

1 William Christopher Carmody
(Admitted *pro hac vice*)
2 Jacob W. Buchdahl
(Admitted *pro hac vice*)
3 SUSMAN GODFREY L.L.P.
4 560 Lexington Avenue, 15th Floor
New York, New York 10022
5 Telephone: (212) 336-8330
Facsimile: (212) 336-8340
6 Email: bcarmody@susmangodfrey.com
7 Email: jbuchdahl@susmangodfrey.com

8 Marc M. Seltzer (54534)
SUSMAN GODFREY L.L.P.
9 1901 Avenue of the Stars, Suite 950
Los Angeles, CA 90067-6029
10 Telephone: (310) 789-3100
Facsimile: (310) 789-3150
11 Email: mseltzer@susmangodfrey.com

12 [Additional counsel listed below signature line]

13 *Attorneys for Defendants*

14
15 **UNITED STATES DISTRICT COURT**
16 **SOUTHERN DISTRICT OF CALIFORNIA**

17 VIASAT, INC., VIASAT
COMMUNICATIONS, INC., f/k/a
18 WILDBLUE COMMUNICATIONS,
INC.,

19 Plaintiffs,

20 vs.

21 SPACE SYSTEMS/LORAL, INC.,
LORAL SPACE &
COMMUNICATIONS INC.,

22 Defendants/Counterclaim
Plaintiffs.

Case No. 3:12-cv-00260-H-WVG

Hon. Marilyn L. Huff

**SS/L'S MOTION FOR JUDGMENT
AS A MATTER OF LAW
(RENEWED), OR
ALTERNATIVELY FOR A NEW
TRIAL (4 OF 12), REGARDING
DOUBLE COUNTING OF
DAMAGES**

Date: July 22, 2014

Time: 9:00 a.m.

Place: Courtroom 15A

CONTENTS

I.	LEGAL STANDARD.....	1
II.	BACKGROUND.....	3
III.	THE JURY'S FINDING OF ONLY A SINGLE INFRINGEMENT PRECLUDES THE AWARD OF BOTH LOST PROFITS AND A REASONABLE ROYALTY	4
IV.	FEDERAL CIRCUIT LAW PRECLUDES THE AWARD OF BOTH LOST PROFITS AND A REASONABLE ROYALTY FOR A SINGLE INFRINGING SALE.....	6
V.	DR. SLOTTJE'S TESTIMONY IS INSUFFICIENT TO SUPPORT THE AWARD OF BOTH LOST PROFITS AND A REASONABLE ROYALTY	9
VI.	CONCLUSION.....	14

AUTHORITIES

Cases

<i>Arlington Indus., Inc v. Bridgeport Fittings, Inc.,</i> 2010 WL 815466 (M.D. Pa. Mar. 3, 2010)	7
<i>City Solutions, Inc. v. Clear Channel Commc'ns,</i> 365 F.3d 835 (9th Cir. 2004)	2
<i>Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.,</i> 246 F.3d 1336 (Fed. Cir. 2001)	8
<i>DeGregorio v. Phillips Elecs. N. Amer. Corp.,</i> 2007 WL 4591966 (N.D. Ill. Jan. 7, 2008)	13
<i>DSU Medical Corp. v. JMS Co.,</i> 296 F. Supp.2d 1140 (N.D. Cal. 2003).....	7
<i>Engineered Prods. Co. v. Donaldson Co.,</i> 335 F. Supp.2d 973 (N.D. Iowa 2004)	7
<i>Foster v. American Machine & Foundry,</i> 492 F.2d 1317 (2d Cir. 1974)	10, 11
<i>Goss Int'l Americas, Inc. v. MAN Roland, Inc.,</i> 2008 WL 3823705 (D.N.H. Aug. 15, 2008).....	12, 13
<i>Itex, Inc. v. Westex, Inc.,</i> 2011 WL 856583 (N.D. Ill. Mar. 9, 2011)	13
<i>King Instruments Corp. v. Perego,</i> 65 F.3d 941 (Fed. Cir. 1995)	8
<i>Leesona Corp. v. United States,</i> 599 F.2d 958 (Ct. Claims 1979)	6

