

# Exhibit C

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

QPSX DEVELOPMENTS 5 PTY LTD,

*Plaintiff,*

v.

NORTEL NETWORKS INC.,

*Defendant.*

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Case No. 2:05-CV-268 (TJW)

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

D. Dudley Oldham (Lead Attorney)  
Fed. ID #: 1025 / State Bar #: 15248000  
[doldham@fulbright.com](mailto:doldham@fulbright.com)  
Robert S. Harrell  
Fed. ID #: 6690 / State Bar #: 09041350  
[rharrell@fulbright.com](mailto:rharrell@fulbright.com)  
Eric Hall  
Fed. ID #: 24496 / State Bar #: 24012767  
[ehall@fulbright.com](mailto:ehall@fulbright.com)  
FULBRIGHT & JAWORSKI L.L.P.  
1301 McKinney, Suite 5100  
Houston, Texas 77010-3095  
Telephone: (713) 651-5151  
Facsimile: (713) 651-5246

**Attorneys for Plaintiff QPSX Developments 5  
Pty Ltd**

**TABLE OF CONTENTS**

	<b>PAGE</b>
ARGUMENT AND AUTHORITIES.....	1
I.    Nortel Waived Many of the Complaints in Its Motions for JMOL and New Trial.....	1
A.    Nortel Waived Any Entitlement to JMOL on Multiple Issues By Failing to Move for JMOL on Those Issues During Trial.....	1
B.    Nortel Waived Any Objections to the Closing Argument or Jury Charge.....	2
II.   Nortel is Not Entitled to JMOL or a New Trial on Infringement.....	3
A.    The Evidence Supports the Jury’s Finding of Direct Infringement.....	4
B.    The Evidence Supports the Jury’s Finding of Contributory Infringement.....	8
C.    The Evidence Supports the Jury’s Finding of Induced Infringement.....	11
1.    Nortel Had Notice of the ‘499 Patent No Later Than April 8, 1998.....	11
2.    There Is Extensive Evidence of Nortel’s Intent to Induce.....	16
III.  Nortel Is Not Entitled to JMOL or a New Trial on Willful Infringement.....	17
IV.  Nortel is Not Entitled to JMOL or a New Trial on Validity.....	19
A.    The Finding of a March 26, 1993 Priority Date is Supported By the Evidence.....	19
B.    The Evidence Supports the Jury’s Finding that the Romanow-Floyd Article Was Not Anticipatory Prior Art.....	20
V.   Nortel Is Not Entitled to JMOL, a New Trial, or Remittitur on Damages.....	22
A.    The Evidence Supports the Royalty Rate Found By the Jury.....	23
B.    The Evidence Supports the Royalty Base Found by the Jury.....	25
1.    The Jury Properly Included 1999 and 2000 Sales.....	25
2.    The Jury Properly Included Recoverable Product Types and Sales.....	26

C.	The Jury's Damages Award Was Not Based on Passion and Prejudice .....	29
VI.	This Court Did Not Abuse Its Discretion in Clarifying Its Claim Construction.....	31
VII.	This Court Did Not Abuse Its Discretion in Limiting Mr. Kummer's Testimony .....	33
	CONCLUSION.....	34

**TABLE OF AUTHORITIES**

	<b>PAGE(S)</b>
<i>3M. v. Chemque, Inc.</i> , 303 F.3d 1294 (Fed. Cir. 2002).....	16
<i>Afros S.P.A. v. Krauss-Maffei Corp.</i> , 671 F. Supp. 1458 (D. Del. 1987).....	16
<i>Am. Med. Sys., Inc. v. Med. Eng'g Corp.</i> , 6 F.3d 1523 (Fed. Cir. 1993).....	26
<i>Amsted Indus. v. Nat'l Castings, Inc.</i> , 1990 U.S. Dist. LEXIS 8553 (N.D. Ill. July 11, 1990).....	15
<i>Bandag, Inc. v. Gerrard Tire Co.</i> , 704 F.2d 1578 (Fed. Cir. 1983).....	26
<i>Biologische Naturverpackungen GmbH v. Biocorp, Inc.</i> , 249 F.3d 1341 (Fed. Cir. 2001).....	22
<i>Brooktree Corp. v. Advanced Micro Devices, Inc.</i> , 977 F.2d 1555 (Fed. Cir. 1992).....	22
<i>C.R. Bard, Inc. v. Advanced Cardiovascular Sys.</i> , 911 F.2d 670 (Fed. Cir. 1990).....	9
<i>Carter v. Fenner</i> , 136 F.3d 1000 (5th Cir. 1998) .....	3
<i>Coca-Cola Co. v. Pepsico, Inc.</i> , 2004 U.S. Dist. LEXIS 30375 (N.D. Ga. Sept. 29, 2004) .....	26
<i>nCube Corp. v. SeaChange Int'l</i> , 436 F.3d 1317 (Fed. Cir. 2006).....	16
<i>DSU Med. Corp. v. JMS Co., Ltd.</i> , 471 F.3d 1293 (Fed. Cir. 2006).....	16
<i>Dahlen v. Gulf Crews, Inc.</i> , 281 F.3d 487 (5th Cir. 1998) .....	3
<i>Dawson Chemical Co. v. Rohm &amp; Haas Co.</i> , 448 U.S. 176 (1980).....	9

*Dawson v. Wal-Mart Stores, Inc.*,  
978 F.2d 205 (5th Cir. 1992) .....3

*Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*,  
984 F.2d 410 (Fed. Cir. 1993).....2

*Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*,  
467 F. Supp. 391 (S.D.N.Y. 1979) .....9

*Dresser-Rand Co. v. Virtual Automation, Inc.*,  
361 F.3d 831 (5th Cir. 2004) .....3

*Duro-Last, Inc. v. Custom Seal, Inc.*,  
321 F.3d 1098 (Fed. Cir. 2003).....2

*Flowers v. S. Reg’l Physician Servs.*,  
247 F.3d 229 (5th Cir. 2001) .....2

*Fuji Photo Film Co. v. Jazz Photo Corp.*,  
394 F.3d 1368 (Fed. Cir. 2005).....16

*Gen. Elec. Co. v. Joiner*,  
522 U.S. 136 (1997).....33

*Georgia-Pac. Corp. v. U.S. Plywood*,  
318 F. Supp. 1116 (S.D.N.Y. 1970).....24

*Golden Blount, Inc. v. Robert H. Peterson Co.*,  
438 F.3d 1354 (Fed. Cir. 2004).....4, 7, 9

*Hanson v. Alpine Valley Ski Area, Inc.*,  
718 F.2d 1075 (Fed. Cir. 1983).....26

*Hilgraeve, Inc. v. Symantec Corp.*,  
272 F. Supp. 2d 613 (E.D. Mich. July 16, 2003).....12

*Hodosh v. Block Drug Co.*,  
786 F.2d 1136 (Fed. Cir. 1986).....20

*Hodosh v. Block Drug Co.*,  
833 F.2d 1575 (Fed. Cir. 1987).....9

*Honeywell Int’l Inc. v. Hamilton Sunstrand Corp.*,  
166 F. Supp. 2d 1008 (D. Del. 2001).....19

*Interactive Pictures Corp. v. Infinite Pictures, Inc.*,  
274 F.3d 1371 (Fed. Cir. 2001).....22

*Lam, Inc. v. Johns-Manville Corp.*,  
718 F.2d 1056 (Fed. Cir. 1983).....28

*Liquid Dynamics Corp. v. Vaughan Co.*,  
449 F.3d 1209 .....4

*MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*,  
420 F.3d 1369 (Fed. Cir. 2005).....16

*MacPike v. American Honda Motor Co.*,  
1993 WL 632261 (N.D. Fla. Oct. 1, 1993).....15

*Medtronic Xomed, Inc. v. GyruS ENT LLC*,  
440 F. Supp. 2d 1300 (M.D. Fla. 2006).....9

*Metabolite Labs., Inc. v. Lab. Corp. of Am.*,  
370 F.3d 1354 (Fed. Cir. 2004), *cert. dismissed*, 126 S. Ct. 2921 (2006).....4, 17

*Mills v. Beech Aircraft Corp.*,  
886 F.2d 758 (5th Cir. 1989) .....29, 30

*Moleculon Research Corp. v. CBS, Inc.*,  
793 F.2d 1261 (Fed. Cir. 1986).....4

*Nat’l Hispanic Circus, Inc. v. Rex Trucking, Inc.*,  
414 F.3d 546 (5th Cir. 2005) .....33

*National Presto Indus. v. West Bend Co.*,  
76 F.3d 1185 (Fed. Cir. 1996).....14

*Norian Corp. v. Stryker Corp.*,  
363 F.3d 1321 (Fed. Cir. 2004).....22

*Oiness v. Walgreens Co.*,  
88 F.3d 1025 (Fed. Cir. 1996).....28

*Preemption Devices Inc. v. 3M*,  
630 F. Supp. 463 (E.D. Pa. 1985), *aff’d after remand*,  
824 F.2d 977 (Fed. Cir. 1987).....9

*Reeves v. Sanderson Plumbing Prods.*,  
530 U.S. 133 (2000).....3

*Rexnord Corp. v. Laitram Corp.*,  
274 F.3d 1336 (Fed. Cir. 2001).....20

*Sandt Tech., Ltd. v. Resco Metal & Plastics Corp.*,  
264 F.3d 1344 (Fed. Cir. 2001).....20

*Seatrax, Inc. v. Sonbeck Int'l*,  
200 F.3d 358 (5th Cir. 2000) .....33

*Sensonics, Inc. v. Aerosonic Corp.*,  
81 F.3d 1566 (Fed. Cir. 1996).....28

*Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*,  
758 F.2d 613 (Fed. Cir. 1985).....19

*Shipman v. C. Gulf Lines, Inc.*,  
709 F.2d 383 (5th Cir. 1983) .....29

*Stockstill v. Shell Oil Co.*,  
3 F.3d 868 (5th Cir. 1993) .....33

*TWM Mfg. Co., Inc. v. Dura Corp.*,  
789 F.2d 895 (Fed. Cir. 1986).....28

*Unisplay, S.A. v. Am. Elec. Sign Con. Inc.*,  
69 F.3d 512 (Fed. Cir. 1995).....24

*United States Gypsum Co. v. National Gypsum Co.*,  
440 F.2d 510 (7th Cir. 1971) .....9

*University of California v. Hansen*,  
54 U.S.P.Q. 2d 1473 (E.D. Cal. 1999).....9

*Westbrook v. Gen. Tire & Rubber Co.*,  
754 F.2d 1233 (5th Cir. 1985) .....29

*Westinghouse Elec. & Mfg. Co. v. Wagner Elec. & Mfg. Co.*,  
225 U.S. 604 (1912).....28

*Whitehead v. Food Max of Mississippi, Inc.*,  
163 F.3d 265 (5th Cir. 1998) .....29

**STATUTES**

35 U.S.C. 271(c) ..... 1, 8



35 U.S.C. § 282 .....	20
35 U.S.C. § 284 .....	22
35 U.S.C. § 287(a).....	26
FED. R. CIV. P. 26(a)(2).....	33
FED. R. CIV. P. 30(b)(6).....	15
FED. R. CIV. P. 32(A)(2) .....	5
FED. R. CIV. P. 50(b) .....	2
FED. R. CIV. P. 51(c)(1).....	2
FED. R. EVID. 103(a).....	33
FED. R. EVID. 103(a)(2).....	33
FED. R. EVID. 801(d)(2).....	5

Plaintiff QPSX Developments 5 Pty Ltd (“QPSX”) opposes Defendant Nortel Networks, Inc. (“Nortel”)’s Renewed Motion for Judgment as a Matter of Law, Motion for New Trial and Motion for Remittur [sic] (“Mot.”).<sup>1</sup> As shown below, Nortel’s motions should be denied not only because there is overwhelming evidence in support of the jury’s verdict but also because Nortel waived any entitlement to much of the requested relief.

