-16, 22:4-11, 22:21-23:3, 24:19-25:3). Accordingly, Dr. Olivier’s conclusion that Nortel’s customers use the accused products in an infringing manner is nothing but the *ipse dixit* of an expert. Reasonable jurors cannot rely on such conclusory opinion completely divorced from any facts. “Actual infringing use must be shown.” *Cardiac*, at \*29.

Moreover, Dr. Olivier never presented at trial an element by element analysis showing whether EPD or the accused products performing Nortel’s version of EPD actually meet the limitations of Claims 1-3 of the ‘499 patent. In fact, when confronted with this analysis on cross examination, QPSX’s expert admitted that if “at all times” means “at all times” then the accused products do not infringe the claims of the ‘499 patent (*Id.*:58:20-24; 61:7-10; 70:16-25; 72:20-25; 73:13-74:5). The Court’s January 10, 2007 Markman ruling and its April 17, 2007 revised Markman ruling make it apparent that “at all times” means “at all times.” Additionally, Dr. Budrikis, a named inventor of the ‘499 patent, testified that operation on a single frame would not solve the problem that he and his co-inventors recognized. Instead, the invention would have to operate every time congestion occurred (*i.e.*, at all times) (*Id.*:134:10-12, 16-18).

Dr. Olivier also admitted that he did not make a determination as to how the AQM chips operate EPD on multiple virtual channels within a single virtual path and that if the claims require at least two virtual channels to be associated with each buffer then the Nortel chips which perform per-VC queuing cannot infringe. (*Id.*:67:19-68:5; 46:20-47:7)

<sup>8</sup> QPSX made no attempt to refute testimony from Nortel that the accused products are shipped to customers with EPD/PPD **disabled** as a default. (4/18 AM:63:9-12) Its expert Dr. Olivier admitted that (i) the accused products are shipped with EPD defaulted to off, (ii) he did not know how many customers actually turned the feature on, and (iii) he had no direct evidence

inferring customers used a device in an infringing manner without showing at least one customer actually performed all the steps of the claimed method is not sufficient.” *Lucent Tech. Inc. v. Gateway, Inc.*, 2007 WL 925502, at \*5 (S.D. Cal. Mar. 19, 2007); *see also E-Pass Tech., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1222 (Fed. Cir. 2007). Thus, the Court should grant JMOL of no indirect infringement or alternatively a new trial.

**2. *Nortel MultiService Switches are staple articles or commodities of commerce suitable for substantial non-infringing use***

There is legally insufficient evidence for a reasonable jury to find any element of contributory infringement. Without limitation, contributory infringement under 35 U.S.C. §271(c) may be found unless the accused device is a staple article or commodity of commerce *suitable for substantial noninfringing use*. 35 U.S.C. § 271(c). To determine if Nortel’s MSS products are staple articles or commodities of commerce having substantial non-infringing use, the Court must look at the entire device, not just the part capable of practicing the asserted claims. *See Hodosh v. Block Drug Co.*, 833 F.2d 1575, 1578-79 (Fed. Cir. 1987).

Under the Supreme Court and the Federal Circuit precedent an item is defined as a “nonstaple” article if it has no uses except for practicing the claimed invention. *See Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980) (“propanil is a nonstaple commodity which has no use except through practice of the patented method”); *C.R. Bard, Inc. v. Advanced Cardiovascular Sys.*, 911 F.2d 670 (Fed. Cir. 1990) (applying the Supreme Court’s “no use” standard in *Dawson* to reverse summary judgment of contributory infringement because the accused catheter has use other than through practice of the patented method). Here, the accused

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that any Nortel customers actually use the accused products in an infringing manner. (4/16 PM:32:7-20).

Nortel MSS products have substantial non-infringing uses,<sup>9</sup> which makes them staple articles or commodities of commerce, and negates a finding of contributory infringement.

Since Nortel sells such staple articles or commodities of commerce having substantial non-infringing uses, Nortel, as a matter of law, cannot be a contributory infringer. *Lucent Tech. v. Gateway, Inc.*, 2007 WL 925502, at \*5 (S.D. Cal. Mar. 19, 2007) (granting summary judgment of no contributory infringement where the accused software product had many non-infringing uses and configurations). QPSX attempted and succeeded at confusing the jury by improperly equating staple articles with flour, toothpaste, shampoo and other items that can only be purchased at stores such as Wal-Mart, Kroger or Home Depot. (4/19 AM:44:11-17)<sup>10</sup> The record mandates granting JMOL of no contributory infringement or a new trial.

**3. *There is no evidence of Nortel's specific intent to induce infringement of the '499 patent***

There is legally insufficient evidence to allow a reasonable jury to find any element of indirect infringement by inducement. Without limitation, intent to induce infringement requires, *inter alia*, both knowledge of the patent and specific intent to cause the performance of the

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<sup>9</sup> (4/18 AM:61:3-62:18). QPSX's own technical expert admitted that the accused MSS 7000 series, 15000 series and 20000 series products, have substantial non-infringing uses such as in voice only networks, Ethernet only networks, frame relay only networks, HSSI only networks, TDM only networks or any combination of the same. (4/16 PM:11:9-15:9; 16:22-25).