1	<i>Lucent Techs., Inc. v. Gateway Inc.,</i>	
2	580 F.3d 1301 (Fed. Cir. 2009)	1, 6
3	<i>Minco, Inc. v. Combustion Engineering, Inc.,</i>	
4	95 F.3d 1109 (Fed. Cir. 1996)	8
5	<i>Mitutoyo Corp. v. Central Purchasing, LLC,</i>	
6	499 F.3d 1284 (Fed. Cir. 2007)	11
7	<i>Murphy v. City of Long Beach,</i>	
8	914 F.2d 183 (9th Cir. 1990)	2
9	<i>Pavao v. Pagay,</i>	
10	307 F.3d 915 (9th Cir. 2002)	1
11	<i>Reeves v. Sanderson Plumbing Prods.,</i>	
12	530 U.S. 133 (2000)	2
13	<i>Rite-Hite Corp. v. Kelley Co., Inc.,</i>	
14	56 F.3d 1538 (Fed. Cir. 1995)	8
15	<i>State Indus. Inc. v. Mor-Flo Indus.,</i>	
16	883 F.2d 1573 (Fed. Cir. 1989)	8
17	<i>The Johns Hopkins Univ. v. Datascope Corp.,</i>	
18	543 F.3d 1342 (Fed. Cir. 2008)	2
19	<i>TWM Mnf'g v. Dura Corp.,</i>	
20	789 F.2d 895 (Fed. Cir. 1986)	8
21	<i>United States v. 4.0 Acres of Land,</i>	
22	175 F.3d 1133 (9th Cir. 1999)	2
23	<i>United States v. Kellington,</i>	
24	217 F.3d 1084, 1095 (9th Cir. 2000)	2

1	<i>Versata Software, Inc. v. SAP America, Inc.</i> ,	
2	717 F.3d 1255 (Fed. Cir. 2013)	8
3	<i>William Inglis v. ITT Cont'l Baking Co.</i> ,	
4	668 F.2d 1014 (9th Cir. 1981)	2
5	<i>Wordtech Sys. v. Integrated Networks Solutions, Inc.</i> ,	
6	609 F.3d 1308 (Fed. Cir. 2010)	2
7	<i>Zygo Corp. v. Wyko Corp.</i> ,	
8	79 F.3d 1563 (Fed. Cir. 1996)	8
9	Rules	
10	Fed. R. Civ. P. 50(a)	1
11	Fed. R. Civ. P. 59.....	1
12	Rule Fed. R. Civ. P. 50(b)	1
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

1 As set forth in SS/L's other motions, the jury's damages award should be set
2 aside because ViaSat presented insufficient evidence and flawed expert testimony
3 to support its lost profits and reasonable royalty calculations. SS/L files this
4 separate motion¹ in the event that this Court nevertheless is inclined to uphold both
5 the jury's lost profits and royalties awards, whether in whole or in part. In that
6 scenario, ViaSat is not entitled to recover lost profits and reasonable royalties
7 simultaneously, because there is no legal basis permitting the award of both forms
8 of damages from a single infringing act (here, SS/L's sale of the Jupiter-1 satellite).

9 Even if this Court finds sufficient evidence to award both lost profits and a
10 reasonable royalty, this Court cannot award both. It should vacate either the lost
11 profits award or the reasonable royalty award to avoid an impermissible double
12 recovery. Alternatively, the Court should grant a new trial on damages.

13 I. LEGAL STANDARD

14 Judgment as a matter of law ("JMOL") may be granted and a jury verdict can
15 be overturned "if the evidence, construed in the light most favorable to the
16 nonmoving party, permits only one reasonable conclusion, and that conclusion is
17 contrary to the jury's verdict." *Lucent Techs., Inc. v. Gateway Inc.*, 580 F.3d 1301,
18 1309 (Fed. Cir. 2009) (quoting *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002)).
19 "[O]n posttrial JMOL motions, district court judges must scrutinize the evidence
20 carefully to ensure that the 'substantial evidence' standard is satisfied." *Id.* at 1336.

21
22 ¹ SS/L hereby moves for judgment as a matter of law ("JMOL") pursuant to Rule
23 50(a) and, pursuant to Rule 50(b), renews the motion for JMOL that it made before
24 the close of evidence. Alternatively, SS/L moves for a new trial pursuant to
Rule 59.