## **ARGUMENT AND AUTHORITIES**

### **I. Nortel Waived Many of the Complaints in Its Motions for JMOL and New Trial**

#### **A. Nortel Waived Any Entitlement to JMOL on Multiple Issues By Failing to Move for JMOL on Those Issues During Trial**

As a threshold matter, Nortel has waived any entitlement to judgment as a matter of law on the issues of invalidity and damages because it failed to move for JMOL on those issues during trial.<sup>2</sup> At the close of QPSX’s case-in-chief, Nortel orally moved for JMOL only on (1) direct infringement; and (2) indirect infringement, on the grounds that Nortel’s customers do not directly infringe, that Nortel’s accused products are “staple articles of commerce suitable for non-infringing use pursuant to 35 U.S.C. 271(c),” and that Nortel did not have specific intent to induce infringement.<sup>3</sup> At the close of its own case-in-chief, Nortel orally moved for JMOL on the same grounds, and also arguably moved for JMOL on willful infringement.<sup>4</sup>

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<sup>1</sup> Copies of the trial transcript pages cited in this brief are attached in chronological order as Exhibit “A.” Copies of the trial exhibits cited in this brief are attached in numerical order as Exhibit “B.”

<sup>2</sup> While it is unclear whether or how a party may ever challenge the excessiveness of a damage award through a JMOL motion, Nortel has attempted to do so in addition to employing the more traditional mechanisms of motions for new trial and remittitur. *See* Mot. at 17 (“There is legally insufficient evidence for a reasonable juror to award damages”), 18, 19-20. That argument, however, has been waived by Nortel’s failure to raise it in its initial JMOL motion.

<sup>3</sup> 4/17/07 PM Tr. at 98:5-99:3.

<sup>4</sup> 4/18/07 PM Tr. at 78:4-79:4, 85:1-12.

Nortel now files its “renewed” motion for JMOL under Rule 50(b). As the name implies, a party cannot “renew” a motion for JMOL that it never made prior to the submission of the case to the jury.<sup>5</sup> Consequently, at a minimum, Nortel’s renewed motion for JMOL under Rule 50(b) must be denied as to any issue on which Nortel failed to move for JMOL under Rule 50(a).

**B. Nortel Waived Any Objections to the Closing Argument or Jury Charge**

Nortel also waived other grounds of error upon which its motion for new trial is based. Nortel asserts that QPSX “confus[ed] the jury” during closing argument and that “the jury instructions did not correct this incorrect and prejudicial statement,” which purportedly “require[s] a new trial.” Mot. at 8. Even assuming Nortel’s objection has legal merit (which it does not), Nortel failed to object to that statement during closing argument or otherwise, waiving any alleged error.<sup>6</sup> Similarly, Nortel’s conclusory statement that there were “other errors in the jury instructions” that “require a new trial” (*id.*) is waived because Nortel has failed to identify those erroneous jury instructions or to object to them during the formal charge conference. In fact, Nortel made no objection to the jury instructions during the conference. Nortel cannot wait until after it has lost at trial to start making objections it should have made earlier.

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<sup>5</sup> See, e.g., FED. R. CIV. P. 50(b); *Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1105 (Fed. Cir. 2003) (because “[a] post-verdict JMOL motion may not be made on grounds not included in the earlier motion,” party waived right to file renewed JMOL motion on obviousness where pre-verdict JMOL motion raised only on-sale bar and inequitable conduct defenses); *Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 412-13 (Fed. Cir. 1993) (Rule 50 bars JNOV “unless the movant has first moved for directed verdict at the close of evidence”); *Flowers v. S. Reg’l Physician Servs.*, 247 F.3d 229, 238 (5th Cir. 2001) (party that fails to move for JMOL at close of evidence “waives its right to file a renewed post-verdict Rule 50(b) motion and also its right to challenge the sufficiency of the evidence on that issue on appeal”).

<sup>6</sup> See FED. R. CIV. P. 51(c)(1) (“A party who objects to an instruction or the failure to give an instruction must do so on the record, stating distinctly the matter objected to and the grounds of the objection”); FED. R. CIV. P. 51(d) (party must object under Rule 51(c) to preserve challenge to jury charge; appellate review of unobjected to jury charge is limited to “plain error”).

## II. Nortel is Not Entitled to JMOL or a New Trial on Infringement

Apparently forgetting that it *lost* at trial, Nortel turns the standard of review on its head by basing its motion almost exclusively on evidence allegedly favoring Nortel while conspicuously ignoring overwhelming evidence to the contrary. The standard of review, however, does not permit such a selective reading of the record. Nortel's motion almost exclusively, if not entirely, challenges the sufficiency of the evidence on factual issues that are the province of the jury. Thus, this Court cannot overturn that verdict if there is any evidence from which a reasonable juror could have reached that result. In considering a JMOL motion, the court

must draw all reasonable inferences in favor of the nonmoving party, and it may not make credibility determinations or weigh the evidence. "Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge." Thus, although the court should review the record as a whole, it must disregard all evidence favorable to the moving party that the jury is not required to believe.<sup>7</sup>

A court may overturn a jury's verdict "only if, when viewing the evidence in the light most favorable to the verdict, the evidence points so strongly and overwhelmingly in favor of one party that the court believes that reasonable jurors could not arrive at any contrary conclusion."<sup>8</sup>

Review of a motion for new trial under Rule 59 is similarly deferential to the jury's verdict. When such a motion is based on lack of evidence, it "should not be granted unless the verdict is against the great weight of the evidence, not merely against the preponderance of the evidence."<sup>9</sup> The mere existence of conflicting evidence and the possibility that the jury could have reached different conclusions supported by the evidence do not justify a new trial.<sup>10</sup>

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<sup>7</sup> *Reeves v. Sanderson Plumbing Prods.*, 530 U.S. 133, 150-51 (2000) (citations omitted).

<sup>8</sup> *Dresser-Rand Co. v. Virtual Automation, Inc.*, 361 F.3d 831, 838 (5th Cir. 2004).

<sup>9</sup> *See, e.g., Dahlen v. Gulf Crews, Inc.*, 281 F.3d 487, 497 (5th Cir. 1998); *Carter v. Fenner*, 136 F.3d 1000, 1010 (5th Cir. 1998).

<sup>10</sup> *See Dawson v. Wal-Mart Stores, Inc.*, 978 F.2d 205, 208 (5th Cir. 1992).

Weighing the evidence, the jury found that Nortel indirectly infringed the '499 Patent by contributing to and/or inducing infringement of the asserted claims. The trial record, viewed through the prism of the proper standards of review, mandates denial of Nortel's motions.

**A. The Evidence Supports the Jury's Finding of Direct Infringement**

Tellingly, Nortel does not contest that its products infringe the asserted claims when customers use them as directed. Instead, it argues that the jury could not have found that Nortel's customers used its products as Nortel told them to. But it is well-established that direct infringement by customers can be proven by circumstantial as well as direct evidence.<sup>11</sup> Indeed, in a case like this, "[c]ircumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence."<sup>12</sup> Contrary to Nortel's contentions, QPSX was not required to present testimony from those customers if "the record contains sufficient circumstantial evidence to permit the jury to *imply* that [the defendants' customers] directly infringe."<sup>13</sup> The following evidence, individually or collectively, amply supports the jury's finding of direct customer infringement:

- **Nortel's corporate representative admitted that its customers use EPD.**

Mr. Kummer – Nortel's designated corporate representative – admitted that Nortel's customers would be running EPD (the infringing method) "on at least one VP out of all the VPs on the node." According to Dr. Olivier – QPSX's infringement expert – Mr. Kummer's testimony "means that when congestion

<sup>11</sup> See, e.g., *Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1219 ("A patentee may prove direct infringement or inducement of infringement by either direct or circumstantial evidence. There is no requirement that direct evidence be introduced, nor is a jury's preference for circumstantial evidence over direct evidence unreasonable per se"); *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1362-63 (Fed. Cir. 2004) (relying on circumstantial evidence to support direct infringement by defendant's customers); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (relying on circumstantial evidence of sales and dissemination of instructions to support direct infringement by defendant's customers).

<sup>12</sup> *Metabolite Labs., Inc. v. Lab. Corp. of Am.*, 370 F.3d 1354, 1366 (Fed. Cir. 2004) (emphasis added), cert. dismissed, 126 S. Ct. 2921 (2006) (citation omitted).

<sup>13</sup> *Id.* at 1364.

occurs, EPD will take place” and that EPD is “being used.”<sup>14</sup> And when asked whether EPD is a “big deal” to customers, Mr. Kummer admitted that “[i]n the environment for EPD on just VCs, it’s – *it’s required*”<sup>15</sup> and that it would be difficult to compete in that situation without EPD.<sup>16</sup>

- **Nortel’s customers request, require and use EPD.**

Nortel’s customers requested EPD functionality in purchase specifications and requests for proposals.<sup>17</sup> This is not surprising, since Nortel’s own documents show that EPD is an “industry standard feature.”<sup>18</sup>

Sprint, AT&T, and GTE (now Verizon) are Nortel customers, and the record shows that they require and use EPD to manage congestion.<sup>19</sup> For example, Nortel’s customers use UBR in their networks, and Nortel tells them that EPD must be used with UBR.<sup>20</sup> As Dr. Olivier testified, networks with UBR traffic require EPD and EPD cannot be used in such networks without infringing.<sup>21</sup>

Dr. Olivier also testified that a Nortel customer, GTE (Verizon), uses an ATM network, that EPD and UBR are commonly used in ATM networks, and that an ATM network using EPD and UBR infringes the patent.<sup>22</sup>

<sup>14</sup> 4/16/07 AM Tr. at 88:21-89:18; FED. R. CIV. P. 32(a)(2); FED. R. EVID. 801(b)(2).

<sup>15</sup> 4/18/07 AM Tr. at 86:15-87:5 (emphasis supplied). He also testified at trial that EPD on VCs is required. *Id.* at 87:7-9, 17-19.

<sup>16</sup> *Id.* at 88:4-19.

<sup>17</sup> 4/17/07 AM Tr. at 141:12-143:3.

<sup>18</sup> 4/16/07 AM Tr. at 87:13-18 (citing PX 973 at 36); *see also id.* at 95:5-10 (testimony that customers of Bell Laboratories, DSC (now Alcatel), and Marconi “do this EPD plus UBR”).

<sup>19</sup> *Id.* at 111:1-113:24; *id.* at 61:12-62:5 (identifying customers that use EPD in their ATM switches); *id.* at 100:24-102:15 (Sprint says EPD is being used for packet-level discard and highly recommends that its own customers use EPD); 4/17/07 AM Tr. at 124:21-125:5; *id.* at 141:14-143:3 (Verizon, Sprint, Covad, Worldcom, Infonet, AT&T, and BellSouth asked for EPD in their RFP’s for ATM switches).

<sup>20</sup> 4/16/07 AM Tr. at 100:20-101:6 (citing PX 262, describing how Sprint provides UBR service to its customers over products that can provide ATM services); *id.* at 110:2-111:8 (citing PX 980, describing how GTE (Verizon) uses UBR for existing DSL customers); *id.* at 99:15-17 (“Q: So does Nortel tell its customers that you’ve got to have this EPD with the UBR? A: “Yes”); *id.* at 100:4-6 (“Nortel tells its customers that EPD plus UBR is required”).