Nortel also provided testimony that even when operating in an ATM environment, the accused Nortel switches are capable of substantial non-infringing uses such as LPD, WRED and PPD. (4/18 AM:60:13-19; 68:14-21). There is at least one configuration of the accused Nortel switches operating with an ATM line card which is not even accused of infringing the claims of the '499 patent (4/16 PM:30:8-10). Additionally, all accused Nortel switches operating with an ATM line card that is capable of performing EPD always combine EPD with PPD. (4/18 AM:47:24-48:6).

<sup>10</sup> The jury instructions did not correct this incorrect and prejudicial statement made during closing arguments. This prejudicial error, as well as other errors in the jury instructions require a new trial.



claimed invention. *See DSU Med. Corp. v. JMS Co. Ltd.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (*en banc*). “Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement.” *Id.* at 1306.

QPSX provided no legally sufficient evidence of Nortel’s intent. This is clear from the testimony of Dr. Olivier who admitted that if citation of the ‘499 patent by the Patent Office is not sufficient notice of the patent for induced infringement (and it is not *See infra* III.C.1.), QPSX has no proof of Nortel’s intent with regard to induced infringement (4/16 PM:39:5-9).<sup>11</sup> Indeed, specific intent is a legal impossibility. To intend infringement of a patent, actual knowledge that such a patent exists is required as is knowledge that an induced action would be an actual infringement. *DSU Med.*, 471 F.3d at 1306 (*en banc*). Here, there cannot be any dispute that Nortel first became aware of the ‘499 patent when it was sued by QPSX in June 2005.<sup>12</sup> QPSX

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<sup>11</sup> While QPSX presented Nortel documents, which teach how to turn EPD/PPD on, these documents only demonstrate that Nortel instructed others how to perform EPD/PPD, an allegedly infringing act. They do not support a finding of specific intent to infringe the claims of the ‘499 patent. The terminology EPD is not found in the ‘499 patent and Dr. Olivier testified that claim 1 is not an implementation of EPD. (4/16 PM:63:12-13). Thus more than simply a statement that Nortel teaches EPD is needed to prove Nortel specifically intended that a third party infringe the claims of the ‘499 patent.

<sup>12</sup> QPSX’s arguments that Nortel obtained knowledge or notice of the ‘499 patent as a result of two events, which occurred before the ‘499 patent issued in 1997, are legal impossibilities. First, attendees of a 1993 conference presentation in France by one of the inventors of the ‘499 patent could not have learned of the ‘499 patent because it did not exist. QPSX had not even filed for a U.S. patent at that time. Only an Australian Provisional Application had been filed. (4/17 PM:114:6-9.) Second, an alleged phone call from the T.I.M. organization in 1996 to “Nortel” employees in Canada” (even though neither NNL nor Nortel existed then) was also prior to the existence of the ‘499 patent. (4/17 AM:62:12-63:3)

The third alleged notice of the ‘499 patent to Nortel is urged to have occurred in 1998 when the U.S. Patent and Trademark Office listed the ‘499 patent as a reference it reviewed for background purposes in a Northern Telecom Limited (“NTL”) patent application, which is not related to the accused Nortel products. (PX1042) The PTO did not make an issue out of the ‘499 patent and did not reject Nortel’s application over it, just listing it as of interest. Therefore, neither NTL nor Nortel had knowledge of the ‘499 patent in 1998 and even if one

admitted that it did not give any notice of the '499 patent to Nortel until QPSX filed suit in June 2005. (4/18 AM:14:9-13).

Therefore, Nortel's pre-suit sales of the accused products involved no specific intent to have its customers directly infringe a patent about which it had no knowledge. Moreover, after the suit was filed, Nortel promptly sought an opinion of counsel which confirmed that the accused Nortel products did not infringe the '499 patent. (*Id.*:20:22-21:4; 22:1-4) Nortel agreed with and relied on this competent opinion of counsel and cannot be held to have had a specific intent to induce infringement because opinion counsel deemed such activities to be non-infringing. (4/18 PM:21:24-22:4).

Assuming *arguendo*, Nortel advertising and marketing documents<sup>13</sup> could be said to demonstrate Nortel's encouragement to perform EPD, such documents cannot also be proof of customer use. Neither Nortel nor QPSX has firsthand knowledge of how customers use the accused Nortel products. Certainly customers are free to use some suggestions from Nortel's

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argues that notice was provided to NTL, this is not notice to Nortel, then NTI. *MacPike v. Am. Honda Motor Co.*, 1993 WL 632261, No. 92-30094/LAC, at \*8 (N.D. Fla. Oct. 1, 1993) (rejecting defendant's knowledge of the plaintiff's patented device where there was no evidence that employees who allegedly saw it "were employees of American Honda as opposed to Honda of Japan").

<sup>13</sup> The only purported evidence of customer use that QPSX presented consisted of two documents: PX-262, which is page 35 of a Sprint Product Reference Guide and PX1006, which is a May 3, 2000 Nortel document entitled GTE California ATM Design. However, QPSX's expert, Dr. Olivier admitted that the Sprint document makes no mention of any Nortel product and the GTE document is not proof that Nortel actually sold any products to GTE. (4/16 PM:76:5-23; 78:8-79:1). The only other purported evidence of customer use that QPSX presented was various generic documents touting the benefits of EPD. There is no mention in these documents of an accused Nortel product installed or operating in any manner in a customer network. The courts have rejected this approach to proving actual use through inconclusive documents. *See E-Pass Tech., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1222 (Fed. Cir. 2007) ("this chart does not demonstrate that Visa actually performed or induced anyone to perform all of the steps of the claimed method, much less that it did so in the necessary order and in the United States.").

marketing documents and disregard others. The fact that Nortel made certain suggestions in its marketing documents is not evidence that customers implemented any of them. *See E-Pass Tech., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1222 (Fed. Cir. 2007) (“the evidence here shows, at best, that the Palm defendants taught their customers each step of the claimed method in isolation. Nowhere do the manual excerpts teach all of the steps of the claimed method together, much less in the required order. Accordingly, it requires too speculative a leap to conclude that any customer actually performed the claimed method.”). Therefore, since the verdict is not supported by any evidence of actual use of the accused Nortel products, the Court should enter JMOL of non-infringement or alternatively grant a new trial.