1 Substantial evidence is "more than a mere scintilla" and is "such relevant evidence
2 as a reasonable mind might accept as adequate to support a conclusion." *The Johns*
3 *Hopkins Univ. v. Datascope Corp.*, 543 F.3d 1342, 1348 (Fed. Cir. 2008) (quotation
4 marks and citation omitted). "Under Rule 50, a court should render judgment as a
5 matter of law when a party has been fully heard on an issue and there is no legally
6 sufficient evidentiary basis for a reasonable jury to find for that party on that issue."
7 *Reeves v. Sanderson Plumbing Prods.*, 530 U.S. 133, 149 (2000).

8 Whether to grant a new trial on some or all issues, pursuant to Fed. R. Civ. P.
9 59, is a matter of the trial court's discretion. *City Solutions, Inc. v. Clear Channel*
10 *Commc'ns*, 365 F.3d 835, 843 (9th Cir. 2004). Courts apply a lower standard of
11 proof to motions for new trial than they do to JMOL motions. *William Inglis v. ITT*
12 *Cont'l Baking Co.*, 668 F.2d 1014, 1026-7 (9th Cir. 1981) "[T]he trial court may
13 grant a new trial, even though the verdict is supported by substantial evidence, if
14 'the verdict is contrary to the clear weight of the evidence or is based upon evidence
15 which is false, or to prevent, in the sound discretion of the trial court, a miscarriage
16 of justice.'" *Wordtech Sys. v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308,
17 1313 (Fed. Cir. 2010) (quoting *United States v. 4.0 Acres of Land*, 175 F.3d 1133,
18 1139 (9th Cir. 1999)). In deciding a motion for new trial, the court "has the right,
19 and indeed the duty, to weigh the evidence" and may evaluate the credibility of the
20 witnesses. *Murphy v. City of Long Beach*, 914 F.2d 183 (9th Cir. 1990); *United*
21 *States v. Kellington*, 217 F.3d 1084, 1095 (9th Cir. 2000). The court is not required
22 to view the evidence from the perspective most favorable to the prevailing party.
23 *Kellington*, 217 F.3d at 1095.

II. BACKGROUND

At trial, ViaSat accused two SS/L satellite projects of infringing its patents – the Jupiter-1 project (which consisted of the single Jupiter-1 satellite) and the NBN project (which consisted of two satellites for the Australian firm NBN Co.). As to Jupiter-1, ViaSat's damages expert, Dr. Slottje opined that both lost profits and a reasonable royalty could be awarded by dividing the lifespan of Jupiter-1 into yearly periods, and then ascribing different measures of damages to each period:

Q. Why do you think ViaSat is entitled to both lost profits and reasonable royalty damages for Jupiter-1 satellite?

A. Well, as you can see on this graphic, the period of time in which lost profits transpired is a relatively short period of time. We have to remember that these satellites are up there in the sky for 15 years. So we have to make an adjustment for the fact that even though the lost profit period may be four and a quarter years, there's another 11.75 years where that thing is still up in the sky infringing. And we have to adjust for that.

4/3/14 Trial Tr., 1762:20 to 1763:5. This question-and-answer exchange was the only analysis that Dr. Slottje provided at trial to justify the award of both lost profits and a reasonable royalty on Jupiter-1.

Ultimately, Dr. Slottje concluded that ViaSat was owed \$175.2 million in lost profits and \$459.9 million in reasonable royalties for SS/L's alleged Jupiter-1 infringement. *Id.* at 1803:20 to 1804:1. If lost profits were not to be awarded, he pegged reasonable royalties at \$587.1 million. *Id.* at 1797:14-18.

Before the close of evidence, SS/L moved for judgment as a matter of law under Rule 50(a) on the ground that the recovery of both lost profits and a

1 reasonable royalty on the same sale is impermissible. Doc. No. 966, at 10. The jury
2 eventually returned a verdict finding that SS/L directly infringed ViaSat's three
3 patents with respect to the Jupiter-1 satellite. Doc. No. 1014, at 2-3. The jury also
4 found, however, that SS/L did not induce or contribute to infringement of any
5 ViaSat patents, that SS/L did not infringe with respect to the NBN satellites, and
6 that Loral did not infringe at all. *Id.* at 2-5. With respect to SS/L's direct
7 infringement of Jupiter-1, the jury awarded \$58 million in lost profits and \$123
8 million in reasonable royalties. *Id.* at 9.