<sup>21</sup> *Id.* at 86:18-21 (one cannot use EPD on UBR traffic without infringing); *id.* at 100:7-9 (when Nortel’s customers use EPD with UBR, “[t]hey infringe”); *id.* at 96:5-6 (“Q: So do EPD and UBR go together? A: Yes”); *id.* at 110:10-12 (when there is UBR, there is EPD).

<sup>22</sup> *Id.* at 112:1-113:24 (describing Nortel’s designs for the GTE ATM network in the U.S.); 4/16/07 PM Tr. at 83:2-19 (“EPD and UBR are commonly used” in ATM networks, “the patent

- **The typical customer set-up infringes the ‘499 Patent.**

Citing a Nortel document, Dr. Olivier testified that “in a typical customer set-up, most of the connections are configured for UBR,” that those connections are going to be UBR with EPD, and that UBR with EPD infringes the patent.<sup>23</sup>

- **EPD is essential for effective use of Nortel’s accused products.**

Nortel itself states that EPD is essential to effective use of the accused products. Nortel emphasizes that EPD is “*essential* for effective TCP throughput” and that “you’re getting 99 percent goodput” (which Mr. Kummer confirmed was 1% below “optimal”) as long as EPD is enabled.<sup>24</sup>

Dr. Olivier also testified that EPD was “essential,” “optimal,” and “required” for Nortel’s customers and was an “optimal” solution, which he defined as “the best you can do” and “no way you can do it better.”<sup>25</sup> Thus, he testified, there is no practical or realistic design-around for EPD.<sup>26</sup>

Drs. Romanow and Floyd – who coined the term EPD – confirmed that EPD is “optimal [to bring] performance to its optimal level.”<sup>27</sup>

A Nortel document shows that alternative methods of managing congestion, such as WRED and RED, are less than optimal, “are extremely difficult to tune properly,” and “generally are not worth the configuration effort.”<sup>28</sup>

- **Dr. Olivier’s first-hand experience establishes that customers infringe.**

Dr. Olivier worked at Bell Labs, DSC Switch Products (now Alcatel), Marconi (now Ericsson), and other telecommunications companies and dealt with those companies’ customers – namely, AT&T, Sprint, MCI, BellSouth, and SBC.<sup>29</sup> He testified that all of those customers use ATM switches with EPD.<sup>30</sup> He further testified that those customers use “EPD plus UBR.”<sup>31</sup>

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is directed toward an ATM network,” and ATM network using EPD and UBR infringes).

<sup>23</sup> 4/16/07 AM Tr. at 95:11-96:22 (citing PX 980 at 152).

<sup>24</sup> 4/18/07 AM Tr. at 85:4-86:14 (emphasis added).

<sup>25</sup> 4/16/07 AM Tr. at 69:14-21, 85:11-13, 86:12-17, 100:4-18, 101:1-19.

<sup>26</sup> *Id.* at 85:9-86:17.

<sup>27</sup> *Id.* at 85:14-24. The transcript refers to EPD as “APD” and “to bring” as “tempering,” but these are typographical errors.

<sup>28</sup> *Id.* at 69:22-70:11, 98:23-99:9; PX 995 at 48; *see also id.* at 70:10-11 (“Q: Does Nortel recommend WRED? A: No, I don’t believe so”).

<sup>29</sup> *Id.* at 58:23-59:5, 59:8-15, 59:24-60:9, 61:10-62:5.

<sup>30</sup> *Id.* at 61:20-62:5.

Moreover, in his work with standards bodies, Dr. Olivier interacted with Nortel customers and learned how the customers' networks operate. Dr. Olivier testified that he used that experience to form his opinions.<sup>32</sup>

Particularly given that the claimed method cannot be seen with the naked eye, this evidence was an amply sufficient basis for a reasonable juror to find that Nortel's customers used the essential, optimal, and required patented method. Indeed, the record contains an admission by Nortel's designated corporate representative that its customers use the method, which is sufficient by itself to support the verdict. Nortel's contrary arguments are improper requests for the Court to reweigh the evidence that the jury carefully considered and resolved. For example, its argument that the products are shipped with EPD functionality turned off (Mot. at 5-6 & nn. 5, 8) is a red herring because the switches do not operate at all until the customer configures them,<sup>33</sup> and (as shown) EPD is essential, required, and optimal for effectively managing congestion. Moreover, as the Federal Circuit has held, "it matters not" that an accused product "can be manipulated into a non-infringing configuration," where, as here, the defendant instructs customers to use the infringing configuration and "nothing in the record suggests that . . . any end-user ignored the instructions or assembled the [products] in a manner contrary to the instructions so as to form a non-infringing configuration."<sup>34</sup> Thus, the jury was entitled to conclude that customers use the necessary, and necessarily infringing, EPD functionality.<sup>35</sup>

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<sup>31</sup> *Id.* at 95:5-10.

<sup>32</sup> *Id.* at 62:17-63:2.

<sup>33</sup> See 4/16/07 AM Tr. at 72:16-73:6 (customer must "provision" the switch, *i.e.*, "configure the switch and set up information inside the switch so that it is capable of operating.").

<sup>34</sup> *Golden Blount, Inc.*, 438 F.3d at 1362-63.

<sup>35</sup> Nortel's other conclusory arguments on direct infringement are similarly erroneous. Contrary to Nortel's assertion (Mot. at 6 n.7), Dr. Olivier (1) methodically walked through the asserted claims and explained in detail how Nortel's products infringe those claims (*see, e.g.*, 4/16/07 AM Tr. at 117:3-126:10); and (2) identified a broad array of support for those opinions, including Nortel's source code (*id.* at 126:11-127:21). Nortel's other passing contentions (Mot.



As noted above, the Federal Circuit has repeatedly held that circumstantial evidence is a sufficient basis for a jury to find direct infringement by customers for purposes of proving indirect infringement. In *Metabolite Labs*, for example, the court upheld a jury verdict on induced infringement based on testimony that customers' professional responsibilities would lead them to employ the patented method, without any direct evidence from customers.<sup>36</sup> The evidence is far stronger here, as the record contains a direct admission by Nortel's designated representative and also showed that EPD is a required, essential, and optimal "industry standard" that is both requested and used by customers as instructed by Nortel.

**B. The Evidence Supports the Jury's Finding of Contributory Infringement**

As Nortel admits, "[w]ithout 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." Mot. at 7. Nortel's challenge on contributory infringement is thus limited to its contention that its accused products are "staple article[s] or commodity[ies] of commerce suitable for substantial noninfringing use." *Id.* at 7-8. That argument fails, because there is ample evidence from which a reasonable juror could find otherwise.

Nortel attempts to raise the bar for proving contributory infringement beyond the reach of almost any plaintiff by erroneously defining a "nonstaple article" as one that "has *no* uses except for practicing the claimed invention." Mot. at 7 (emphasis added). Nortel's definition directly contradicts the language of 35 U.S.C. § 271(c), which expressly states that contributory infringement can be based on a product that has noninfringing uses as long as those uses are not

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at 6 n.7) rely on a construction of the "at all times" limitation rejected by the Court, *see infra* at 31-32, and a construction of the "while buffer overflow is threatened" limitation that incorrectly requires more than one virtual channel. *See* PX1 (patent requires "*such of* said virtual channel connections", which simply means *one or more than one* virtual channel connections).

<sup>36</sup> 370 F.3d at 1364.

“substantial.” The cases cited by Nortel do not support its proposition. *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 199 (1980), involved a claim of patent misuse not contributory infringement, and the Court merely observed (referring to an outdated, pre-statute test) that the product was a nonstaple commodity that had no use except through practice of the patented method. The Court nowhere held that contributory infringement cannot be found unless the accused product lacks any noninfringing use. *C.R. Bard, Inc. v. Advanced Cardiovascular Systems*, 911 F.2d 670 (Fed. Cir. 1990), is also inapposite. The court merely noted that whether an accused product has a noninfringing use may be a relevant consideration in determining contributory infringement, and correctly noted the proper standard: whether “a reasonable jury could find that . . . there are substantial noninfringing uses.” *Id.* at 674.

Whether an asserted non-infringing use is “substantial” is a question of fact for the jury.<sup>37</sup> The jury charge, to which Nortel did not object, instructed the jury that substantial uses do not include ones that are “occasional, farfetched, impractical, experimental, or hypothetical.”<sup>38</sup> Thus, whether a particular use is “substantial” turns on the jury’s evaluation of “how likely and often the use will occur.”<sup>39</sup> Moreover, if the accused components lack a substantial noninfringing use, it does not matter that they *could* be “manipulated into a non-infringing configuration.”<sup>40</sup>

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<sup>37</sup> *Hodosh v. Block Drug Co.*, 833 F.2d 1575, 1579 n.12 (Fed. Cir. 1987)

<sup>38</sup> 4/19/07 Tr. at 56:8-9.

<sup>39</sup> *Medtronic Xomed, Inc. v. Gyrus ENT LLC*, 440 F. Supp. 2d 1300, 1311 (M.D. Fla. 2006). See also *United States Gypsum Co. v. National Gypsum Co.*, 440 F.2d 510, 516 (7th Cir. 1971) (“incidental” noninfringing uses not substantial); *University of California v. Hansen*, 54 USPQ2d 1473, 1480 (E.D. Cal. 1999) (“Occasional and aberrant use of a product that is clearly designed to be used in a particular manner” is not substantial); *Preemption Devices Inc. v. 3M*, 630 F. Supp. 463, 471 n.10 (E.D. Pa. 1985) (same), *aff’d after remand*, 824 F.2d 977 (Fed. Cir. 1987); *Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*, 467 F. Supp. 391, 428 (S.D.N.Y. 1979) (same).

<sup>40</sup> *Golden Blount, Inc.*, 438 F.3d at 1363.

The evidence already recounted above is more than a sufficient basis for the jury to have found that any purported non-infringing uses are insubstantial. As noted, the evidence showed that EPD is essential, optimal, and required for managing congestion in the accused products; that Nortel recommends use of EPD; and that its customers request and use EPD. Just as important, the evidence showed that alternative available methods for managing congestion, such as WRED and RED, are impractical. As a result, even if noninfringing methods conceivably could be used to manage congestion in the accused products, there was plainly evidence from which a reasonable juror could conclude that they are not *substantial* uses.

Nortel's conclusory assertions to the contrary (Mot. at 8 n.9) do not suffice to nullify the jury's verdict. Nortel says that Dr. Olivier "admitted" that voice-only, Ethernet-only, frame relay-only, TDM-only, and HSSI-only networks are substantial non-infringing uses. Not so. He testified that a voice-only ATM network *would* use infringing EPD.<sup>41</sup> And Ethernet-only, frame relay-only, HSSI-only, and TDM-only networks involve switches without ATM line cards, whereas the accused products include ATM line cards.<sup>42</sup> Thus, it is immaterial that Nortel may also sell switches without ATM line cards. Nortel also contends, as it did to the jury, that LPD, WRED and PPD are substantial noninfringing uses. But LPD and PPD are used only *after* EPD is used because they have higher thresholds than EPD.<sup>43</sup> As Nortel itself admits, PPD and EPD "must be used together."<sup>44</sup> A reasonable juror could likewise conclude that WRED is not a *substantial* noninfringing use because, as noted above, it is a less than optimal solution, is "extremely difficult to tune properly," and "generally [is] not worth the configuration effort."