**C. There Was No Willful Infringement And Damages Should Not Be Increased**

There is legally insufficient evidence upon which a reasonable jury could find willfulness. Without limitation, Nortel promptly sought and obtained an opinion of patent counsel after receiving actual notice of the patent. (4/18 AM:20:22-21:4; 22:1-4) This opinion concluded that the ‘499 patent was not infringed by Nortel products. Nortel did not copy any of the patented technology and no contrary proof was submitted by QPSX. Before QPSX filed this case, Nortel did not receive an offer to license or a charge of infringement and was otherwise unaware of the ‘499 patent before QPSX filed its case. Although the ‘499 patent was cited in a patent owned by its parent Northern Telecom Limited (“NTL”),<sup>14</sup> the ‘499 patent was only cited by the Patent Office as of interest and outside counsel never brought it to the attention of Nortel

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<sup>14</sup> As Nortel’s corporate representative, Erik Fako, testified, Northern Telecom Inc. eventually became Nortel Networks Inc. Northern Telecom Limited eventually became Nortel Networks Limited (4/18 AM:23:4-20).

or its predecessor.<sup>15</sup> A fair minded jury could not have reached a verdict of willfulness given this uncontradicted evidence. Accordingly, the Court should enter a JMOL of lack of willfulness or alternatively grant a new trial and, in any event, should not increase the amount of compensatory damages.

**1. There is legally insufficient evidence to support a finding of actual knowledge of the '499 patent prior to this lawsuit**

“Willfulness is a determination as to a state of mind. One who has actual notice of another's patent rights has an affirmative duty to respect those rights.” *Read Corp. v. Portec Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992) (citing *Rolls-Royce, Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109 (Fed. Cir. 1986)). Willfulness requires actual notice of an issued patent.<sup>16</sup> *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed.Cir.1985) (“ To willfully infringe a patent, the patent must exist and one must have knowledge of it.”). There is an utter void of legally sufficient evidence regarding Nortel’s knowledge, and a mountain of uncontradicted evidence to the contrary. Indeed, QPSX relies largely if not entirely upon alleged knowledge before the patent issued. *See supra* § III.B.2. Thus, the Court should set the willfulness verdict aside and grant a JMOL of no willful infringement. *Read Corp. v. Portec Inc.*, 970 F.2d 816, 828-30 (Fed. Cir. 1992) (granting JMOL of no willful infringement because no “reasonable juror

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<sup>15</sup> References cited during patent prosecution as being of interest require only minimal review as there is no requirement to address this type of reference in the response to the Patent Office. Under 37 C.F.R. §1.111(b), “in order to be entitled to reconsideration or further examination, the applicant or patent owner must reply to the office action. The reply must ... present arguments pointing out the specific distinctions believed to render the claims . . . patentable over any *applied references*.” (emphasis supplied).

<sup>16</sup> *Conopco, Inc. v. May Dept. Stores Co.*, 46 F.3d 1556, 1562 (Fed. Cir. 1994 ) (“Although these activities may have been undertaken with knowledge that a patent application covering the relaunched lotion formulation was pending (in view of the "patent pending" notice affixed to the relaunched product), that is insufficient to support a finding of willfulness. *See State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed.Cir.1985).”)

could find the asserted proof of willfulness rose to the quantum of clear and convincing evidence” where plaintiff did not present “any substantial evidence which indicates that [defendant] did not have a good faith belief that it was not infringing, because it had successfully “designed around” the ... patent”); *MacPike v. Am. Honda Motor Co.*, 1993 WL 632261, No. 92-30094/LAC, at \*8 (N.D. Fla. Oct. 1, 1993) (granting directed verdict of no willful infringement where the court was unwilling “to force a jury into . . . speculation” based on “insufficient evidence” of defendant’s knowledge of the plaintiff’s patented device where there was no evidence that employees who allegedly saw it “were employees of American Honda as opposed to Honda of Japan”).

**2. QPSX did not present any evidence of Nortel’s copying of the patented method**

It is uncontroverted that Nortel did not copy QPSX’s technology since Nortel implemented its own technology in the accused products. (4/18 AM:46:22-47:1). In fact, Nortel’s EPD/PPD must be used in combination. (*Id.*:47:24-48:6; 60:10-12). Moreover, Nortel uses other types of mechanisms to alleviate congestion such as WRED, and LPD, etc. all of which have been modified and customized by Nortel. (*Id.*:68:16-21; 60:13-25). Thus, there is no evidence that Nortel copied any technology of the asserted claims.

