

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

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|---------------------------------|---|-----------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD. | § | |
| and ELBIT SYSTEMS OF AMERICA, | § | |
| LLC, | § | |
| | § | |
| v. | § | CASE NO. 2:15-CV-37-RWS-RSP |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| BLACK ELK ENERGY OFFSHORE | § | |
| OPERATIONS, LLC, BLUETIDE | § | |
| COMMUNICATIONS, and COUNTRY | § | |
| HOME INVESTMENTS, INC. | § | |
| | § | |

CLAIM CONSTRUCTION
MEMORANDUM AND ORDER

On September 28, 2016, the Court held a hearing to determine the proper construction of disputed claim terms in United States Patents No. 6,240,073 and 7,245,874. Having reviewed the arguments made by the parties at the hearing and in their claim construction briefing (Dkt. Nos. 181, 187 & 190),¹ having considered the intrinsic evidence, and having made subsidiary factual findings about the extrinsic evidence, the Court hereby issues this Claim Construction Memorandum and Order. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005); *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015).

¹ Citations to documents (such as the parties’ briefs and exhibits) in this Claim Construction Memorandum and Order refer to the page numbers of the original documents rather than the page numbers assigned by the Court’s electronic docket unless otherwise indicated.

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I. BACKGROUND

Plaintiffs have alleged infringement of United States Patents No. 6,240,073 (“the ’073 Patent”) and 7,245,874 (“the ’874 Patent”) (collectively, the “patents-in-suit”). Plaintiffs submit that the ’073 Patent relates to two-way satellite communications and the ’874 Patent relates to providing backup connections for cellular telephone networks via satellite. *See* Dkt. No. 181 at 1-4. Plaintiffs have asserted Claims 2-7 and 28 of the ’074 Patent and Claims 1-5, 7-9, and 11-12 of the ’874 Patent. *Id.* at 4.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with preliminary constructions with the aim of focusing the parties’ arguments and facilitating discussion. Those preliminary constructions are set forth below within the discussion for each term.

II. LEGAL PRINCIPLES

“It is a ‘bedrock principle’ of patent law that ‘the claims of a patent define the invention to which the patentee is entitled the right to exclude.’” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc) (quoting *Innova/Pure Water Inc. v. Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004)). Claim construction is clearly an issue of law for the court to decide. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970-71 (Fed. Cir. 1995) (en banc), *aff’d*, 517 U.S. 370 (1996). “In some cases, however, the district court will need to look beyond the patent’s intrinsic evidence and to consult extrinsic evidence in order to understand, for example, the background science or the meaning of a term in the relevant art during the relevant time period.” *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015) (citation omitted). “In cases where those subsidiary facts are in dispute, courts will need to make subsidiary factual findings about that extrinsic evidence. These are the ‘evidentiary

underpinnings’ of claim construction that we discussed in *Markman*, and this subsidiary factfinding must be reviewed for clear error on appeal.” *Id.* (citing 517 U.S. 370).

To determine the meaning of the claims, courts start by considering the intrinsic evidence. *See Phillips*, 415 F.3d at 1313; *see also C.R. Bard, Inc. v. U.S. Surgical Corp.*, 388 F.3d 858, 861 (Fed. Cir. 2004); *Bell Atl. Network Servs., Inc. v. Covad Commc’ns Group, Inc.*, 262 F.3d 1258, 1267 (Fed. Cir. 2001). The intrinsic evidence includes the claims themselves, the specification, and the prosecution history. *See Phillips*, 415 F.3d at 1314; *C.R. Bard*, 388 F.3d at 861. Courts give claim terms their ordinary and accustomed meaning as understood by one of ordinary skill in the art at the time of the invention in the context of the entire patent. *Phillips*, 415 F.3d at 1312-13; *accord Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1368 (Fed. Cir. 2003).

The claims themselves provide substantial guidance in determining the meaning of particular claim terms. *Phillips*, 415 F.3d at 1314. First, a term’s context in the asserted claim can be very instructive. *Id.* Other asserted or unasserted claims can aid in determining the claim’s meaning because claim terms are typically used consistently throughout the patent. *Id.* Differences among the claim terms can also assist in understanding a term’s meaning. *Id.* For example, when a dependent claim adds a limitation to an independent claim, it is presumed that the independent claim does not include the limitation. *Id.* at 1314-15.