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<sup>41</sup> 4/16/07 PM Tr. at 26:2-13 ("Q. And the core of that network would not be performing EPD, correct? A. I think that's incorrect.").

<sup>42</sup> See 4/16/07 PM Tr. at 11:13-14:19; 4/16/07 AM Tr. at 70:24-72:8.

<sup>43</sup> 4/16/07 PM Tr. at 82:9-83:4; PX 1009 at 338; PX 1032 at 404-05.

<sup>44</sup> 4/18/07 AM Tr. at 47:24-48:6.

*See supra* at 6 & n.27. And Nortel's only other allegedly substantial non-infringing use (Mot. at 8 n.9) refers to a single type of ATM line card that was not accused of infringement.<sup>45</sup>

Accordingly, there was evidence from which a reasonable juror could conclude that any purportedly non-infringing uses were insubstantial, and Nortel's motions should be denied.<sup>46</sup>

**C. The Evidence Supports the Jury's Finding of Induced Infringement**

**1. Nortel Had Notice of the '499 Patent No Later Than April 8, 1998**

Nortel attacks the jury's finding of induced infringement on the ground that Nortel allegedly lacked the requisite intent to induce. Nortel first claims that it did not have notice of the '499 Patent until QPSX filed suit in June 2005 and thus allegedly lacked intent with respect to pre-suit sales. *See* Mot. at 8-10. There is compelling evidence, however, that would enable a reasonable juror to find that Nortel had notice of the '499 Patent – which was issued on November 18, 1997 – no later than April 8, 1998.

In 1998, Nortel prosecuted a patent application that would become U.S. Patent No. 5,953,338 (“the ‘338 Patent”).<sup>47</sup> During the prosecution of that patent, the Examiner expressly cited the '499 Patent to show the method and the apparatus for managing the statistical multi-

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<sup>45</sup> 4/16/07 PM Tr. at 30:8-10. The jury was also entitled to reject the testimony of Mr. Kummer as non-credible given his lack of knowledge about Nortel, his testimony that directly contradicted interrogatory answers that he personally signed, and his admission that he acted unethically and in violation of Nortel's Code of Conduct. 4/17/07 PM Tr. at 81:2-7, 81:12-82:14, 86:13-19, 92:17-93:12; 4/18/07 AM Tr. at 71:2-75:2.

<sup>46</sup> In addition, and in any event, the jury was also entitled to find that the accused products are not “staple articles” or “commodities of commerce” irrespective of whether they are capable of substantial non-infringing uses. Far from being “staples” or “commodities,” the infringing products are highly specialized and offered by a few suppliers to a small number of customers that use them in their networks for infringement of the '499 Patent.

<sup>47</sup> 4/18/07 AM Tr. At 25:8-9 (testimony from in-house Nortel patent counsel that patent was prosecuted “on behalf of Nortel Networks”); *see also* PX 1042 at 103 (communication on the '338 Patent application from “Northern Telecom Patent Department” in Richardson, Texas). At that time, Nortel was called Northern Telecom Inc. *See* 4/18/07 AM Tr. at 19:21-22.

plexing of data in a digital communication network.<sup>48</sup> Dr. Olivier testified that the PTO told Nortel about the ‘499 Patent on April 8, 1998.<sup>49</sup> Mr. Fako, Nortel’s in-house patent counsel, also admitted that: (1) the ‘499 Patent was cited in a first office action during the prosecution of the ‘338 Patent; and (2) Nortel’s outside counsel who prosecuted the ‘338 Patent on behalf of Nortel received notice of the ‘499 Patent.<sup>50</sup> The jury was thus entitled to conclude that this constituted notice to Nortel.<sup>51</sup> Moreover, while Mr. Fako claimed Nortel received only the amendment filed by its outside counsel, the amendment itself expressly stated that the parties prosecuting the patent had reviewed and considered the art cited by the Examiner, including the ‘499 Patent.<sup>52</sup>

Although Nortel argues that it had no reason to believe that the ‘499 Patent was anything special when it learned of its issuance in 1998 (Mot. at 9), the jury was also entitled to rely on Nortel’s long familiarity with the underlying invention. Indeed, the evidence reflects that Nortel was fully aware of the substance of the claimed invention as early as 1993 and 1996. Dr. Budrikis testified that he and his co-inventors filed the Australian provisional application on March 26, 1993 – just prior to attending a broadband ISDN conference in France.<sup>53</sup> Dr. Budrikis presented a poster at this conference.<sup>54</sup> Two Nortel employees – Richard Vickers and Russell

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<sup>48</sup> 4/16/07 AM Tr. at 129:1-7.

<sup>49</sup> *Id.* at 129:8-12.

<sup>50</sup> 4/18/07 AM Tr. at 24:21-25:2, 25:3-19 (references by Fako to entity prosecuting ‘338 Patent as “us” and we”).

<sup>51</sup> *See Hilgraeve, Inc. v. Symantec Corp.*, 272 F. Supp. 2d 613, 619 n.6 (E.D. Mich. July 16, 2003) (defendant’s counsel’s notice of patent imputed to defendant for purpose of establishing intent to induce infringement) (citing *Link v. Wabash R.R. Co.*, 370 U.S. 626, 634 (1962) and *Belton Indus. v. United States*, 6 F.3d 756, 761 (Fed. Cir. 1993) for proposition that party is generally charged with facts known to its attorney).

<sup>52</sup> PX 1042 at 146.

<sup>53</sup> PX 3; 4/16/07 PM Tr. at 124:23-126:8.

<sup>54</sup> 4/16/07 PM Tr. at 127:24-128:15.

Pretty – also attended the conference.<sup>55</sup> Dr. Budrikis’ poster disclosed the claimed invention, identified the application number of the Australian provisional application that later became the ‘499 Patent, and indicated that there was a patent pending.<sup>56</sup> Dr. Budrikis testified that the application number was included as “an alert that this particular thing was subject to patent.”<sup>57</sup> Dr. Budrikis further testified that Mr. Vickers stopped and took the time to read the poster and that he had a discussion with Mr. Vickers about it.<sup>58</sup>

The jury also heard sworn testimony by Dr. Jack Malecki establishing that Nortel would have had notice of the claimed invention by 1995 or 1996. Dr. Malecki was a general manager of Technology Innovation Management (“TIM”), which was retained by QPSX and Curtin to commercialize, *inter alia*, the technology described in the ‘499 Patent.<sup>59</sup> Dr. Malecki testified that during his tenure at TIM, he discussed “digital switching hardware and the software that runs it” with Nortel representatives in Canada (as well as other companies) and that, in these discussions, he “would have referred to the existence of the intellectual property” and “something to the effect of, by the way, it seems that you’re in the space.”<sup>60</sup>

Once it learned in 1998 that the invention it already knew about now enjoyed the protections of a U.S. patent, Nortel – at the very least – should have obtained a legal opinion on whether the ‘499 Patent was noninfringed or invalid. Nortel, however, took no steps to obtain

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<sup>55</sup> PX 7 at 2; 4/16/07 PM Tr. at 126:11-127:6. Vickers and Pretty were listed as affiliated with “Northern Telecom Inc.” (now Nortel). PX 7 at 2; *see* 4/17/07 PM Tr. at 90:6-20, 91:4-13.

<sup>56</sup> PX 6; 4/16/07 PM Tr. at 128:25-129:9.

<sup>57</sup> 4/16/07 PM Tr. at 129:10-15.

<sup>58</sup> *Id.* at 128:16-18, 21-24, 129:16-130:14.

<sup>59</sup> 4/17/07 AM Tr. at 55:2-10, 14-21; 57:23-58:2, 60:14-17.

<sup>60</sup> *Id.* at 61:11-63:2, 63:10-23; *see also id.* at 57:9-13, 62:10-12, 63:10-23 (testimony by Conrad Crisafulli and Jack Malecki indicating that Dr. Malecki had similar conversation with Bay Networks, which was subsequently purchased by Nortel).

such advice for *more than seven years*, until after this litigation was filed in 2005.<sup>61</sup> Based on the evidence of Nortel's repeated exposure to the claimed invention over the years (culminating with its discovery in 1998 that it was patented in the U.S.), the jury reasonably could find that Nortel knew its accused products infringed the '499 Patent as early as 1998 but deliberately continued selling those products. While Mr. Fako testified about the legal opinion Nortel belatedly obtained, this opinion was not finalized until *January 2007 – less than 3 months before trial and over 18 months after this suit was filed*.<sup>62</sup> Moreover, Mr. Fako merely discussed the opinion's conclusion that Nortel did not infringe, not the reasoning as to how the conclusion was reached.<sup>63</sup> The opinion was not even introduced into evidence.

Nortel, however, contends that the jury could conclude, at most, that the 1998 notice went not to Nortel but to Nortel's Canadian parent, Northern Telecom Limited ("NTL"), which was the eventual assignee of the '338 Patent.<sup>64</sup> But NTL was not assigned the patent until April 1999.<sup>65</sup> In 1998, when notice was given by the PTO, the '338 Patent was being prosecuted by Texas counsel on behalf of Nortel and two Texas-based Nortel inventors.<sup>66</sup> Thus, the jury was entitled to conclude that the 1998 notice was given to the U.S. subsidiary, not the Canadian parent. And in any event, the jury was also entitled to conclude that notice to the parent was suffi-

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<sup>61</sup> 4/18/07 AM Tr. at 20:3-21:4

<sup>62</sup> *Id.* at 21:19-23, 32:5-18; *cf. National Presto Indus. v. West Bend Co.*, 76 F.3d 1185, 1193-94 (Fed. Cir. 1996) (affirming willful infringement finding and enhanced damages award where defendant failed to obtain written opinion of counsel until 11 months after suit was filed).

<sup>63</sup> 4/18/07 AM Tr. at 32:19-33:1.

<sup>64</sup> Mot. at 9-10 n.12; *see also* 4/18/07 AM Tr. at 23:7-12 (testimony that: (1) Nortel was formerly Northern Telecom, Inc.; (2) Northern Telecom Limited was the parent corporation of Northern Telecom, Inc.); *see also id.* at 4/18/07 AM Tr. at 19:18-20:2 (same).

<sup>65</sup> *See* PX 1042 at 196 (patent assigned on April 15, 1999); 4/16/07 AM Tr. at 128:3-20.

<sup>66</sup> *See supra* note 44; *see also* 4/18/07 AM Tr. at 27:18-21 (Nortel inventors lived in Plano and Garland, Texas).

cient to give notice to its wholly owned subsidiary.<sup>67</sup> Nortel has admitted that NTL holds all the patents for all Nortel entities.<sup>68</sup> Thus, the jury could properly look to NTL for notice of the '499 Patent, because NTL was the entity within the Nortel corporate family that would need to know about patents of interest on behalf of the whole family.<sup>69</sup> Nortel itself has shown that to be so. When Nortel was asked to designate an individual "to testify as to matters reasonably known or reasonably available to [Nortel],"<sup>70</sup> Nortel designated as its corporate representative Mr. Kummer, *who is an employee of NTL*.<sup>71</sup> Given that Nortel designated an NTL employee as the person who could best testify "as to matters reasonably known" to Nortel, it cannot now turn around and argue that the jury could not find that notice to NTL encompassed notice to Nortel.

Indeed, as one court has explained in imputing a foreign parent corporation's willful patent infringement to its U.S. subsidiary, if a contrary rule were adopted

corporations of foreign countries and their United States wholly owned subsidiaries would hold a distinct advantage over American corporations subject to the jurisdiction of United States Federal Courts. Foreign corporations and wholly owned American subsidiaries could do business undeterred by the willfulness provisions of the United States patent statute while United States corporations would be subject to a finding of willfulness. While it is true American corporations could in the future structure ownership of its patents so as to also obtain insulation from a willfulness determination, the net effect would render the willfulness component of the United States patent statute a nullity.