**3. Nortel obtained and reasonably relied on an opinion of counsel**

Nortel’s in-house legal counsel Mr. Erik Fako gave uncontradicted testimony regarding Nortel’s exercise of due care to determine whether the ‘499 patent was infringed. (*Id.*: 20:11-22:4). Since, at the start of the case QPSX was not specific in its infringement accusations, infringement analysis of accused products took a significant amount of time and the opinion was completed in January 2007. (*Id.*:20:9-23). Nortel agreed with and hence relied on the opinion of

its counsel in continuing to defend this case and in continuing its sales of the products deemed non-infringing by the opinion counsel.

**4. No increase in damages is warranted**

Even were the Court to deny JMOL of no willfulness, it should not increase an already unrealistic damages award based on “technical” rather than actual knowledge of the patent by Nortel’s parent NTL.<sup>17</sup> See *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 628 (Fed. Cir. 1985) (affirming district court’s refusal to increase damages where defendant’s “awareness of the patents was only “technical” [because] its patent staff routinely monitors patent activity in all areas of glass technology, but that its key people on the Clinton Coater project were not aware of the patents until this litigation arose . . . [and therefore] it did not have actual notice of the Shatterproof patents”).

The *Read* factors, which are employed by the Federal Circuit to determine whether to increase damages also favor no increase.<sup>18</sup> Nortel and QPSX have presented highly technical arguments about congestion management in virtual channels filling up buffers based on elaborate claim construction. There is no evidence that Nortel’s position was far fetched. Given this

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<sup>17</sup> “Texas courts are loathe to merge the separate legal identities of parent and subsidiary unless the latter exists as a mere tool of ‘front’ for the parent, or the corporate fiction is utilized to achieve an inequitable result, or to conceal fraud or illegality.” *Cox v. Mediq/PRN Life Support Services Inc.*, 2005 U.S. Dist. LEXIS 13509 (N.D. Tex, Feb. 13, 2006)

<sup>18</sup> The courts base their decisions on whether to increase damages on evaluation of the following *Read* factors: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; (3) the infringer’s behavior as a party to the litigation; (4) defendant’s size and financial condition; (5) closeness of the case; (6) duration of defendant’s misconduct; (7) remedial action by the defendant; (8) defendant’s motivation for harm; and, (9) whether defendant attempted to conceal its misconduct.

*Read Corp. v. Portec Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

closeness of the case and lack of egregiousness in Nortel's conduct, Nortel's size and financial condition should not factor into the decision on enhancing damages.

Nortel also was not deliberately infringing and did not have any motivation for harm as Nortel was simply competing in the marketplace with other telecom vendors, and not even with QPSX. Nortel has not concealed its alleged infringement as it fully preserved and produced documents requested by QPSX. Nortel has not been knowingly infringing for any appreciable period of time as it had promptly sought an opinion of counsel regarding non-infringement after being sued by QPSX, which was the first time QPSX gave notice of the '499 patent to Nortel. As all the factors point away from enhancement of damages, the Court should not enhance already outsized compensatory damages. *See Honeywell Int'l Inc. v Hamilton Sunstrand Corp.*, 166 F. Supp.2d 1008, 1040 (D. Del. 2001), vacated on other grounds, 370 F.3d 1131 (Fed. Cir. 2004) (holding that "the evidence was not strong enough to warrant enhanced damages" where defendant's "engineers and lawyers were made aware of the patents-in-suit when these patents were cited as prior art during prosecution of six [defendant's] patents.").

#### **D. The '499 Patent Is Invalid As A Matter Of Law**

##### ***1. The earliest priority date for claims 1-3 is March 28, 1994***

Under U.S. patent law, an application can be filed based upon an earlier filed application and be deemed to have been filed on the filing date of the earlier filed application. This process is referred to as "claiming priority to an earlier application." Stringent obligations are imposed on the priority document on which a priority claim is based. The earlier priority application must comply with, *inter alia*, the written description requirement of the first paragraph of 35 U.S.C. §112 to support the claim of priority. 35 U.S.C. §112, ¶1. *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1561 (Fed. Cir. 1991); *In re Gosteli*, 872 F. 2d 1008, 1011 (Fed. Cir. 1989).

The only finding that the evidence would permit a reasonable jury to make is that the proper priority date for claims 1-3 of the '499 Patent is **March 28, 1994**.<sup>19</sup> Therefore, the jury had no evidentiary basis for its implicit finding that the effective filing date was March 26, 1993 and the correct priority date for claims 1-3 of the '499 patent should be adjudged to be no earlier than March 18, 1994.

**2. *The SIGCOMM Romanow and Floyd article was anticipatory prior art as a matter of law***

Dr. Allyn Romanow testified that she posted the SIGCOMM Romanow and Floyd article (DX-7) on the publicly available Sun website in January of 1994, but no later than **February 1, 1994**. (4/17 AM:75:21-76:15). QPSX provided no testimony to contradict Dr. Romanow. Thus, this uncontested evidence proves that the Romanow and Floyd SIGCOMM article was published more than 1 month earlier than the PCT application, which for the previously stated reasons, is the uncontested earliest priority date for claims 1-3 of the '499 patent. QPSX also did not