“[C]laims ‘must be read in view of the specification, of which they are a part.’” *Id.* at 1315 (quoting *Markman*, 52 F.3d at 979 (en banc)). “[T]he specification ‘is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.’” *Phillips*, 415 F.3d at 1315 (quoting *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996)); *accord Teleflex, Inc. v. Ficosa N. Am.*

Corp., 299 F.3d 1313, 1325 (Fed. Cir. 2002). This is true because a patentee may define his own terms, give a claim term a different meaning than the term would otherwise possess, or disclaim or disavow the claim scope. *Phillips*, 415 F.3d at 1316. In these situations, the inventor's lexicography governs. *Id.* The specification may also resolve the meaning of ambiguous claim terms "where the ordinary and accustomed meaning of the words used in the claims lack sufficient clarity to permit the scope of the claim to be ascertained from the words alone." *Teleflex*, 299 F.3d at 1325. But, "[a]lthough the specification may aid the court in interpreting the meaning of disputed claim language, particular embodiments and examples appearing in the specification will not generally be read into the claims." *Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1187 (Fed. Cir. 1998) (quoting *Constant v. Advanced Micro-Devices, Inc.*, 848 F.2d 1560, 1571 (Fed. Cir. 1988)); accord *Phillips*, 415 F.3d at 1323.

The prosecution history is another tool to supply the proper context for claim construction because a patent applicant may also define a term in prosecuting the patent. *Home Diagnostics, Inc., v. Lifescan, Inc.*, 381 F.3d 1352, 1356 (Fed. Cir. 2004) ("As in the case of the specification, a patent applicant may define a term in prosecuting a patent."). "[T]he prosecution history (or file wrapper) limits the interpretation of claims so as to exclude any interpretation that may have been disclaimed or disavowed during prosecution in order to obtain claim allowance." *Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 452 (Fed. Cir. 1985).

Although extrinsic evidence can be useful, it is "less significant than the intrinsic record in determining the legally operative meaning of claim language." *Phillips*, 415 F.3d at 1317 (citations and internal quotation marks omitted). Technical dictionaries and treatises may help a court understand the underlying technology and the manner in which one skilled in the art might use claim terms, but technical dictionaries and treatises may provide definitions that are too

broad or may not be indicative of how the term is used in the patent. *Id.* at 1318. Similarly, expert testimony may aid a court in understanding the underlying technology and determining the particular meaning of a term in the pertinent field, but an expert’s conclusory, unsupported assertions as to a term’s definition are entirely unhelpful to a court. *Id.* Generally, extrinsic evidence is “less reliable than the patent and its prosecution history in determining how to read claim terms.” *Id.*

The Supreme Court of the United States has “read [35 U.S.C.] § 112, ¶ 2 to require that a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.” *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014). “A determination of claim indefiniteness is a legal conclusion that is drawn from the court’s performance of its duty as the construer of patent claims.” *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347 (Fed. Cir. 2005) (citations and internal quotation marks omitted), *abrogated on other grounds by Nautilus*, 134 S. Ct. 2120.

III. THE PARTIES’ STIPULATED TERMS

The parties reached agreement on constructions as stated in their July 6, 2016 Joint Claim Construction and Prehearing Statement (Dkt. No. 161) and their September 14, 2016 Joint Claim Construction Chart (Dkt. No. 196). Those agreements are set forth in Appendix A to the present Claim Construction Memorandum and Order.

IV. CONSTRUCTION OF DISPUTED TERMS IN U.S. PATENT NO. 6,240,073

A. Preambles: “A [multiple] access communications system for use in a satellite communication network”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|--|-----------------------------------|
| Preamble is limiting, and should be understood per its plain and ordinary meaning. | Plain and ordinary meaning |

Dkt. No. 161, Ex. A at 1. The parties submit that these terms appear in Claims 2-7 and 28 of the ’073 Patent. Dkt. No. 161, Ex. A at 1.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “The preambles are limiting.”