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<sup>67</sup> See *Amsted Indus. v. Nat'l Castings, Inc.*, 1990 U.S. Dist. LEXIS 8553, at \*42 (N.D. Ill. July 11, 1990) (in determining willful infringement, parent corporation's notice of patent was admissible to prove that "[the defendant], through its then-parent corporation Midland, was on notice that the Dresser plate was protected by the '269 patent and that manufacture of a comparable plate might subject it to liability for infringement"). While Nortel cites *MacPike v. American Honda Motor Co.*, 1993 WL 632261 (N.D. Fla. Oct. 1, 1993) for the proposition that NTL's notice of the '499 Patent cannot be imputed to its subsidiary, that court did not indicate whether there was a parent-subsidiary relationship between the companies involved, as there is here.

<sup>68</sup> 4/18/07 AM Tr. at 27:11-17, 28:3-6.

<sup>69</sup> *Id.* at 27:22-28:2, 28:10-30:8.

<sup>70</sup> FED. R. CIV. P. 30(b)(6).

<sup>71</sup> 4/17/07 PM Tr. at 76:17-25, 77:17-20, 77:24-78:5.



*Afros S.P.A. v. Krauss-Maffei Corp.*, 671 F. Supp. 1458, 1460 (D. Del. 1987). The same reasoning applies here for the related issue of knowledge of the patent.

## 2. There Is Extensive Evidence of Nortel's Intent to Induce

There is overwhelming evidence from which the jury properly found “specific intent and action to induce infringement.”<sup>72</sup> As the Federal Circuit has held, such intent is a factual determination uniquely within the province of the jury to decide, and it may be proven through circumstantial evidence or inferred from the surrounding circumstances.<sup>73</sup> Affirmative intent to induce infringement can be shown in a number of ways, including evidence of sales of the component parts of a patented combination and instructions on how to engage in infringing use.<sup>74</sup> Moreover, specific intent to infringe is “*presumed*” where, as here, the infringer knows of the patent at issue and induces the specific acts constituting infringement.<sup>75</sup>

There is ample evidence from which a reasonable juror could find that Nortel had specific intent to induce infringement of the ‘499 Patent. Indeed, Nortel does not even argue otherwise, resting instead on its erroneous arguments that there is no evidence of customer infringement or notice of the patent. *See* Mot. at 10-11. The jury heard how the manuals and guides for Nortel’s accused products disclosed all of the limitations of the asserted claims.<sup>76</sup> The jury also heard that Nortel developed those manuals and guides, and other literature, specifically to teach its customers and others how to perform the patented method. For example, the jury heard that

<sup>72</sup> *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006) (en banc).

<sup>73</sup> *See, e.g., nCube Corp. v. SeaChange Int’l*, 436 F.3d 1317, 1324 (Fed. Cir. 2006); *see also Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1377 (Fed. Cir. 2005).

<sup>74</sup> *See, e.g., MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1379 (Fed. Cir. 2005); *3M v. Chemque, Inc.*, 303 F.3d 1294, 1305 (Fed. Cir. 2002).

<sup>75</sup> *MEMC Elec. Materials, Inc.*, 420 F.3d at 1378 n.4 (emphasis added).

<sup>76</sup> 4/16/07 AM Tr. at 116:15-24 (identifying diagram taken from Plaintiff’s Exhibit 1031). That diagram, with Mr. Kummer’s deposition testimony and Nortel’s own source code, was used to explain Nortel’s infringement of the claims. *Id.* at 117:3-120:16, 122:18-127:17.

Nortel: (1) shows its customers how to turn on EPD functionality in its accused products;<sup>77</sup> (2) teaches its customers how EPD operates;<sup>78</sup> and (3) tells its customers that it is required that they have EPD with UBR.<sup>79</sup> The jury was entitled to infer that Nortel's customers would follow, not ignore, Nortel's instructions on the use of the accused products. *See, e.g., Metabolite Labs.*, 370 F.3d at 1365 (upholding inducement verdict on basis of catalog that simply informed customers of infringing use of accused product). Therefore, the evidence plainly supports the jury's factual finding that Nortel had specific intent to induce infringement of the '499 Patent.

### III. Nortel Is Not Entitled to JMOL or a New Trial on Willful Infringement

To avoid repetition, QPSX hereby incorporates by reference the arguments, authorities, and evidence in support of the jury's findings that Nortel willfully infringed the Patent that are set forth in QPSX's pending Motion for Entry of Final Judgment, Enhanced Damages, Attorney's Fees and Costs, Prejudgment and Postjudgment Interest, and Permanent Injunction.<sup>80</sup> As explained in that motion and above, a reasonable juror could readily have found, *inter alia*, that Nortel (1) copied the claimed invention, of which it had knowledge as early as 1993 and no later than April 8, 1998; and (2) failed to timely obtain or reasonably rely on opinion of counsel.

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<sup>77</sup> *Id.* at 131:22-132:6; PX 1031. Nortel's student guide includes the very same diagram that Dr. Olivier relied on to explain Nortel's infringement of the asserted claims of the '499 Patent. 4/16/07 AM Tr. at 132:13-20, 135:8-13. Nortel teaches its customers how the EPD/PPD/LPD are enabled or disabled through the packet-wise discard option. *Id.* at 132:22-133:2. This student guide even includes the attributes for the ATM service. *Id.* at 133:8-17.

<sup>78</sup> *Id.* at 129:14-130:5 (discussing a Nortel document describing the EPD functionality in the ATM IP functional processors and how EPD works); *id.* at 130:7-131:18 (describing a Nortel document that discusses an attribute set in the Nortel switches to turn on EPD and PPD as well as how EPD "allows the connection to discard entire frames once the transmit queue has reached the EPD threshold" and "[a]ll cells of the frames are discarded"); *id.* at 133:19-135:6 (describing Nortel instructor guides that include instructions on how to teach a student how EPD works).

<sup>79</sup> *Id.* at 99:10-100:9.

<sup>80</sup> *See* D.E. 431.

Nortel contends that “it is uncontroverted that Nortel did not copy QPSX’s technology since Nortel implemented its own technology in the accused products.” Mot. at 13. But of course it is controverted, based on the evidence at trial that Nortel employees learned of the claimed invention as early as 1993 and no later than 1998 and subsequently produced and sold infringing products that were shown to contain all of the limitations of the asserted claims. The jury was reasonably entitled to accept that evidence and disregard Mr. Kummer’s contrary testimony because: (1) Mr. Kummer merely testified that Nortel had its own version of EPD, but conspicuously did not say that it was created without misappropriating the invention of the ‘499 Patent; (2) Nortel’s use of EPD and PPD together still requires use of EPD, as Nortel itself admits, Mot. at 8 n.9; (3) Nortel’s use of WRED and LPD ignores all of the evidence that its accused products still use EPD; and (4) Mr. Kummer, as shown above, lacked credibility.

The jury was also entitled to conclude that Nortel failed to timely obtain and reasonably rely on the opinion of counsel, given that it failed to request an opinion until *after* this suit had been filed in June 2005, despite having notice of the ‘499 Patent no later than 1998, failed to obtain the final opinion until 18 months after suit was filed and just 3 months before trial began, and failed even to introduce the opinion into evidence. The jury was also entitled to find that no legal opinion solicited by Nortel while a patent infringement suit is pending would have concluded that Nortel infringed a valid patent and, thus, that Nortel’s alleged reliance on that opinion was not reasonable.

Indeed, as shown in the motion for judgment, these factors and others support not only the finding of willfulness but also enhanced damages and attorneys’ fees. While the evidence of notice presented at trial (and shown above) refutes Nortel’s assertion that its knowledge of the

Patent was merely “technical” (Mot. at 14), QPSX’s motion sets forth compelling evidence of additional grounds upon which this Court may award enhanced damages.<sup>81</sup>

#### **IV. Nortel is Not Entitled to JMOL or a New Trial on Validity**

As noted above, Nortel waived any entitlement to JMOL on validity. *See supra* at 1-2. But Nortel’s request for JMOL or a new trial on validity also fails on the merits because the record amply supports the jury’s finding that Nortel failed to prove invalidity by clear and convincing evidence, and that finding is not against the great weight of the evidence.

##### **A. The Finding of a March 26, 1993 Priority Date is Supported By the Evidence**

Nortel erroneously argues that the jury “had no evidentiary basis” for its finding of a March 26, 1993 priority date for the asserted claims. Mot. at 15-16. In fact, Dr. Knightly and Dr. Olivier explained at length how each element of each claim is supported by the 1993 Australian provisional application.<sup>82</sup> Nortel’s suggestion that Dr. Knightly conclusorily asserted the March 26, 1993 priority date (Mot. at 16 n.19) is thus based on a highly selective and misleading reading of the record. Nortel also contends that the Australian provisional application did not disclose all elements of the asserted claims based on Dr. Knightly’s purported testimony on cross-examination 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.” *Id.* That argument, however, is based on a mischaracterization of the testimony, and a misunderstanding of the law and of the Court’s construction of the “at all times” limitation. Dr.

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<sup>81</sup> In both cases Nortel cites to support denial of enhanced damages, the courts relied on the well-established principle that an enhanced damages award turns on the specific facts of a case rather than bright-line rules, and based their decisions on factors besides the alleged “technical” nature of the notice. *See Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613 (Fed. Cir. 1985); *Honeywell Int’l Inc. v. Hamilton Sunstrand Corp.*, 166 F. Supp. 2d 1008 (D. Del. 2001). QPSX does not rely on mere notice of the patent to support enhanced damages.

<sup>82</sup> *See* 4/16/07 AM Tr. at 141:18–148:16; 4/16/07 PM Tr. at 4:16-23; 4/18/07 PM Tr. at 110:9-112:5.

Knightly's testimony involved only a figure in the application rather than the entire application. Moreover, the "at all times" limitation does not *require* non-congestion based discard; it merely *encompasses* such discard.<sup>83</sup> It is black-letter law that "an applicant is not required to describe in the specification every conceivable and possible future embodiment of his invention."<sup>84</sup> Thus, the evidence and the law clearly support a priority date of March 26, 1993.

**B. The Evidence Supports the Jury's Finding that the Romanow-Floyd Article Was Not Anticipatory Prior Art**

Nortel further seeks JMOL or a new trial on the ground that the SIGCOMM Romanow and Floyd article (DX 7) is anticipatory prior art.<sup>85</sup> Nortel, however, cannot prove that the article is prior art by clear and convincing evidence, much less under the heavy burdens required to obtain JMOL or a new trial.<sup>86</sup> If anything, the evidence presented at trial – much of it from Nortel's own validity expert – actually supports JMOL in *QPSX's* favor. For example:

- Dr. Leslie testified, and there is no dispute, that the Romanow/Floyd article was published after the date of the Australian provisional application (March 26, 1993) – the priority date listed on the face of the '499 Patent.<sup>87</sup>
- Dr. Leslie testified that the Romanow/Floyd article was published after the PCT international application date (March 28, 1994).<sup>88</sup> Dr. Leslie also

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<sup>83</sup> D.E. 268 at 15.

<sup>84</sup> *Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1344 (Fed. Cir. 2001).

<sup>85</sup> Mot. at 16-17. Nortel does not seek JMOL or a new trial based on the only other alleged prior art relied upon by Nortel at trial – the Sakagawa patent.