9 **III. THE JURY'S FINDING OF ONLY A SINGLE INFRINGEMENT**
10 **PRECLUDES THE AWARD OF BOTH LOST PROFITS AND A**
11 **REASONABLE ROYALTY**

12 Over SS/L's objection (Doc. No. 965, at 3-4), the Court instructed the jury as
13 to the circumstances by which it could award both lost profits and a reasonable
14 royalty. Doc. No. 1013, at 77-86 (Instruction Nos. 53-58). Instruction No. 55
15 specifically explained the circumstances under which a verdict might encompass
16 both measures of damages:

17 If you find that the Plaintiff has not proven its claim for
18 lost profits, then you must consider the issue of a
19 reasonable royalty if you have found a patent to be
20 infringed and valid. If you find that the Plaintiff has
21 proven its claim for lost profits for only a portion of the
22 infringing sales, then you must consider the issue of a
23 reasonable royalty but may determine that the lost profits
24 fully compensates the plaintiff for the infringing sales.
For the remaining claims of patent infringement, you
must consider the issue of a reasonable royalty. You must
decide whether the party has proven an amount as a
reasonable royalty that it could have earned on any
infringing sales for which you have not already awarded
lost profit damages. A royalty is a payment made to a

1 patent owner by someone else in exchange for the rights
2 to make, use, sell, or import a patented product.

3 *Id.* at 81 (emphases added). Instruction No. 55 thus informed the jury that if ViaSat
4 proved a claim for lost profits "for only a portion of the infringing sales" – with
5 "sales" in the plural – then the jury must consider a reasonable royalty for the
6 remainder of any infringing sales. Instruction No. 55 further counseled the jury that
7 this royalty is to apply to "any infringing sales for which you have not already
8 awarded lost profit damages" – again with the term "sales" in the plural.

9 Although SS/L objected that the jury instructions failed adequately to protect
10 against double-counting (Doc. No. 965, at 3-4), theoretically the jury could have
11 applied them appropriately to ViaSat's claims. For example, the jury could have
12 found that for one "infringing sale" by SS/L – *e.g.*, Jupiter-1 – ViaSat was entitled to
13 lost profits, and that for other "infringing sales" by SS/L, – *e.g.*, the two NBN
14 satellites – ViaSat was entitled to a reasonable royalty. In that situation, the jury
15 would have awarded ViaSat lost profits on a "portion of the infringing sales," and
16 then a reasonable royalty "on any infringing sales for which [the jury has] not
17 already awarded lost profit damages."

18 According to the jury's verdict, however, there was only one infringing sale
19 by SS/L. The jury found that SS/L infringed ViaSat's patents as to the Jupiter-1
20 satellite, but found no liability for the NBN satellites. Nor may one conclude from
21 the jury's verdict that Hughes's future use of the Jupiter-1 satellite constituted
22 "infringing sales." Hughes was not a party to the case, and no jury findings were
23 made as to Hughes. More importantly, while the jury found that SS/L directly
24 infringed, it returned a verdict of "no" on the question of whether SS/L induced

1 anyone to infringe or contributed to anyone else's infringement. Accordingly, there
2 is no basis in the jury's verdict to include Hughes's activities within the ambit of
3 "infringing sales." The jury found one and only one infringing act – SS/L's
4 manufacture/sale of the single Jupiter-1 satellite.

5 As such, the jury's own findings demonstrate that there was insufficient
6 evidence to support the award of both lost profits and a reasonable royalty. The
7 Court's instructions allowed the jury to award a reasonable royalty only on those
8 "infringing sales for which you have not already awarded lost profit damages."
9 Given that the jury found that only one infringing sale occurred, it would be
10 impossible to faithfully apply Instruction No. 55 and still award two measures of
11 damages. This Court should therefore vacate the jury's award of either lost profits
12 or reasonable royalties, or, in the alternative, grant a new trial on damages.

13 **IV. FEDERAL CIRCUIT LAW PRECLUDES THE AWARD OF BOTH**
14 **LOST PROFITS AND A REASONABLE ROYALTY FOR A SINGLE**
15 **INFRINGING SALE**

16 The Federal Circuit has consistently applied the understanding that lost
17 profits and a reasonable royalty are two alternate, not complementary, measures of
18 damages. *See Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d. 1301, 1324 (Fed. Cir.
19 2009) ("Two alternative categories of infringement compensation are the patentee's
20 lost profits and the reasonable royalty he would have received through arms-length
21 bargaining." (emphasis added); *see also Leesona Corp. v. United States*, 599 F.2d
22 958, 971 (Ct. Claims 1979) ("Awarding lost profits in addition to the royalty would
23 be double-counting, and the profits, especially those based on plaintiff's own
24 projection, are over and above the reasonable and entire compensation for plaintiff's