(1) The Parties’ Positions

Plaintiffs argue that “[b]ecause the preambles serve as the antecedent for the structural limitations of the claim and give ‘life, meaning, and vitality’ into the claims, the Court should construe the preambles as limiting.” Dkt. No. 181 at 4.

Defendants respond that “only a portion of the preamble serves as an antecedent basis for a later referenced term,” and “[i]ntentional omission of ‘satellite communication system’ in the claim body reflects the drafter’s intent of a non-limiting statement of purpose.” Dkt. No. 187 at 2-3.

Plaintiffs reply that “[t]he phrase which Defendants omit (‘for use in a satellite communication network’) is necessary because the claims recite components (‘a plurality of user terminals’ and ‘at least one hub’) that constitute the well-known components of a satellite communications return link.” Dkt. No. 190 at 1.

At the September 28, 2016 hearing, the parties presented no oral argument as to these disputed preamble terms.

(2) Analysis

Claim 2 of the '073 Patent is representative and recites:

2. A multiple access communications system for use in a satellite communication network, comprising:

 a plurality of user terminals for generating data to be transmitted over said multiple access communication system;

 at least one hub for receiving data over said multiple access communication system from said plurality of user terminals;

 transmitter means within each user terminal for receiving data to be transmitted from said user terminal to said hub, said transmitter means including first communication means for transmitting short bursty data in combination with second communication means for continuous transmission of data;

 switching means coupled to said transmitter means for switching transmission between said first communication means and said second communication means in accordance with predefined criteria, and

 receiver means within said at least one hub adapted to receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means;

 wherein said switching means comprises means for switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold.

On one hand, even where a preamble provides antecedent basis for a limitation recited in the body of the claim, an accompanying statement of purpose or use is not necessarily limiting.

See TomTom Inc. v. Adolph, 790 F.3d 1315, 1323 (Fed. Cir. 2015) (“That [a] phrase in the preamble . . . provides a necessary structure for [the] claim . . . does not necessarily convert the entire preamble into a limitation, particularly one that only states the intended use of the invention.”); *see also Marrin v. Griffin*, 599 F.3d 1290, 1294-95 (Fed. Cir. 2010) (“the mere fact that a structural term in the preamble is part of the claim does not mean that the preamble’s statement of purpose or other description is also part of the claim”).

On the other hand, the phrase “for use in a satellite communication network” provides additional detail regarding the “multiple access communications system.” *See Bell Commc’ns Research, Inc. v. Vitalink Commc’ns Corp.*, 55 F.3d 615, 620 (Fed. Cir. 1995) (“[W]hen the

claim drafter chooses to use *both* the preamble and the body to define the subject matter of the claimed invention, the invention so defined, and not some other, is the one the patent protects.”); *see also Proveris Scientific Corp. v. Innovasystems, Inc.*, 739 F.3d 1367, 1373 (Fed. Cir. 2014) (“The phrase ‘the image data’ clearly derives antecedent basis from the ‘image data’ that is *defined in greater detail in the preamble* as being ‘representative of at least one sequential set of images of a spray plume.’”) (emphasis added).

On balance, the phrase “for use in a satellite communication network” is limiting because it provides further detail regarding the “multiple access communications system” that has its antecedent basis in the preamble. *See id.* This also comports with the specification consistently presenting itself in the context of a satellite communication network, including in the Title, Abstract, Field of the Invention, Background of the Invention, Summary of the Invention, and Detailed Description of the Invention. *See, e.g.*, ’073 Patent at 4:45-47 & 8:37-38.

The Court therefore hereby finds that the preambles are **limiting**.

B. “first communication means for transmitting short bursty data” / “second communication means for continuous transmission of data”

| “first communication means for transmitting short bursty data” | |
|---|--|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| Subject to § 112, ¶ 6 | Subject to § 112, ¶ 6 |
| Function: “transmitting short bursty data” | Function: “transmitting short bursty data” |
| Structure: “Random Access Transmitter 70 in Fig. 5, and equivalents” | Structure: “Random Access Transmitter 70 performing a non synchronous frequency hopping code division multiple access technique” |

| “second communication means for continuous transmission of data” | |
|---|--|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| Subject to § 112, ¶ 6 Function: “continuous transmission of data” Structure: “Channel Assignment Transmitter, 110 in Fig. 6, and equivalents” | Subject to § 112, ¶ 6 Function: “continuous transmission of data” Structure: “channel access transmitter 110 performing a channel assignment method based on a frequency division multiple access” |