<sup>86</sup> *See, e.g., Sandt Tech., Ltd. v. Resco Metal & Plastics Corp.*, 264 F.3d 1344, 1350 (Fed. Cir. 2001) ("The presumption of validity, 35 U.S.C. § 282 (1994), requires those challenging validity to introduce clear and convincing evidence on all issues relating to the status of a particular reference as prior art"); *see also Hodosh v. Block Drug Co.*, 786 F.2d 1136, 1142 (Fed. Cir. 1986) ("Whether a reference is available as prior art and whether it anticipates (i.e., contains every claimed element) are separate questions").

<sup>87</sup> 4/18/07 AM Tr. at 9:22-24; PX 1.

<sup>88</sup> *Id.* at 9:25–10:2.

testified that the asserted claims of the '499 Patent are entitled to the PCT international application date.<sup>89</sup>

- Dr. Leslie testified that the Romanow/Floyd article was published in August 1994 (the date of the conference where it was presented) and that any prepublication of the article would have occurred in May or June of 1994 (both dates coming after the PCT international application date).<sup>90</sup>
- Dr. Knightly testified that the Romanow/Floyd article is not prior art but, instead, describes “research done after the '499 invention.”<sup>91</sup> Dr. Knightly further testified that the date shown in the footnote on the first page of the Romanow/Floyd article (“8/94”) was the date when this article would have been “physically handed to the people that are out at the conference.”<sup>92</sup>

In sum, according to Nortel’s as well as QPSX’s validity expert, there is more than sufficient evidence that the Romanow/Floyd article is not prior art regardless of whether the jury opted to apply Nortel’s alleged priority date or QPSX’s priority date for the '499 Patent.

Nortel attempts to counter this mountain of evidence with a single uncorroborated statement by a co-author of the Romanow/Floyd article, Dr. Romanow. Nortel argues that, according to her testimony, “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.” Mot. at 16. Nortel misstates Dr. Romanow’s testimony. She did not testify that the article was ever posted on a Sun website. Instead, Dr. Romanow merely testified that a “*draft*” was made available by February 1, 1994.<sup>93</sup> Nortel presented no evidence detailing how any draft of the article discloses all of the elements of the asserted claims or compares with the final version that was admitted into evidence, which Dr. Romanow acknowledged “benefited . . . from feedback

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<sup>89</sup> 4/17/07 PM Tr. at 139:2-5.

<sup>90</sup> 4/18/07 AM Tr. at 9:19-21, 13:7-16.

<sup>91</sup> 4/18/07 PM Tr. at 116:16-22.

<sup>92</sup> 4/18/07 PM Tr. at 113:14-114:1.

<sup>93</sup> 4/17/07 AM Tr. at 75:21-76:15 (emphasis added).

from anonymous reviewers.”<sup>94</sup> Finally, Dr. Romanow’s testimony in no way contradicts Dr. Leslie’s admission that the earliest that the Romanow/Floyd article would have been available to the public was May or June of 1994 – *after* the priority dates espoused by both parties.<sup>95</sup>

#### V. Nortel Is Not Entitled to JMOL, a New Trial, or Remittitur on Damages

At times, Nortel appears to argue that the Court may disregard the jury’s award of royalty damages and award *zero* damages, even while admitting (as it must) that 35 U.S.C. § 284 requires an award of “damages adequate to compensate for the infringement, but in no event less than a reasonable royalty. . . .”<sup>96</sup> Nortel, however, offers no basis for a zero damages award.<sup>97</sup> Moreover, as shown above, Nortel has waived any such challenge. *See supra* at 1-2.

Nortel’s actual argument is that the damages are excessive. But it neglects to discuss or apply the onerous standard of review applicable to that argument. A jury’s damages award must be sustained unless “the amount is ‘grossly excessive or monstrous,’ clearly not supported by the evidence, or based only on speculation or guesswork.”<sup>98</sup> “To the extent there were conflicts in the evidence, . . . the trial court upon motion for judgment n.o.v. [now JMOL] . . . may [not] substitute its choice of result for that of the jury.”<sup>99</sup> Nortel has not remotely met that heavy burden.

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<sup>94</sup> DX 7 at 7.

<sup>95</sup> 4/18/07 AM Tr. at 13:7-16.

<sup>96</sup> Mot. at 17 (“There is legally insufficient evidence for a reasonable juror to award damages”), 18 (“Mr. Bratic’s opinion is not legally sufficient to support any damage award . . .”).

<sup>97</sup> *See Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1333 (Fed. Cir. 2004) (rejecting jury’s award of zero damages where evidence supported 3% to 15% royalty rate because successful claimant is entitled to no less than reasonable royalty under 35 U.S.C. § 284).

<sup>98</sup> *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1376 (Fed. Cir. 2001); *Biologische Naturverpackungen GmbH v. Biocorp, Inc.*, 249 F.3d 1341, 1355 (Fed. Cir. 2001).

<sup>99</sup> *Brooktree Crop. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1580 (Fed. Cir. 1992).

**A. The Evidence Supports the Royalty Rate Found By the Jury**

The jury applied a 4.75% royalty rate, as shown by the fact that the award of \$28,081,123 is exactly 4.75% of the base of \$591,181,536 calculated by Mr. Bratic, QPSX's damages expert. This calculation is also consistent with the jury's request, in Note 2, for use of a calculator. Nortel now claims that the Court should grant it a new trial or reduce the jury award because it is not supported by the evidence, including Mr. Bratic's opinion. Mot. at 17. Nortel is wrong.

Nortel erroneously argues that Mr. Bratic opined that an appropriate rate would have been 2% instead of the 4.75% awarded by the jury. Nortel, however, omits arguably the most important word from Mr. Bratic's testimony – "minimum." Mr. Bratic testified that the *minimum* reasonable royalty rate was 2%.<sup>100</sup>

Q. Okay. And what did you determine was a minimum reasonable royalty?

A. In my opinion, a minimum reasonable royalty was 2 percent.

Q. Okay. *And by minimum, you mean it could be higher?*

A. *Yes.*<sup>101</sup>

In addition to misstating Mr. Bratic's testimony, Nortel's argument contains a basic flaw. It presumes that the jury cannot determine for itself the amount of damages, but, instead, must adopt the expert's number. But Nortel has not cited a single case that supports such a rule.

Indeed, the Federal Circuit has held that a jury is *not* required to "arrive at a royalty specifically

<sup>100</sup> This testimony is consistent with his expert reports, where he opined that "the hypothetical negotiation between Curtin and each of the Defendants for a license to the '499 patent would have resulted in a reasonable royalty rate of *no less than 2%* of the net sales of the Accused Products." Bratic Rep. at 67 (emphasis added); *see also* Bratic Sur-Rebuttal Rep. at 23 (same).

<sup>101</sup> 4/17/07 AM Tr. at 92:1-4 (emphasis supplied). Mr. Bratic also opined that an "upper range"—but not the maximum—for the rate would be 3 to 3.5%. *Id.* at 146:16-21. This testimony was not, as Nortel claims, an "undisclosed opinion," and the Court did not exclude it. In fact, Nortel did not object to Bratic's testimony regarding a 3.5% rate in his deposition. Instead, the Court sustained Nortel's objection to QPSX's request that Mr. Bratic multiply the royalty base by a 3.5% royalty rate. *Id.* at 146:16-21, 147:8-14. Nevertheless, as shown below, the jury was entitled to award a higher rate, which was amply supported by other evidence.



articulated by the parties during trial. Rather, the Federal Circuit merely requires that a jury's award simply must be within the range encompassed by the record as a whole."<sup>102</sup> Thus, as the jury was correctly instructed at trial, expert opinions regarding what would be a reasonable royalty was just one of the multiple *Georgia-Pacific* factors that it could consider.<sup>103</sup>

The jury's 4.75% royalty rate is amply supported by the evidence, which Nortel ignores or mischaracterizes. QPSX introduced several examples of licenses with rates that are consistent with or higher than the 4.75% rate used by the jury. Nortel, by contrast, offered no licenses in support of its position. For example, the jury heard that the 1999 license between Curtin and QPSX applied a royalty rate of 5% of net sales.<sup>104</sup> Although the royalty rate for this license was 5%, the jury apparently considered the fact that the license was exclusive and awarded damages based on a *discounted* royalty rate of 4.75% – perhaps to account for the fact that the hypothetical license between Nortel and Curtin would have been nonexclusive. Significantly, the Curtin-QPSX license was negotiated in the Fall of 1999 – precisely when the hypothetical negotiation with Nortel would have occurred. Nortel ignores all of this evidence.

Nortel also ignores Mr. Bratic and Mr. Crisafulli's testimony concerning QPSX's SAR and DQDB licenses with Siemens and Alcatel. The rates for the Siemens license ranged from 5 to 7 percent, and the rate for Alcatel's license was 6 percent.<sup>105</sup> Mr. Bratic further testified that the effective royalty rates – considering the rate and up-front payments – for these two licenses

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<sup>102</sup> *Unisplay, S.A. v. Am. Elec. Sign Con. Inc.*, 69 F.3d 512, 519 (Fed. Cir. 1995).

<sup>103</sup> See 4/19/07 AM Tr. at 65:9-67:14; *Georgia-Pac. Corp. v. U.S. Plywood*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970); see also 4/17/07 AM Tr. at 147:20-23.

<sup>104</sup> DX 3193 at Q004399; see also 4/17/07 AM Tr. at 28:12-29:10, 111:25-112:13.

<sup>105</sup> PX 253 at Q019169 (QPSX/Siemens license); PX 581 at ALC0041532 (QPSX/Alcatel license). See also 4/17/07 AM Tr. at 30:3-31:13, 112:14-113:24. Both licenses covered the licensee's entire product, were non-exclusive, and involved related technology. *Id.* at 113:12-24.

were 7.5 and 25 percent, respectively.<sup>106</sup> Finally, Mr. Bratic testified regarding two additional licenses that he believed were relevant in determining an appropriate royalty rate: the SKYDATA and E-Net licenses.<sup>107</sup> The SKYDATA license contained a 5 percent rate, and the applicable rate from the E-Net license was 3.5 percent.<sup>108</sup>

In sum, Mr. Bratic's and Mr. Crisafulli's testimony, in conjunction with the above licenses, provided ample evidence from which a reasonable juror could have applied a 4.75% royalty rate to the royalty base, and that finding is not against the great weight of the evidence.

### **B. The Evidence Supports the Royalty Base Found by the Jury**

In addition to challenging the royalty rate used by the jury in determining its damages award, Nortel also contends that the royalty base to which the jury applied the 4.75% royalty rate was excessive. As shown above, these arguments have been waived because Nortel failed to raise them in its pre-verdict JMOL motion. But they also fail on the merits.

#### **1. The Jury Properly Included 1999 and 2000 Sales**

Nortel's motion rehashes the argument, which it unsuccessfully made at trial, that it did not sell any infringing products in 1999. Mot. at 19. But in its answer to Interrogatory #1, Nortel expressly stated that AQM processors for the MSS 15000 and 20000 family of products *were* available for sale in November 1999.<sup>109</sup> Nortel also produced sales information for products with these processors in December 1999.<sup>110</sup> While Mr. Kummer attempted to repudiate the interrogatory answer (which he personally signed and never amended), the jury was entitled to believe Mr. Kummer's interrogatory answer and reject his testimony from the witness stand.

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<sup>106</sup> *Id.* at 116:5-117:1.

<sup>107</sup> *Id.* at 113:25-116:2.

<sup>108</sup> *Id.* at 114:8-10, 115:9-116:2.

<sup>109</sup> PX 961; 4/17/07 PM Tr. at 22:2-6, 68:24-71:9.