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<sup>19</sup> Nortel's technical expert Dr. Leslie presented a detailed analysis of why the Australian Provisional application does not provide the required written support for the later-filed claims 1-3 of the '499 Patent (4/17 PM:121:22-124:17). Dr. Leslie explained that the fourth element of claim 1 (i) permits the discard of partial frames while the Australian Provisional Application only provides for full frame discard and (ii) the Australian provisional application only discloses cell discards resulting from congestion. (*Id.*:123:8-12; 123:18-124:5; 124:15-17). While QPSX's expert made the unsupported statement on direct examination that the priority date for claims 1-3 of the '499 patent is March 26, 1993, on cross examination he admitted that the provisional application fails to disclose non-congestion based discard even though the last element of claim 1 allows for non-congestion based discard (4/18 PM:120:14-19; 121:5-20; 126:13-17; 127:11-13; 128:6-15; 134:9-20). No reasonable and fair minded juror could have credited an *ipse dixit* statement of QPSX's expert Dr. Knightly who merely expressed his conclusion that the priority date was March 26, 1993 (*Id.*:109:11-112:5) over the factually based testimony of both Dr. Leslie and Dr. Knightly that the provisional application fails to provide support for claims 1-3 of the '499 patent.



dispute Dr. Leslie's testimony detailing how the Romanow and Floyd SIGCOMM article anticipates the asserted claims. (4/17 PM:128:14-18; 129:10-138:18).<sup>20</sup>

Thus the Court should grant JMOL that claims 1-3 of the '499 patent are invalid or alternatively grant a new trial.

**E. The Damages Award Should Be Stricken Or Alternatively A New Trial On Damages Should Be Ordered**

**1. *The jury award has no evidentiary support from Mr. Bratic or elsewhere***

There is legally insufficient evidence for a reasonable juror to award damages. The damages statute provides that a patent owner should be awarded "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty..." 35 U.S.C. §284. In its determination of a reasonable royalty, the jury is guided by the expert testimony regarding the *Georgia Pacific* factors. However, the jury is not free to deviate from the admissible expert opinion on damages in a way that is not supported by the evidence or to use "undisclosed" expert opinion, which the jury improperly heard prior to the Court excluding it. *See Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1362-64 (Fed. Cir. 2001) (applying "maximum recovery rule" to remit speculative damages of future lost profits from \$3 million to zero).

In his report, QPSX's damages expert Walter Bratic opined that, based on his analysis of the 14 *Georgia Pacific* factors, "[R]oyalty Owed to QPSX Based On a Rate of 2% (US) (in millions)" was \$12.98 million. (Bratic Report at 70.) Mr. Bratic reduced this figure to \$11.82 million at trial to exclude improper royalties based on sales of MSS 6400 products which QPSX

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<sup>20</sup> In fact Dr. Knightly testified that there is significant overlap between the Romanow and Floyd article and the '499 patent. (4/18 PM:116:5-11). Rather than attempt to substantively dispute the content of the Romanow and Floyd article and Dr. Leslie's testimony applying the disclosure to claim 1-3 of the '499 patent, QPSX's alleged validity expert, simply opined that the Romanow and Floyd reference was not prior art. (*Id.*:116:16-22).

admitted did not infringe the patent. (4/16 PM:7:13-8:3) Therefore, the highest limit of the reasonable royalty suggested to the jury and admitted into evidence was \$11.82 million.<sup>21</sup> Mr. Bratic attempted to introduce “undisclosed” opinion that the “real” reasonable royalty amount was \$20.7 million based on an undisclosed rate of 3.5%. The Court properly excluded that testimony.<sup>22</sup> Accordingly, the jury was not free to go beyond the \$11.82 million minimum amount as any greater number can only be based on an “undisclosed” opinion of Mr. Bratic.

Mr. Bratic’s opinion is not legally sufficient to support any damage award and judgment should be entered in Nortel’s favor. However, by awarding more than twice the damages that even Mr. Bratic’s speculative opinion would support, the jury rendered an award that is not supported by the evidence. *Cf. Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1333 (Fed. Cir. 2004) (finding that jury’s zero damages for proven infringement were contrary to the record where plaintiff’s expert put a reasonable royalty at 15% and defendant’s expert at 3%). Nortel

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<sup>21</sup> Q. (By Mr. Harrell) So at 2 percent, the reasonable royalty damages would be how much?  
A. Well, 11 point -- 11.8 million.  
Q. 11.8. And the big M means million, right?  
A. Yes.  
(4/17 AM:147:3-7.)

<sup>22</sup> Q. And at 3-and-a-half percent, what would it be?  
A. Well, if you took the 591 million and multiplied it by 3-and-a-half percent, you would get approximately \$20.7 million.

MR. GITTES: Objection, Your Honor, not in his expert report.

THE COURT: I'll sustain the objection. Ladies and Gentlemen, this was not revealed as part of the expert report. I know he was asked about it in his deposition, but -- cover that one up. Sustain the objection.

If -- you got his opinion -- you got his opinion as to a minimum royalty. If you -- you know, it will be up to you to decide what the damages are in this case.

(4/17 AM:147:8-23).

seeks that the excessive damages award of \$28 million be stricken. A new trial should be ordered for damages. Alternatively, Nortel asks that the award be reduced to an amount not exceeding \$11.82 million.

**2. *The verdict assessed damages against an overly inclusive royalty base with respect to time***

The Court should grant JMOL to Nortel to exclude from the royalty base Nortel's sales of the accused products between January 1999 and October 2000 and correspondingly reduce the damages.