Dkt. No. 161, Ex. A at 2. The parties submit that these terms appear in Claims 2-7 and 28 of the '073 Patent. Dkt. No. 161, Ex. A at 2.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary constructions:

| <u>Term</u> | <u>Preliminary Construction</u> |
|--|---|
| “first communication means for transmitting short bursty data” | § 112, ¶ 6 applies Function: transmitting short bursty data Structure: Random Access Transmitter 70 in Fig. 5, and equivalents thereof” |
| “second communication means for continuous transmission of data” | § 112, ¶ 6 applies Function: continuous transmission of data Structure: Channel Assignment Transmitter 110 in Fig. 6, and equivalents thereof |

(1) The Parties' Positions

The parties agree that these disputed terms are means-plus-function terms governed by 35 U.S.C. § 112, ¶ 6, and the parties agree upon the claimed functions. The parties dispute the corresponding structure.

Plaintiffs argue that the additional functional language proposed by Defendants is inappropriate because those functions are not recited in the asserted claims. Dkt. No. 181 at 6. Plaintiffs urge that “where the patentee intended to limit the claims to particular transmission techniques, they explicitly did so.” *Id.* at 7.

As to the “first communication means,” Defendants respond that the corresponding structure should not encompass *all* possible types of transmitters but rather should be limited to the specific transmitter actually disclosed and tied to the claimed function. Dkt. No. 187 at 4. Defendants also submit that the specification disparages other techniques. *See id.* at 4-6.

Likewise, as to the “second communication means,” Defendants respond that the corresponding structure should be limited to “the specific type of CA [(channel assignment)] transmitter that is clearly linked to the claimed function.” Dkt. No. 187 at 7. Defendants also submit that the specification “disparage[s] TDMA [(time division multiple access)] as ill-suited for the type of traffic handled by modern communications systems.” *Id.* at 7-8 (citing '073 Patent at 2:61-67). Defendants conclude that “[b]ecause the specification only discusses the CA transmitter 110 as performing a frequency division multiple access technique for continuous transmission of data and disparages the use of TDMA for such transmission, the structure for this term should reflect that the CA transmitter is performing an FDMA technique.” Dkt. No. 187 at 8.

Plaintiffs reply that “Defendants’ argument that their constructions reflect the ‘configuration’ of the structures is just a euphemism for importing functional limitations.” Dkt. No. 190 at 2 (citation omitted).

At the September 28, 2016 hearing, Plaintiffs urged that the structures shown in Figure 5, for example, are merely implementation details of a specific embodiment. Defendants responded that the transmitter structure that is linked to the claimed function includes all of the components in Figure 5, and Defendants explained that the specification contains no suggestion that any of those components could be excluded.

(2) Analysis

As to the “first communication means . . .,” Defendants have cited disclosures in which the specification refers to using non-synchronous frequency hopping code division multiple access (“NS/FH/CDMA”). *See, e.g.*, ’073 Patent at 10:8-16 & 10:22-26. The specification also discloses:

The frequency hopping of the random access transmitter 70 is controlled via control signals output by the pseudo random sequence generator 106 and input to the local oscillator 95.

Id. at 16:13-16. Defendants argue that this disclosure of using a pseudo random sequence generator demonstrates that the random access transmitter 70 is configured solely to perform NS/FH/CDMA. Dkt. No. 187 at 5. No such limitation is apparent in the disclosures cited by Defendants. Although the above-quoted disclosure refers to “frequency hopping,” it is unclear whether this necessarily requires NS/FH/CDMA. Moreover, this particular protocol appears in the specification to be merely a technique that can be used with the corresponding structure rather than part of the corresponding structure itself.