1 loss.") (emphasis added). To the extent this Court finds them instructive, numerous
2 district court cases have likewise endorsed the principle that a reasonable royalty
3 and lost profits may not be awarded on the same, single sale. As the Northern
4 District of California has explained, "[a] patent owner may recover lost profits
5 damages or a reasonable royalty on each infringing sale, but not both." *DSU*
6 *Medical Corp. v. JMS Co.*, 296 F. Supp.2d 1140, 1149 (N.D. Cal. 2003), *aff'd*, 471
7 F.3d 1293 (Fed. Cir. 2006) (emphasis added). District courts have thus vacated
8 portions of damages awards that would amount to a double recovery of lost profits
9 and a reasonable royalty. *E.g.*, *Engineered Prods. Co. v. Donaldson Co.*, 335 F.
10 Supp.2d 973, 980 (N.D. Iowa 2004) ("Nevertheless, it would be manifest error, and
11 substantially unjust, to allow EPC to recover both 'lost profits' and a 'reasonable
12 royalty' for sales that *actually* involved the NG GMT-800.") (citations omitted and
13 emphasis in original), *reversed in part on other grounds*, 147 Fed. Appx. 979 (Fed.
14 Cir. 2005); *Arlington Indus., Inc v. Bridgeport Fittings, Inc.*, 2010 WL 815466, *4
15 (M.D. Pa. Mar. 3, 2010) (analyzing Federal Circuit double recovery law and
16 vacating reasonable royalty award of \$666,278.54, which was "duplicative" of
17 jury's lost profits award of \$2,772,373).

18 To be sure, patentholders frequently recover both lost profits and a
19 reasonable royalty in the same lawsuit. When they do, however, it is always in the
20 context of multiple infringing sales, some of which may relate to lost profits and
21 some to a reasonable royalty:

22 The Patent Act permits damages awards to encompass
23 both lost profits and a reasonable royalty on that portion
24 of an infringer's sales not included in the lost profit
calculation. A segment of the infringer's sales may not

1 warrant a lost profits award because the patentee cannot
2 establish causation for that segment. For instance, a patent
3 owner may not operate in the specific geographical area
4 covered by the infringer or may not have had the
5 manufacturing or marketing capacity to make the
infringer's sales. However, the patentee would still be
entitled to a reasonable royalty on each of those sales.

6 *Minco, Inc. v. Combustion Engineering, Inc.*, 95 F.3d 1109, 1119 (Fed. Cir. 1996)
7 (citations omitted and emphasis added). For example, if an infringer sold 100
8 infringing widgets, and the patentholder's marketshare for widgets generally was
9 40%, then it may be proper to award the patenholder lost profits for 40 lost widget
10 sales and a reasonable royalty on the remaining 60 infringing sales made by the
11 infringer. Thus, each time the Federal Circuit has permitted both lost profits and a
12 reasonable royalty in the same case, it has done so in a context where the accused
13 infringer made multiple infringing sales or used an infringing apparatus multiple
14 times.²

15 Here, by contrast, SS/L made only one allegedly infringing satellite sale—
16 that of Jupiter-1—and it never "used" that satellite (at least not during Dr. Slottje's

17
18 ² See, e.g., *TWM Mnf'g v. Dura Corp.*, 789 F.2d 895 (Fed. Cir. 1986) (sales of
19 multiple vehicle suspension devices); *State Indus. Inc. v. Mor-Flo Indus.*, 883 F.2d
20 1573 (Fed. Cir. 1989) (sales of multiple water heaters); *Rite-Hite Corp. v. Kelley*
21 *Co., Inc.*, 56 F.3d 1538 (Fed. Cir. 1995) (sales of multiple vehicle restraints); *King*
22 *Instruments Corp. v. Perego*, 65 F.3d 941 (Fed. Cir. 1995) (sales of multiple
23 machines for loading magnetic tape); *Zygo Corp. v. Wyko Corp.*, 79 F.3d 1563
24 (Fed. Cir. 1996) (sales of multiple interferometers); *Minco*, 95 F.3d 1109 (yearly
sales of fused silica arising from use of infringing furnace); *Crystal Semiconductor*
Corp. v. TriTech Microelectronics Int'l, Inc., 246 F.3d 1336 (Fed. Cir. 2001) (sales
of multiple audio chips); *Versata Software, Inc. v. SAP America, Inc.*, 717 F.3d
1255 (Fed. Cir. 2013) (sales of multiple software programs).