First, inclusion in the royalty base of Nortel's sales of accused products for December 1999, when all of those products lacked the accused EPD functionality is improper. Such 1999 sales should be excluded because Nortel only made EPD available in its products in early 2000. (4/18 AM:55:1-9, 18-22, 56:12-15, 92:9-24)<sup>23</sup> Second, "no damages shall be recovered by the patentee" during the period when it or its licensees did not "give notice to the public that" their products are patented and did not mark them with the patent number. 35 U.S.C. § 287 (2006). QPSX failed to comply.

From at least January 1999 through October 2000, QPSX had a licensee of the '499 patent called Atmosphere Networks. Atmosphere Networks sold telecommunications switches called FSN 1200, which included ATM modules which practiced the claimed invention of the '499 patent. (4/18 PM:63:7-21). Mr. David Pearson, Atmosphere's employee, testified that the

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<sup>23</sup> Nortel's answer to an interrogatory mistakenly listed the date of first availability of EPD in Nortel's products as December 1, 1999. However, this information was corrected during subsequent depositions of Nortel's Rule 30(b)(6) witnesses. There was no prejudice to QPSX because Nortel provided the corrected information to QPSX more than 6 months ago. Trial testimony also confirmed this. (4/18 AM:55:1-9, 18-22; 56:12-15; 92:9-24). The refusal to allow correction of the interrogatory, and instead to permit evidence and a damage award based upon information that all parties knew to be incorrect, constitutes an abuse of discretion.

4-port ATM module performed EPD and that Atmosphere did not mark any of the product literature with the patent number. (4/18 PM:62:11-14; 65:4-19). QPSX produced documents admitting that Atmosphere's products were practicing the '499 patent. (4/16 PM:106:14-107:14). These products were not marked with the patent number as they were required to be in order to properly give notice. (4/18 PM:65:4-19).<sup>24</sup>

Thus, the royalty base used by the jury should not have included 1999 and at least the first three quarters of 2000. Yet it was included on PX-1227, which was published to the jury during deliberations. The Court should grant a JMOL excluding this from the royalty base and a new trial with respect to damages.

**3. *The award is based upon a royalty base that is overinclusive in terms of products sold***

The Court should grant JMOL to Nortel to exclude from the royalty base Nortel's sales of MSS products, which do not employ at least one line card containing either an AQM, APC, QRD or GQM chip and correspondingly reduce the damages. After excluding these MSS products, which did not include the required line cards, the Court should then only include a percentage of the remaining royalty base that could be said to infringe method claims 1-3 of the '499 patent and correspondingly reduce the damages further.

According to Dr. Olivier, infringement requires the use of a line card having one or more of the AQM, APC, QRD and GQM chips. (4/16 PM:8:4-7). However, according to Mr. Bratic,

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<sup>24</sup> The '499 patent contains both apparatus and method claims. Both types of claims were originally asserted by QPSX against Nortel. "Where the patent contains both apparatus and method claims, however, to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so if it intends to avail itself of the constructive notice provisions of section 287(a)." *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538-39 (Fed. Cir. 1993); *Soverain Software LLC v. Amazon.com, Inc.*, 383 F. Supp. 2d 904, 909 (E.D. Tex. 2005).

so long as a customer bought at least one line card with these chips, his royalty base included **all** Nortel MSS products and “**possibly others**” sold to that customer. (4/17 PM:27:5-12). This is simply another example of Mr. Bratic’s lack of understanding of the laws of supply and demand. (*Id.*:28:12-20)

Mr. Bratic’s overly inclusive royalty base also failed to take into consideration the fact that the asserted claims are method claims, which require performance of the claimed method for infringement to occur. (*Id.*:54:15-20) Mr. Bratic admitted that while Dr. Olivier testified that he estimated that it was only “at least 50 percent” of the accused products, which would perform the claimed method, his royalty base included 100 percent of all accused sales.<sup>25</sup> (*Id.*:41:3-19)

Thus, the royalty base used by the jury should not have included any MSS products, which did not employ at least one of the aforementioned line cards.<sup>26</sup> Additionally, after removing these MSS products, the royalty base used by the jury should have been at least<sup>27</sup> halved. *See Oiness v. Walgreens Co.*, 88 F.3d 1025 (Fed. Cir. 1996) (reversing a jury award of

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<sup>25</sup> While at trial Dr. Olivier testified that 80 or 90 percent of the line cards would infringe, his testimony was impeached with his deposition testimony where he only stated that “easily 50 percent” would infringe. (4/16 PM:30:11-31:22).

<sup>26</sup> Mr. Bratic’s overly inclusive royalty base also should not have included MSS products which employed APC chips that were purchased from Lucent Technologies, Inc. (“Lucent”). These particular APC chips, are covered by the eleventh hour settlement between Lucent and QPSX but were included in Mr. Bratic’s royalty base, giving QPSX two bites at the same apple. However, Nortel was prohibited from addressing this fact at trial due to the Court’s *in limine* ruling regarding settlements with other defendants.

<sup>27</sup> Mr. Bratic also failed to take into consideration the fact that the accused MSS products have multiple ports, each of which can accept different line cards. Thus, for example, the sale of a 16 port product that only includes a single ATM line card should not be 100% included in the royalty base.

\$1.1 million in lost profits as “fraught with speculation”<sup>28</sup>. However, these irrelevant MSS products and 100 percent of sales were included on PX-1227, which was published to the jury during deliberations. The Court should grant a JMOL excluding them from the royalty base together with a new trial with respect to damages.