Also, independent Claim 9 expressly recites a “first transmitter means for transmitting data utilizing a non synchronous frequency hopping code division multiple access communication scheme.” Although Plaintiffs have not demonstrated that the doctrine of claim differentiation is directly applicable as between the independent claims at issue, particularly when applied to means-plus-function limitations, this distinct recital of Defendants’ proposed limitation is noteworthy and weighs at least somewhat against Defendants’ proposal. Likewise, the specification characterizes NS/FH/CDMA as merely one example. *See* ’073 Patent at 5:18-21 (“[t]he first communication means can comprise nonsynchronous multiple access communication means or non synchronous frequency hopping code division multiple access communication means”).

Further, although Defendants argue that the specification disparages other techniques, “[a] patentee’s discussion of the shortcomings of certain techniques is not a disavowal of the use of those techniques in a manner consistent with the claimed invention.” *Epistar Corp. v. Int’l. Trade Comm’n*, 566 F.3d 1321, 1335 (Fed. Cir. 2009).

Finally, Plaintiffs have failed to identify any evidence suggesting that the “random access transmitter 70” illustrated in Figure 5 can be dissected. *See, e.g.*, ’073 Patent at 7:37-39. Indeed, at the September 28, 2016 hearing, Plaintiffs’ argument amounted to a proposal that the corresponding structure was simply the dashed line box indicated by numeral 70 (or perhaps also the dashed line boxes indicated by numerals 72, 74, and 76) without necessarily including any of the particular components contained therein. Plaintiffs’ argument is seemingly directly at odds with the purpose of 35 U.S.C. § 112, ¶ 6 to permit functional claiming but to limit the claim scope to the specific corresponding structure disclosed in the specification.

At the September 28, 2016 hearing, Plaintiffs relied extensively upon *Wenger Mfg., Inc. v. Coating Machinery Sys., Inc.*, 239 F.3d 1225 (Fed. Cir. 2001). Plaintiffs emphasized that, in *Wenger*, the district court found as to an “air circulation means” limitation having the function of “circulating air” that “[t]he structure corresponding to the function of circulating air through the apparatus requires the ability to recirculate air.” *Id.* at 1233. “By doing so,” the Federal Circuit found on appeal, “the court improperly restricted the ‘air circulation means’ limitation to structure that was disclosed in the preferred embodiment, but was not necessary to perform the recited function of circulating air.” *Id.*

On balance, *Wenger* is distinguishable because Plaintiffs have not identified any indication in the specification that particular components in Figure 5 can be omitted. Instead, Plaintiffs essentially argued at the September 28, 2016 hearing that the corresponding structure should not include *any* of the particular structures in Figure 5 as components of the “random access transmitter 70.” This argument, and Plaintiffs’ reliance upon *Wenger*, are thus unavailing.

Based on all of the foregoing, the Court construes the corresponding structure to be the random access transmitter as depicted in Figure 5 in its entirety, but the Court rejects Defendants’ proposal to include a specific technique as part of the corresponding structure.

Substantially the same analysis applies to the “second communication means” *See* ’073 Patent at 5:21-23 (“The second communication means can comprise frequency division multiple access communication means.”) & Cl. 9. The corresponding structure is thus the channel assignment transmitter 110 as depicted in Figure 6 in its entirety.

The Court therefore hereby construes the disputed terms as set forth in the following chart:

| <u>Term</u> | <u>Construction</u> |
|---|---|
| “first communication means for transmitting short bursty data” | 35 U.S.C. § 112, ¶ 6 applies Function: “transmitting short bursty data” Structure: “Random Access Transmitter 70 in Fig. 5, and equivalents thereof”² |
| “second communication means for continuous transmission of data” | 35 U.S.C. § 112, ¶ 6 applies Function: “continuous transmission of data” Structure: “Channel Assignment Transmitter 110 in Fig. 6, and equivalents thereof” |

² Defendants have argued that discussion of “equivalents” under 35 U.S.C. § 112, ¶ 6 should be addressed in jury instructions rather than in the constructions of disputed terms. *See* Dkt. No. 187 at 3 n.3. In accordance with this Court’s usual practice, the Court includes “equivalents” in the construction as specified by the language of 35 U.S.C. § 112, ¶ 6 itself.