<sup>110</sup> 4/17/07 PM Tr. at 21:22-22:1, 25:15-26:6, 71:1-2.

Nortel also attempts to exclude 1999 and 2000 sales based on QPSX's alleged failure to comply with 35 U.S.C. 287(a)'s marking requirement. Mot. at 19-20. Nortel incorrectly acts as if this issue was uncontested. In fact, the same witness who testified that Atmosphere Networks ("Atmosphere") allegedly sold but did not mark the products allegedly incorporating EPD also testified that he did not actually know whether Atmosphere or Ditech (which purchased Atmosphere) made, sold, or shipped a product that could actually perform EPD.<sup>111</sup> Dr. Antonio Cantoni, who was Chief Technology Officer of Atmosphere at the time, also unambiguously testified that Atmosphere did not sell products containing EPD functionality.<sup>112</sup> Thus, there was more than sufficient evidence for a reasonable jury to find that the marking requirement under 35 U.S.C. § 287(a) did not apply because neither Atmosphere nor Ditech ever sold a product that could perform EPD, and such a finding is not against the great weight of the evidence.<sup>113</sup>

## 2. The Jury Properly Included Recoverable Product Types and Sales

Nortel also incorrectly argues that the jury could not consider certain product types and sales numbers in the royalty base. Mot. at 20-22 nn.26-27. First, Nortel contends that the base improperly included all Nortel MSS products and "possibly others" so long as the customer bought at least one line card having one or more of the AQM, APC, QRD, and GQM chips. But in response to Interrogatory #1, Nortel described the accused product as the entire switch, not

<sup>111</sup> 4/18/07 PM Tr. at 74:19-75:6 ("Q: So as we sit here today, you don't actually know that the 4-ports that were shipped were . . . able to perform EPD, do you? A: That's correct. Q: . . . If Dr. Cantoni says that Atmosphere never sold a product that actually could perform EPD, do you have any reason to disagree with that statement? A: No I don't."); *see also id.* at 68:14-75:6.

<sup>112</sup> 4/16/07 PM Tr. at 104:5-7; *see also* 103:8-10, 103:19-23.

<sup>113</sup> Alternatively, as QPSX explained in its pre-verdict JMOL motion, Section 287(a)'s marking requirement does not apply as a matter of law to limit QPSX's recovery of damages for Nortel's infringement because only method claims were asserted at trial. *See Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1082-83 (Fed. Cir. 1983); *Bandag, Inc. v. Gerrard Tire Co.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983); *Coca-Cola Co. v. Pepsico, Inc.*, 2004 U.S. Dist. LEXIS 30375, at \*99-\*102 (N.D. Ga. Sept. 29, 2004); *but see Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1539 (Fed. Cir. 1993) (both method and apparatus claims asserted).

just a line card having one of those chips.<sup>114</sup> The only other measure of damages that Nortel provided encompassed line cards only, which would have been grossly underinclusive given Nortel's definition of the accused product as the entire switch.<sup>115</sup> Moreover, the reasonableness of Mr. Bratic's royalty base was confirmed by Nortel's damages expert, Dr. Ugone, who used the same measure for his royalty base except that he omitted customers who did not purchase AQM chipsets.<sup>116</sup>

Second, Nortel argues (Mot. 21) that the royalty base failed to account for the fact that the case involves method claims. Nortel made this argument to the jury, which properly rejected it. Because it is impractical to precisely calculate the amount a patented method like EPD is used in a switch for the purpose of calculating a reasonable royalty, Mr. Bratic testified that, at the time of the 1999 hypothetical negotiation over a royalty, Nortel and Curtin would have wanted to simplify the administration of their license agreement and afford Nortel maximum flexibility to make and sell products that performed EPD.<sup>117</sup> According to Mr. Bratic, they would have done this by defining the royalty base to include *all* Nortel products that had the ability to perform EPD.<sup>118</sup> Mr. Bratic properly based his opinion on his experience actually negotiating patent licenses.<sup>119</sup> Moreover, Nortel's own damages expert also calculated his royalty base on the sale of all the Nortel Accused Products that were capable of performing EPD.<sup>120</sup>

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<sup>114</sup> PX 961; *see also* 4/17/07 AM Tr. at 68:5-17.

<sup>115</sup> 4/17/07 AM Tr. at 99:5-100:10; 4/17/07 PM Tr. at 13:19-14:11.

<sup>116</sup> 4/18/07 PM Tr. at 25:22-28:10.

<sup>117</sup> 4/17/07 AM Tr. at 96:2-97:8; 4/17/07 PM Tr. at 34:9-35:2.

<sup>118</sup> *Id.*

<sup>119</sup> 4/17/07 AM Tr. at 96:2-7.

<sup>120</sup> 4/18/07 PM Tr. at 5:16-7:17, 23:3-20.

Third, Nortel contends in a footnote (Mot. at 21 n.26) that the royalty base improperly included products employing infringing APC chips purchased from Lucent Technologies, Inc. but allegedly covered by the Lucent settlement agreement. Nortel cites no evidence for this argument, and there is none. To the extent Nortel claims the Court's *in limine* ruling on settlements affected this issue, Nortel was required to and should have raised the issue at trial. Moreover, Nortel never identified which products allegedly contained Lucent chips. It was Nortel's duty to segregate any allegedly noninfringing or unrecoverable products, but it failed to do so.<sup>121</sup>

The case cited by Nortel on these issues, *Oiness v. Walgreens Co.*, 88 F.3d 1025 (Fed. Cir. 1996), is inapposite. In *Oiness*, the plaintiff's expert "found very little sales history to support his projections" and instead improperly relied on sales figures from a few months to extrapolate demand over several years.<sup>122</sup> The court concluded that the expert's "premise was flawed" and his sales "projections lacked evidentiary support."<sup>123</sup> Here, by contrast, Mr. Bratic's

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<sup>121</sup> See *Westinghouse Elec. & Mfg. Co. v. Wagner Elec. & Mfg. Co.*, 225 U.S. 604, 620 (1912) (where "mathematical or approximate apportionment" between infringing and noninfringing items cannot be made, the "the burden of separation is cast on the defendant"); *Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1572 (Fed. Cir. 1996) ("[I]f actual damages cannot be ascertained with precision because the evidence available from the infringer is inadequate, damages may be estimated on the best available evidence, taking cognizance of the reason for the inadequacy of proof and resolving doubt against the infringer."); *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 900 (Fed. Cir. 1986) (where infringer's failure to keep accurate records causes difficulty in ascertaining damages, infringer must bear adverse consequences); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983) ("[W]hen the amount of the damages cannot be ascertained with precision, any doubts regarding the amount must be resolved against the infringer. . . . In addition, any adverse consequences must rest on the infringer when the inability to ascertain lost profits is due to the infringer's own failure to keep accurate or complete records."). Nortel similarly contends (Mot. at 21 n.27) that the jury failed to consider that the accused products have multiple ports. Nortel again does not cite any evidence in the record to support this argument. And, again, the argument fails because: (1) Nortel's own interrogatory answer defined the accused product as the entire switch; and (2) Nortel had the duty to segregate out any noninfringing or unrecoverable products, but failed to do so.

<sup>122</sup> *Id.* at 1031.

<sup>123</sup> *Id.*

opinion regarding the royalty base was based on years of actual sales numbers produced by Nortel – not just a few months.<sup>124</sup> He also explained why his base included all EPD capable products.<sup>125</sup> Thus, Nortel cannot show that the jury’s royalty base was grossly excessive or monstrous, clearly unsupported by the evidence, or based only on speculation or guesswork.

**C. The Jury’s Damages Award Was Not Based on Passion and Prejudice**

Despite failing to utter a single word of objection to QPSX’s arguments to the jury, Nortel – having lost at trial – now asks this Court to throw out the jury’s verdict and start all over again based on a laundry list of such arguments. Mot. at 22-24. It’s not that easy. When a party fails to object to allegedly improper argument by counsel, a new trial can be granted “only in exceptional cases where the interest of substantial justice is at stake”<sup>126</sup> In deciding whether to grant a new trial in such circumstances, this Court “must consider, in addition to the comments of counsel, the counsel’s trial tactics as a whole, the evidence presented, and the ultimate verdict in determining whether manifest injustice would result by allowing the verdict to stand.”<sup>127</sup> Based on these factors, Nortel’s complaints should be rejected for at least the following reasons.

- **Local Bias.** Nortel’s claim of improper appeals to local bias ignores the critical and obvious fact that QPSX is an *Australian* company – a point Nortel was not shy about stressing during opening statements as it emphasized its own status as a U.S. corporation.<sup>128</sup> There is no evidence that jurors harbored any deep-rooted prejudices favoring Australian over Canadian companies.

Nortel also made its Canadian citizenship an issue when it attempted to repudiate any ties to Canada in its opening statement, its corporate representative

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<sup>124</sup> 4/17/07 AM Tr. at 98:24-100:10.

<sup>125</sup> 4/17/07 PM Tr. at 33:25-35:2, 39:5-40:19.

<sup>126</sup> *Shipman v. C. Gulf Lines, Inc.*, 709 F.2d 383, 388 (5th Cir. 1983). Nortel’s reliance on cases such as *Westbrook v. Gen. Tire & Rubber Co.*, 754 F.2d 1233, 1238 (5th Cir. 1985) and *Whitehead v. Food Max of Mississippi, Inc.*, 163 F.3d 265 (5th Cir. 1998), is thus misplaced because the complaining parties in those cases objected to the jury argument at issue.

<sup>127</sup> *Mills v. Beech Aircraft Corp.*, 886 F.2d 758, 765 (5th Cir. 1989).

<sup>128</sup> 4/16/07 AM Tr. at 36:15-25, 38:10-39:4.

claimed not to know whether Nortel's principal place of business was in Canada or the U.S., and its patent counsel – ignoring this Court's order – testified that Nortel's principal place of business was in Texas, forcing the Court to instruct the jury to disregard that testimony.<sup>129</sup> Moreover, at trial, Nortel contended that it is not a Canadian corporation, despite its stipulation that its principal place of business is in Canada.<sup>130</sup> Finally, Nortel – co-represented by a prominent Texas law firm throughout trial – boasted during opening arguments that Nortel is a major employer in North Texas, a not-so-subtle attempt to ingratiate itself to the jury that undermines any alleged prejudice resulting from purported appeals to local bias.<sup>131</sup>

- **Big Versus Small.** This complaint should be rejected because Nortel itself made this an issue, boasting during its opening statement that it is a “big” corporation that manufactures products, while disparaging QPSX as a small company that merely enforces patents.<sup>132</sup>
- **Unit of Time.** There is nothing improper about QPSX's statements that, based on Nortel's own financial record, Nortel had made \$260 per minute from 1999 through the present and that QPSX was asking the jury to award a small part of those earnings.<sup>133</sup> Nortel has not shown how presenting these mathematical facts (which were fully supported by the evidence) prejudiced Nortel.
- **Missing Witness.** Nortel does not cite any authority barring QPSX from noting the obvious fact that Nortel did not designate an expert witness on infringement – a glaring omission in any patent infringement suit.
- **5-6% Royalty Rate.** Nortel's accusation that QPSX improperly urged the jury to apply a royalty rate of 5-6% “while the only evidence in the record was [a] royalty rate of 2%” is simply wrong, as shown above.

The Court instructed the jury to reach its decision “without bias or prejudice to any party,” and without “sympathy or prejudice.”<sup>134</sup> As shown, the jury faithfully followed those instructions.