1 damages period, after its launch). No support exists in the patent statute or the
2 caselaw for the proposition that SS/L should be required to compensate ViaSat both
3 for the lost profits and reasonable royalties arising from that single sale.

4 **V. DR. SLOTTJE'S TESTIMONY IS INSUFFICIENT TO SUPPORT**
5 **THE AWARD OF BOTH LOST PROFITS AND A REASONABLE**
6 **ROYALTY**

7 SS/L expects ViaSat to argue in response that it has not sought a double
8 recovery of damages. To do so, ViaSat must concoct a way to transform what is
9 obviously a single infringing act – the sale of Jupiter-1 – into multiple acts of
10 infringement, which it then can slice and dice into various components of lost
11 profits and reasonable royalties. So ViaSat will rely upon Dr. Slottje, who divided
12 the usage by Hughes of Jupiter-1 into yearly increments and assigned lost profits to
13 certain of those years and a reasonable royalty to others. 4/3/14 Trial Tr., 1762:20
14 to 1763:5. Invoking his analysis, ViaSat will argue that in no single year is it
recovering both lost profits and a reasonable royalty.

15 The problems with this argument are legion. Most fundamentally, they ignore
16 the nature of the alleged infringement. ViaSat presented no evidence at trial to
17 suggest that SS/L uses or employs the Jupiter-1 satellite. SS/L is a satellite
18 manufacturer, and pursuant to its contract with Hughes, title to Jupiter-1 passed to
19 Hughes upon launch. Grinstein Decl., Ex. A, at 44. ViaSat presented no evidence
20 suggesting that SS/L uses Jupiter-1 or that it will do so in the future. Thus, to the
21 extent the jury found infringement by SS/L, that infringement concluded with the
22 sale of Jupiter-1. This is a single act of infringement, and, as discussed above, lost
23 profits and a reasonable royalty may not be awarded for a single infringing act.
24

1 Perhaps if SS/L had been accused of infringing method patents, ViaSat could
2 conceivably fashion a damages model that imposed damages for each year the
3 method was employed. But all the asserted patent claims were apparatus claims,
4 and, in any event, SS/L cannot be performing any "method" with respect to a
5 satellite over which it has no ownership or control. Or, perhaps if SS/L owned
6 Jupiter-1, ViaSat could generate some damages theory based upon SS/L's yearly
7 infringing "use" of the satellite. But SS/L cannot be said to be "using" Jupiter-1
8 now, or in the future, because Hughes owns Jupiter-1. And perhaps if SS/L had
9 induced or contributed to Hughes's infringement of ViaSat's patents, ViaSat might
10 attempt to argue that SS/L is somehow liable for the yearly impact of Hughes'
11 infringement. The jury, however, found SS/L not liable on all indirect infringement
12 theories.

13 ViaSat is thus left with the amorphous argument that SS/L somehow must
14 still be liable for the extent of Hughes's yearly use of the Jupiter-1 satellite, which
15 would then permit division into lost profits and reasonable royalties. Given the
16 jury's finding, however, that SS/L did not induce or contribute to infringement by
17 Hughes (or anyone else), there is no legal support for looking to SS/L's customer's
18 yearly usage of the infringing device and attributing that usage to SS/L as the
19 manufacturer.

20 For example, in *Foster v. American Machine & Foundry*, 492 F.2d 1317 (2d
21 Cir. 1974), the Second Circuit (sitting before the existence of the Federal Circuit),
22 confronted a damages claim made by a patentholder against the manufacturer of
23 certain welding equipment. The patentholder argued that his reasonable royalty
24

1 should be based not upon the manufacturer's revenues for the infringing product,
2 but instead upon the revenues of the mill operators to whom the manufacturer sold
3 the welding equipment. *Id.* at 1320. The patentholder's theory of damages was
4 premised in large part upon his contention that the manufacturer induced
5 infringement by the mill operators, *id.* – a factor not even present here due to the
6 jury's liability finding. Yet even on these facts, the Second Circuit commented that
7 "[t]his argument, which has some surface plausibility, is without merit." *Id.* As the
8 *Foster* court reasoned, the hypothetical negotiation in that case would have been
9 between the patentholder and the manufacturer, not the mill operators. *Id.* at 1321-
10 22. Because no substantial evidence was presented about what the mill operators
11 might have paid at any hypothetical negotiation, *id.* at 1322, the Second Circuit
12 confined damages to the sales price for the devices sold by the manufacturer.
13 Likewise, here ViaSat presented no *Georgia-Pacific* analysis as to what Hughes
14 would have paid, and in fact that analysis would have been moot anyway in light of
15 the jury's finding of no induced infringement by SS/L.