C. “receiver means within said at least one hub adapted to receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|--|--|
| <p>Subject to § 112, ¶ 6</p> <p>Function: “receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means”</p> <p>Structure: “hub receiver 240 depicted in Fig. 10, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means”</p> <p>Structure: “hub receiver 240 including random access (RA) receiver 248 performing a non synchronous frequency hopping code division multiple access technique and channel assignment (CA) receiver 252 performing a channel assignment method based on a frequency division multiple access”</p> |

Dkt. No. 161, Ex. A at 3-4. The parties submit that this term appears in Claims 2-7 and 28 of the '073 Patent. Dkt. No. 161, Ex. A at 3-4.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 applies. / Function: receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means[] / Structure: hub receiver 240 depicted in Fig. 10, and equivalents.”

The parties agree that this disputed term is a means-plus-function term governed by 35 U.S.C. § 112, ¶ 6, and the parties agree upon the claimed function. The parties have disputed the corresponding structure.

Plaintiffs argue that the Court should reject Defendants’ attempt to “include additional functional limitations not recited in the claims” and “selectively include certain components of

hub receiver 240.” Dkt. No. 181 at 8. Defendants’ response brief does not address this term. *See* Dkt. No. 187. Plaintiffs reply that “[b]ecause Defendants offer no argument disputing Plaintiffs’ construction[] of ‘receiver means’ . . . , the Court should adopt those constructions.” Dkt. No. 190 at 6.

At the September 28, 2016 hearing, Defendants submitted that this term is disputed as set forth in the parties’ joint claim charts (*see* Dkt. Nos. 161 & 196), but Defendants presented no substantive argument.

Because Defendants have presented no substantive argument as to this term, the Court hereby finds that **“receiver means within said at least one hub adapted to receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means”** is a means-plus-function term, the claimed function is **“receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means,”** and the corresponding structure is **“hub receiver 240 depicted in Fig. 10, and equivalents thereof.”**

D. “transmitter means within each user terminal for receiving data to be transmitted from said user terminal to said hub”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|--|--|
| Subject to § 112, ¶ 6 | Subject to § 112, ¶ 6 |
| Function: “receiving data to be transmitted from said user terminal to said hub” | Function: “receiving data to be transmitted from said user terminal to said hub” |
| Structure: “modem 160 and equivalents” | Structure: “modem 160 including random access transmitter 70 and channel assignment transmitter 110” |

Dkt. No. 161, Ex. A at 1. The parties submit that this term appears in Claims 2-7 and 28 of the ’073 Patent. Dkt. No. 161, Ex. A at 1.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 applies. / Function: receiving data to be transmitted from said user terminal to said hub / Structure: modem 160 and equivalents thereof / NOTE: reject Plaintiff[s]’ argument that structure does not include random access transmitter 70 and channel assignment transmitter 110.”

(1) The Parties’ Positions

The parties agree that this disputed term is a means-plus-function term governed by 35 U.S.C. § 112, ¶ 6, and the parties agree upon the claimed function. The parties dispute the corresponding structure.

Plaintiffs argue that “Defendants . . . propose including unnecessary structures which are not necessary to receive data from said user terminal.” Dkt. No. 181 at 9.

Defendants respond that “[a]s the plain meaning suggests, transmitter means must have structure to transmit.” Dkt. No. 187 at 8.

Plaintiffs reply that “the function of this limitation is not transmission itself, but ‘receiving data to be transmitted from said user terminal to said hub.’” Dkt. No. 190 at 3.

(2) Analysis

The specification discloses:

The transmitter portion of the reverse link of the present invention will now be described in more detail. The transmitter for the reverse link actually comprises two portions: a random access portion and a channel assignment portion. Although the two portions are shown separately, overlapping functions can be combined. In general, the transmitter comprises a user interface and a message classifier. The *data received from the user* is divided or classified into three different types of messages, as described previously.

The first message type requires transmission rates lower than a certain number of bytes/sec, i.e., short messages. The second message type requires transmission rates higher than a certain number of bytes/sec. The third message type include[s] messages that are known to require a continuous type communications channel.

This third message type comprises messages generated from two way bandwidth intensive applications such as video conferencing, Internet phone, etc.