**4. *The damages verdict is excessive and the product of passion and prejudice***

The procedure in the Fifth Circuit and the Federal Circuit for remittitur of excessive damages is well settled. *Eiland v. Westinghouse El. Corp.*, 58 F.3d 176, 183 (5th Cir. 1995); *Shockley v. Arcan, Inc.*, 248 F.3d 1349 (Fed. Cir. 2001). When a damage award exceeds the highest amount suggested by plaintiff, and in this case by more than 250%, the Court should reduce the amount of damages to no more than the highest amount supported by record evidence in exchange for plaintiff’s waiver of the right to a new trial on damages. *Eiland*, 58 F.3d at 183 (remitting compensatory damages from \$5 million to \$3 million); *Dixon v. International Harvester Co.*, 754 F.2d 573, 590 (5th Cir.1985) (applying “maximum recovery rule” and

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<sup>28</sup> The court held that Oiness’ damages calculation included every flavor of speculation from “vague estimation and gross extrapolation to unsupported presumption.”

Oiness, however, did not present proof of Walgreen's sales. Instead Oiness presented only pictures of [accused] Headrest displays in three Walgreen stores. From these pictures, Oiness presumed that Walgreen devoted one and a half to two square feet of floor space in every store to Headrest sales. Without proof that every store sold Headrests or the amount of space in those stores for Headrest sales, Oiness then multiplied its estimated square footage by 1600, the number of Walgreen stores. Oiness next relied on a Value Line report for investors which discussed the vague concept of sales per square foot. This report suggested that Walgreen averaged sales of \$379 per square foot of floor space. This report made no assessment of the sales of Headrests and no assessment of whether Headrest sales fell above or below the square foot sales average. Nonetheless, Oiness multiplied the presumed floor space in each Walgreen store by \$379 per square foot.

*Oiness v. Walgreens Co.*, 88 F.3d 1025, 1029 (Fed. Cir. 1996).

remitting damages from \$2.8 million to \$892,139.64); *Oiness*, 88 F.3d 1025 (Fed. Cir. 1996) (applying “maximum recovery rule” to reverse a jury award of \$1.1 million in lost profits and \$10.15 million in projected lost profits). Additionally, when a closing argument is challenged for impropriety or error, the entire argument should be reviewed within the context of the Court’s rulings on objections, the jury charge, and any corrective measures applied by the Court. *See Westbrook v. Gen. Tire & Rubber Co.*, 754 F.2d 1233, 1238 (5th Cir. 1985); *Whitehead v. Food Max of Mississippi, Inc.*, 163 F.3d 265 (5th Cir. 1998) (remanding for new trial on damages when jury’s excessive verdict resulted from prejudicial appeal in the closing argument to the local bias).

Throughout the trial of this case, QPSX made passionate appeals to the jury’s local bias: big company versus small company (4/19 AM:7:19-8:3), unit of time profits from infringement versus a reasonable royalty (4/16 AM:21:16-22:9; 28:24-29:8), absence of local representatives and experts at trial and the like. QPSX repeatedly, and incorrectly, emphasized that defendant Nortel is a Canadian-based entity, and an outsider in Texas. QPSX argued that the outsider Nortel disrespected the Texas jury, the Texas Court, and QPSX by sending a Canadian citizen, who gets paid in Canadian dollars and votes for Canadian politicians, and even speaks French, down to Texas with little or no purpose other than to plead no contest when Nortel was allegedly caught infringing.<sup>29</sup> QPSX also made a number of “missing witness” arguments regarding the absence at trial of Nortel’s former employees and an expert witness, excluded by the Court, as showing Canadians’ disrespect for the Texas legal proceedings. (4/16 AM:30:16-22; 31:11-15;

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<sup>29</sup> QPSX also appealed to the local bias in its argument that Nortel had knowledge of the ‘499 patent prior to QPSX filing this case. QPSX argued that Nortel patents are gathered in Canada and assigned to a Canadian company which is impervious to the concerns of US companies and individual inventors.

4/19 AM:10:1-7) This us-against-them plea reached its nadir in QPSX's closing argument. The *Westbrook* court has condemned such appeals to the local prejudice:

This us-against-them plea can have no appeal other than to prejudice by pitting "the community" against a nonresident corporation. Such argument is an improper distraction from the jury's sworn duty to reach a fair, honest and just verdict according to the facts and evidence presented at trial.

*Westbrook*, 754 F.2d at 1238.

Like the plaintiffs in the *Westbrook* and *Whitehead* cases, QPSX did not just use the local us-against-them argument as exemplified in its opening, direct of Mr. Kummer and closing. It also urged the jury to apply a royalty rate of 5-6%, while the only evidence in the record was royalty rate of 2%. This improper methodology for calculating damages combined with QPSX's constant appeals to local prejudice resulted in the runaway damages award based on the jury's local bias against an outsider. The Court should reject the excessive damages award based on local bias. *See Westbrook*, 754 F.2d at 1239 ("such appeals to local bias against an outsider are prejudicial, and a large verdict accompanied by such appeals leads us to conclude they had an influential impact upon the jury's deliberations").