16 The Federal Circuit followed a similar approach in *Mitutoyo Corp. v. Central*
17 *Purchasing, LLC*, 499 F.3d 1284 (Fed. Cir. 2007). In *Mitutoyo*, the Federal Circuit
18 deemed it to be "clear error" to include the sales of a downstream distributor in the
19 royalty base, when the only part found to have infringed was its upstream supplier.
20 *Id.* at 1292. Likewise, here the allegedly infringing party is SS/L, and there is no
21 basis for dividing SS/L's single act of infringement into yearly increments based
22 upon its downstream customer's usage of the infringing device.

23 Although it is a district court case from outside this district, *Goss Int'l*
24

1 *Americas, Inc. v. MAN Roland, Inc.*, 2008 WL 3823705 (D.N.H. Aug. 15, 2008), is
2 a well-reasoned and instructive opinion on this point. In *Goss*, defendant MAN
3 Roland was found to have directly infringed plaintiff Goss's patents by making a
4 product called the Rotoman S press. *Id.* at *1. Like here, however, none of MAN
5 Roland's customers was a party to the suit or the infringement finding, and "indirect
6 infringement is not properly a part of this case." *Id.* at *2. In seeking lost profit and
7 reasonable royalty damages, however, MAN Roland attempted to have
8 consideration paid to the economic value to MAN Roland's customers of the
9 Rotoman S Press. The district court, however, concluded that "the economic value
10 of the Rotoman S press to MAN Roland's customers has no place in the proper
11 calculation of either Goss's lost profits or a reasonable royalty as between Goss and
12 MAN Roland, which is the only infringer in this case." *Id.* at *1. The court's
13 reasoning in rejecting consideration of the economic value to customers of the
14 manufacturer's infringing product, where the customers were not defendants and
15 there was no indirect infringement, is quite relevant here:

16 Section 284 provides that the damages awarded to a
17 successful infringement claimant must be "in no event
18 less than a reasonable royalty for the use made of the
19 invention by the infringer." Here, the only infringer is
20 MAN Roland, and MAN Roland's infringement consists
21 of the manufacture and sale of the Rotoman S press. Thus,
22 a reasonable royalty in this case would approximate the
23 royalty MAN Roland ought to pay for making and selling
24 the Rotoman S press. MAN Roland has not been found
 liable for infringing the suit patents by using the Rotoman
 S to perform print jobs. The economic value of the
 Rotoman S to customer-printers who infringe the suits-in-
 patent by using that press might be a proper component of
 a reasonable royalty that infringing printers ought to pay
 for using the patented invention. But there are no

1 infringing printers in this case; MAN Roland's customers
2 are not before the court. That the damages Goss seeks
3 might be recoverable from other defendants does not
4 make evidence of those damages relevant here.

5 *Id.* at *2; *see also Itex, Inc. v. Westex, Inc.*, 2011 WL 856583, *4 (N.D. Ill. Mar. 9,
6 2011) ("Accordingly, the entire amount of potential damages would be accounted
7 for in a hypothetical royalty between the plaintiffs and the manufacturers, rendering
8 the details of the customers' downstream sales irrelevant."); *DeGregorio v. Phillips*
9 *Elecs. N. Amer. Corp.*, 2007 WL 4591966, *1 (N.D. Ill. Jan. 7, 2008) ("Plaintiff,
10 however, has cited no authority to establish that a calculation of royalty would
11 depend on in any way the infringer's retail customers' profits for the accused
12 device.").

13 Apart from Dr. Slottje's "yearly use by Hughes" theory (TT 4/3/14, 1762:20
14 to 1763:5), ViaSat offered no other evidence or explanation at trial as to how it
15 could be entitled to both a reasonable royalty and lost profits on a single sale. And
16 the "yearly use by Hughes" theory cannot sustain a dual damages award because
17 there is no finding that Hughes has infringed or that SS/L is somehow responsible
18 for Hughes's non-existent infringement. The jury found only a single act of
19 infringement. As such, insufficient evidence exists to sustain the jury's award of
20 both lost profits and a reasonable royalty on a single sale.