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<sup>129</sup> 4/16/07 AM Tr. at 36:15-16, 24-25; 4/17/07 PM Tr. at 81:2-7, 12-21; 4/18/07 AM Tr. at 15:21-16:8, 18:18-19:6.

<sup>130</sup> 4/16/07 AM Tr. at 36:15-16; D.E. 406-2 at Exh. A (¶ 3).

<sup>131</sup> 4/16/07 AM Tr. at 36:17-18, 22-23; *Mills*, 886 F.2d at 765 (denying motion for new trial based on complaint that arguments of counsel appealed to “regional bias”).

<sup>132</sup> *Id.* at 36:16-25.

<sup>133</sup> 4/16/07 AM Tr. at 21:16-19, 22:5-9.

<sup>134</sup> 4/19/07 AM Tr. at 46:23-47:10, 70:6-9.

Finally, as shown above, there is clear legal and factual support for the jury's damages award. Thus, there is no indication that the jury was overcome with passion and prejudice or that manifest injustice would result from allowing the verdict to stand. Indeed, a "runaway jury" does not request an exhibit containing the royalty base upon which QPSX's damages expert's testimony was based, request a calculator, and base its damages award on the straightforward multiplication of the royalty base by a royalty rate of 4.75% (an amount *less than* the largest amount of damages supported by the evidence). These are the acts of a conscientious jury carefully basing its verdict on the evidence presented to it. Nortel's belated complaint regarding QPSX's argument to the jury is nothing more than a desperate and regrettable attempt to shift the blame for the jury's verdict from itself to QPSX and the jury.

#### **VI. This Court Did Not Abuse Its Discretion in Clarifying Its Claim Construction**

Lacking an expert witness on infringement, Nortel's only hope was to try to confuse the jury and argue through questioning that the phrase "at all times" in the asserted claims meant "forever" – a construction at odds with the meaning of that phrase given by this Court in its *Markman* ruling.<sup>135</sup> At trial, this Court properly recognized what was taking place and clarified its claim construction to confirm that "at all times" *did not* mean "forever" as Nortel was arguing.<sup>136</sup> Nortel now incorrectly claims that it was prejudiced by that order. Mot. at 26.

As a general matter, Nortel cannot be prejudiced because this Court properly found (and Nortel does not dispute) that it never advanced the "at all times means forever" claim construction during the *Markman* process and that construction was never expressly (or implicitly) adopted by this Court in its January 17, 2007 *Markman* order.<sup>137</sup> Thus, Nortel's

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<sup>135</sup> 4/16/07 PM Tr. at 72:17-19.

<sup>136</sup> 4/17/07 AM Tr. at 2:22-3:17; D.E. 401.

<sup>137</sup> D.E. 401 at 1 ("The Court did not intend this construction, and Nortel did not suggest this



reliance on this self-serving construction was unjustified (and waived). With respect to its specific claims of prejudice, Nortel's complaint that the Court prevented it from examining QPSX's infringement expert on this "new" construction is unfounded because Nortel does not ever show that the Court did that. Nortel's complaint that it could not examine its own expert witness on the issue is solely attributable to Nortel's own decision not to designate an infringement expert. *See infra* at 33-34. And the fact that QPSX correctly noted the Court's *Markman* ruling could not have been prejudicial when counsel merely stated an obvious truth.

Finally, in yet another baseless attempt to shift blame for its own misconduct, Nortel erroneously asserts that the Court "incorrectly attribute[d] the requirement for the changed construction to Nortel." Mot. at 25 n.31. As the Court correctly concluded, Nortel necessitated the clarification through its incorrect request that Dr. Olivier assume that "at all times" means "forever."<sup>138</sup> In particular, Nortel sought to espouse this construction by having Dr. Olivier ignore part of the Court's claim construction modifying the phrase "at all times."<sup>139</sup> Dr. Olivier, by contrast, clearly testified that "at all times" does *not* mean "forever."<sup>140</sup> Thus, the Court did not err in concluding that Nortel had necessitated a clarification by improperly espousing a new claim construction at odds with the Court's *Markman* order.

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construction in its *Markman* briefing or at the *Markman* hearing").

<sup>138</sup> See 4/16/07 PM Tr. at 72:15-19 ("Q. If at all times means forever, it means every mode, correct.").

<sup>139</sup> See 4/16/07 PM Tr. at 55:19-22 ("[I]f you wanted to get rid of the portion [of the Court's claim construction] inside the commas, it would be at all times not admit cells arriving on the virtual channel connection for storage in said buffer.").

<sup>140</sup> 4/16/07 AM Tr. at 124:2-4.

## VII. This Court Did Not Abuse Its Discretion in Limiting Mr. Kummer's Testimony

A trial court enjoys broad discretion in excluding or admitting evidence, including expert testimony.<sup>141</sup> A party challenging the exclusion of evidence must prove not only that the trial court abused its discretion in excluding the evidence but also that the exclusion was harmful (*i.e.*, affected its substantial rights).<sup>142</sup> Nortel's complaint regarding the Court's decision not to permit Mr. Kummer to provide expert testimony on infringement fails because Nortel did not properly preserve its objection by making an offer of proof specifically detailing what Mr. Kummer's testimony would have been.<sup>143</sup> Absent such a record, this Court (or the Federal Circuit) cannot adequately determine whether the exclusion of Mr. Kummer's testimony was harmful.

Nortel's complaint fails on the merits as well. Despite the unambiguous requirements of Fed. R. Civ. P. 26(a)(2)(A) and this Court's Amended Docket Control Order and Amended Discovery Order, Nortel – unlike all the other defendants in this case – failed to designate Mr. Kummer, Dr. Forys, or some other witness as its expert witness on infringement. Specifically, Rule 26(a)(2)(A) requires the disclosure of any person who may be used at trial to present evidence under Federal Rules of Evidence 702, 703, or 705, but Nortel did not disclose Mr. Kummer as such a witness. This Court's Amended Docket Control Order also required such a

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<sup>141</sup> See, e.g., *Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 142-43 (1997); *Nat'l Hispanic Circus, Inc. v. Rex Trucking, Inc.*, 414 F.3d 546, 551 (5th Cir. 2005).

<sup>142</sup> FED. R. EVID. 103(a); *Nat'l Hispanic Circus, Inc.*, 414 F.3d at 551.

<sup>143</sup> FED. R. EVID. 103(a)(2) (“Error may not be predicated upon a ruling which admits or excludes evidence unless . . . [i]n case the ruling is one excluding evidence, the substance of the evidence was made known to the court by offer or was apparent from the context within which questions were asked”); *Seatrax, Inc. v. Sonbeck Int'l*, 200 F.3d 358, 370 (5th Cir. 2000) (“Generally speaking, [the Fifth Circuit] will not even consider the propriety of the decision to exclude the evidence at issue, if no offer of proof was made at trial.’ . . . While a formal proffer is not essential, the proponent of the evidence ‘must show in some fashion the substance of the proposed testimony’”); *Stockstill v. Shell Oil Co.*, 3 F.3d 868, 872-73 (5th Cir. 1993) (same).

disclosure and an expert report “60 days after claim construction ruling,”<sup>144</sup> but again Nortel did not disclose Mr. Kummer or provide an expert report. Finally, this Court’s Amended Discovery Order at Paragraph 1(h) required disclosures of the names of all experts and a summary of their opinions<sup>145</sup> but Nortel again did not identify Mr. Kummer.

The Court did not abuse its discretion in enforcing the rules and its order to bar Nortel from attempting to backdoor Mr. Kummer as an expert witness on infringement at trial via allegedly “lay” testimony. The Court’s exercise of its broad discretion not to allow him or Dr. Forys to testify as Nortel’s expert was also reasonably based on the prejudice to QPSX from having to respond at trial to an undesignated expert witness as well as the Court’s understandable refusal to allow Nortel to knowingly violate Rule 26(a)(2)(A) and this Court’s docket control and discovery orders with impunity. Nortel cannot complain in good faith about its deliberate failure to designate an infringement expert in a patent infringement suit, especially when QPSX and every other defendant did so and Nortel did designate experts on invalidity and damages.<sup>146</sup>

### CONCLUSION

For the foregoing reasons, Nortel’s Motion for Judgment as a Matter of Law, Motion for New Trial and Motion for Remittur [sic] should be denied.

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<sup>144</sup> D.E. 71 at 2.

<sup>145</sup> D.E. 69 at 2.

<sup>146</sup> Nortel’s self-serving, *post hoc* explanation for its failure to designate (Mot. at 25 n.32) makes no sense. Nortel does not explain why the simple act of designating Dr. Forys (or anyone else) as an expert would have resulted in duplicative testimony. It is inexplicable for a defendant in a patent infringement action to deliberately fail to designate a non-infringement expert witness on such a flimsy basis (particularly when it has designated other experts).

Respectfully submitted,

By /s/ Robert S. Harrell

D. Dudley Oldham (Lead Attorney)  
Fed. ID #: 1025 / State Bar #: 15248000  
[doldham@fulbright.com](mailto:doldham@fulbright.com)  
Robert S. Harrell  
Fed. ID #: 6690 / State Bar #: 09041350  
[rharrell@fulbright.com](mailto:rharrell@fulbright.com)  
Eric Hall  
Fed. ID #: 24496 / State Bar #: 24012767  
[ehall@fulbright.com](mailto:ehall@fulbright.com)

FULBRIGHT & JAWORSKI L.L.P.  
1301 McKinney, Suite 5100  
Houston, Texas 77010-3095  
Telephone: (713) 651-5151  
Facsimile: (713) 651-5246

**Attorneys for Plaintiff QPSX Developments 5  
Pty Ltd.**

<p>OF COUNSEL:</p> <p>Brett C. Govett Texas Bar No. 08235900 <a href="mailto:bgovett@fulbright.com">bgovett@fulbright.com</a> Robert M. Chiaviello, Jr. Texas Bar No. 04190720 <a href="mailto:bobc@fulbright.com">bobc@fulbright.com</a> FULBRIGHT &amp; JAWORSKI L.L.P. 2200 Ross Avenue, Suite 2800 Dallas, Texas 75201-2784 Telephone: (214) 855-8000 Facsimile: (214) 855-8200</p> <p>Robert S. Bramson BRAMSON &amp; PRESSMAN 1100 E. Hector Street, Suite 410 Conshohocken, PA 19428 Telephone: (610) 260-4444 Facsimile: (610) 260-4445 <a href="mailto:rbramson@b-p.com">rbramson@b-p.com</a></p>	<p>Otis W. Carroll Texas Bar No. 03895700 IRELAND, CARROLL &amp; KELLEY, P.C. 6101 South Broadway P.O. Box 7879 Tyler, Texas 75711-7879 Telephone: (903) 561-1600 Facsimile: (903) 581-1071 <a href="mailto:otiscarroll@icklkw.com">otiscarroll@icklkw.com</a></p> <p>Franklin Jones, Jr. State Bar #: 00000055 201 West Houston Street P.O. Box 1249 Marshall, Texas 75671-1249 Telephone: (903) 938-4395 Facsimile: (903) 938-3360 <a href="mailto:maizieh@millerfirm.com">maizieh@millerfirm.com</a></p>
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Date: May 21, 2007.

**CERTIFICATE OF SERVICE**

The undersigned counsel hereby certifies that QPSX's Response to Nortel's Motion for Judgment as a Matter of Law, Motion for New Trial and Motion for Remittur and Brief in Response was served via the Court's CM/ECF system in accordance with Local Rule 7-5(a)(3)-CV and by electronic mail on May 21, 2007, on all counsel of record.

/s/ Robert S. Harrell

Robert S. Harrell

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