#### **F. The Court's Alteration Of Its Claim Construction Mid-Trial Was Prejudicial**

On January 10, 2007, the Court issued a Markman Order construing various terms of the asserted claims of the '499 patent. One construed term was the "at all times. . ." element of claim 1.<sup>30</sup> On the second day of trial, after Defendant had completed cross-examination of

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<sup>30</sup> The last element of claim 1 recites "at all times not admit for storage in said buffer any cells on said virtual channel connections for which since the previous indication of said end of transmission on said virtual channel connection there has been any rejection of cells for storage." This term was construed to mean "at all times, if there has been any rejection of cells on a virtual channel connection since the receipt of a cell on that virtual channel



QPSX's technical expert, the Court changed its Markman Order with respect to the "at all times. . ." claim element.<sup>31</sup> While the new Order maintained the construction of "at all times" to be "at all times," the timing of the change was extremely prejudicial to Nortel. Not only was Nortel denied the opportunity to examine QPSX's infringement expert on this new construction, but, as the Court was aware Nortel had no non-infringement expert witness of its own to examine on this new construction. This was due to an eleventh hour settlement by Lucent and an *in limine* ruling by the Court that prevented Nortel from calling Lucent's non-infringement expert, Dr. Leonard J. Forys, (even though he was scheduled to testify regarding the APC chip used by both Nortel and Lucent and the parties' stipulation that, for per-VC queuing, all of the accused Nortel chips performed EPD in the same manner)<sup>32</sup>. QPSX then magnified this prejudice by incorrectly

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connection that contains an end of transmission indication, not admit any cells arriving on the virtual channel connection for storage in said buffer." Markman Order at 15.

<sup>31</sup> According to the Court's April 17, 2007 Order, "Nortel has suggested that this construction requires that, after any rejection of a cell on a virtual channel connection, all future cells arriving on that virtual channel connection cannot be admitted for storage in the buffer", but the Court did not intend this construction, thus "the Court construes this limitation to mean 'at all times, if there has been any rejection of cells from a particular frame on a virtual channel connection since the receipt of a cell on that virtual channel connection that contains an end of transmission indication, not admit any other cells from that particular frame arriving on the virtual channel connection for storage in said buffer.'" While this Order incorrectly attributes the requirement for the changed construction to Nortel (4/17 PM:3:6-4:18) even though it was QPSX's counsel who first used the "forever" terminology with which the Court expressed concern(4/16 AM:124:2-4), it is clear from the change that "at all times, still means "at all times."

<sup>32</sup> The Court was aware that the defendants in this case were acting in concert to present a unified, non-overlapping defense to the extent possible. In that regard defendants were attempting to eliminate multiple expert witnesses from providing duplicative testimony, so Nortel stipulated that all four Nortel chips operate the same way in the per-VC mode and then consented to QPSX's Motion in Limine, which held Nortel to its stipulation at trial. This stipulation would allow Nortel to rely on the testimony of Dr. Forys with regard to the commonly accused APC chip. However, once Lucent settled, the Court prohibited Nortel from utilizing Dr. Fory's testimony, thus further prejudicing Nortel. Accordingly, the Court should grant Nortel a new trial.

telling the jury during closing argument that: “And by the way, that’s a claim construction that during trial, the Court made a correction or a change to part of it that was precisely at odds with what the Nortel lawyer was asking Dr. Olivier.” (4/19 AM: 16:5-9) As a result of the mid-trial, prejudicial change in the Markman Order, the Court should grant Nortel a new trial.

**G. The Court’s Ruling Prohibiting Mr. Kummer from Testifying As a Lay Witness Beyond his Deposition was Prejudicial**

Prior to the trial, the Court granted QPSX’s *in limine* motion precluding Norman Kummer from offering any expert opinions on behalf of Nortel because he was not disclosed as an expert. It then, *sua sponte* went beyond the motion and limited the factual evidence about which Mr. Kummer could testify as a lay witness, to that testimony provided at his deposition. (4/18 AM:66:6-13)<sup>33</sup> This ruling was continuously enforced during the direct examination of Mr. Kummer. (*Id.*:57:3-23; 59:9-15; 65:2-4; 67:19-68:7).

Mr. Kummer is a Senior Product Manager at NNL where he is responsible for all aspects of design and operation of the MSS line of products. Mr. Kummer has a B.S. in electrical engineering and has more than 15 years of engineering experience in telecommunications and data communications. Mr. Kummer’s position at NNL has provided him with extensive personal knowledge regarding the operation and design of the accused Nortel products. As the most knowledgeable fact witness on the operation of Nortel products, Mr. Kummer signed Nortel’s responses to QPSX’s interrogatories and requests to admit. Based on his first hand knowledge of the accused products, Mr. Kummer should have been allowed to provide lay opinion under Fed. R. Evid. 701. At the very least his factual testimony should not have been limited.

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<sup>33</sup> Mr. Kummer was not even allowed to testify about the content of a Declaration he submitted in this case.

By overly constricting Mr. Kummer's testimony the Court essentially prevented Nortel from presenting a non-infringement defense and set Mr. Kummer up for a baseless attack against Nortel. As a result, the Court should grant Nortel a new trial.

#### IV. CONCLUSION

For the aforesaid reasons, the Court should grant Nortel's renewed JMOL motion as to non-infringement, lack of willfulness, invalidity, and excessive damages and a new trial or remittitur with respect to damages.

Date: May 2, 2007

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

The undersigned counsel hereby certifies that \_\_\_\_\_ was served via the Court's CM/ECF system in accordance with Local Rule CV-5(a)(3) and by electronic mail on May \_\_, 2007, upon all counsel of record.

/s/ Richard M/ Lehrer  
Richard M. Lehrer