21 Indeed, Dr. Slottje's opinion also led to the double counting of reasonable
22 royalties and lost profits for an additional reason. In his discussion of the *Georgia-*
23 *Pacific* factors, Dr. Slottje opined that the reasonable royalty should be increased
24 because ViaSat and Hughes were competitors:

The commercial relationship between the licensor and the licensee, remember what they're going to do with the satellite that we're negotiating over. That satellite, which is Jupiter-1, is going to be sold to Hughes which is the direct competitor of ViaSat. You can think of it if you're – you're not going to want to be giving a license to – at any cheap rate to anybody that you are going to be – you know that the product is going to be competing against you. That's just common sense. So they would expect a higher rate for that as well, and that's why those two factors have up there.

4/3/14 Trial Tr., 1794:8-19. By arguing that the reasonable royalty should increase because ViaSat's business would be harmed by indirectly licensing a competitor, Dr. Slottje was essentially arguing that ViaSat's alleged lost profits should be taken into account in setting the reasonable royalty. Although this might have been permissible if only a reasonable royalty had been awarded, it amounts to double-counting in light of the jury's verdict. Dr. Slottje's analysis effectively asked for lost profits twice on the same sale—once in the traditional sense, and once again as a factor to increase the reasonable royalty. For this additional reason, the jury's award of both lost profits and a reasonable royalty cannot be sustained.

VI. CONCLUSION

The relief sought by this motion turns on this Court's resolution of SS/L's motions for JMOL as to ViaSat's lost profits and reasonable royalty models. If this Court finds insufficient evidence to support either or both theories, then this double-recovery issue is moot. If, on the other hand, this Court upholds damages under both theories, whether in whole or in a reduced amount, this Court must vacate one or the other damages award to avoid an impermissible double recovery.

1 Alternatively, SS/L requests a new trial on damages.

2 Dated: June 13, 2014

By: /s/ Joseph S. Grinstein

3 Marc M. Seltzer

4 Amanda K. Bonn

SUSMAN GODFREY L.L.P.

1901 Avenue of the Stars, Suite 950

5 Los Angeles, CA 90067-6029

6 Telephone: (310) 789-3100

7 Fax: (310) 789-3150

Email: abonnn@susmangodfrey.com

8 William Christopher Carmody

9 (Admitted *Pro Hac Vice*)

Jacob W. Buchdahl

10 (Admitted *Pro Hac Vice*)

SUSMAN GODFREY L.L.P.

11 560 Lexington Avenue, 15th Floor

12 New York, NY 10022

Telephone: (212) 336-8330

13 Fax: (212) 336-8340

14 Joseph S. Grinstein

(Admitted *Pro Hac Vice*)

15 William R. H. Merrill

(Admitted *Pro Hac Vice*)

16 SUSMAN GODFREY L.L.P.

1000 Louisiana Street, Suite 5100

17 Houston, Texas 77002-5096

18 Telephone: 713-653-7856

Facsimile: 713-654-6666

19 Email: jgrinstein@susmangodfrey.com

20 Email: bmerrill@susmangodfrey.com

21 Ian B. Crosby

(Admitted *Pro Hac Vice*)

22 Rachel S. Black

(Admitted *Pro Hac Vice*)

23 Patrick C. Bageant (275135)

24 SUSMAN GODFREY L.L.P.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

1201 Third Avenue, Suite 3800
Seattle, WA 98101
Telephone: (206) 516-3861
Fax: (206) 516-3883
Email: icrosby@susmangodfrey.com
Email: rblack@susmangodfrey.com
Email: pbageant@susmangodfrey.com

*Attorneys for Defendants/Counterclaim
Plaintiffs Space Systems/Loral, LLC (f/k/a
Space Systems/Loral, Inc.) and Loral Space
& Communications Inc.*

CERTIFICATE OF SERVICE

I hereby certify that, on June 13, 2014, I caused the foregoing **SS/L'S MOTION FOR JUDGMENT AS A MATTER OF LAW (RENEWED), OR ALTERNATIVELY FOR A NEW TRIAL (4 Of 12), REGARDING DOUBLE COUNTING OF DAMAGES** to be served on opposing counsel via the Court's CM/ECF system.

Dated: June 13, 2014

By: /s/ Joseph S. Grinstein