Each type is processed in the transmitter in a different way. The random access (RA) transmitter is utilized for short messages wherein each message is transmitted as a packet, a packet being the information transmitted in a single hop. The channel assignment (CA) transmitter is utilized for long streams of information, i.e., message types two and three. A specific frequency and a particular bandwidth are assigned and the data is transmitted for a specific period of time or until the data ends.

'073 Patent at 15:5-31 (emphasis added).

The PC 150 transmits data to be sent via satellite to the hub to the modem 160 which comprises the random access transmitter 70 (FIG. 5) and the channel assignment transmitter 110 (FIG. 6).

Id. at 17:25-28.

Plaintiffs urge: “While Defendants are correct that the disclosed modem 160 comprises the random access transmitter 70 and channel assignment transmitter 110, those structures are not linked to the claimed function of ‘receiving data to be transmitted.’” Dkt. No. 190 at 3. This seemingly internally inconsistent argument cannot be squared with the principles of 35 U.S.C. § 112, ¶ 6. That is, if the corresponding structure is modem 160, and if modem 160 includes random access transmitter 70 and channel assignment transmitter 110, then it necessarily follows that the corresponding structure includes random access transmitter 70 and channel assignment transmitter 110.

The Court therefore hereby expressly rejects Plaintiffs’ argument that the modem 160 does not necessarily include the random access transmitter 70 and channel assignment transmitter 110. Indeed, because this is self-evident, the construction of the corresponding structure need not specify structures that are included within the disclosed modem 160. Further, Defendants’ proposed construction would tend to create confusion by potentially giving rise to

an implication that the modem 160 includes only the components that are expressly set forth and no others.

The Court therefore hereby finds that **“transmitter means within each user terminal for receiving data to be transmitted from said user terminal to said hub”** is a means-plus-function term, the function is **“receiving data to be transmitted from said user terminal to said hub,”** and the corresponding structure is **“modem 160 and equivalents thereof.”**

E. “switching means” / “means for switching”

| “switching means [coupled to said transmitter means / within said plurality of user terminals] for switching transmission between said first communication means and said second communication means in accordance with predefined criteria” (’073 Patent, Claims 2-7, 28) | |
|--|---|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission between said first communication means and said second communication means in accordance with predefined criteria”</p> <p>Structure: “driver layer 158, as described in 10:30-11:40, or driver layer 158 as executing the ‘Switch to RA 170’ and/or ‘Switch to CA 196’ steps as depicted in Fig. 8[], and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission between said first communication means and said second communication means in accordance with predefined criteria”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm of Figure 8”</p> |

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| <p>“means for switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold” (’073 Patent, Claim 2)</p> | |
| <p>Plaintiffs’ Proposed Construction</p> | <p>Defendants’ Proposed Construction</p> |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold”</p> <p>Structure: “Driver layer 158 of Figure 7 as described in 10:63-67, Driver layer 158 of Figure 7, executing the ‘Switch to RA 170’ and/or ‘Switch to CA 196’ steps as described at 17:37-45, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm at 10:63-67”³</p> |
| <p>“means for switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on” (’073 Patent, Claim 3)</p> | |
| <p>Plaintiffs’ Proposed Construction</p> | <p>Defendants’ Proposed Construction</p> |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on”</p> <p>Structure: “Driver layer 158 of Figure 7 executing the ‘Switch to CA 196’ step as described at 11:1-8, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm at 11:1-8”⁴</p> |

³ Defendants previously proposed: “10:47-11:20.” Dkt. No. 161, Ex. A at 3-8.

⁴ Defendants previously proposed: “10:47-11:20.” Dkt. No. 161, Ex. A at 3-8.

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| “means for switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level” (’073 Patent, Claim 4) | |
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level”</p> <p>Structure: “Driver layer 158 of Figure 7 executing the ‘Switch to CA 196’ step as described at 11:9-11, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm at 11:9-11”⁵</p> |
| “means for switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold” (’073 Patent, Claim 5) | |
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold”</p> <p>Structure: “Driver layer 158 of Figure 7 executing the ‘Switch to RA 170’ step, as described at 11:30-31, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm at 11:30-31”⁶</p> |

⁵ Defendants previously proposed: “10:47-11:20.” Dkt. No. 161, Ex. A at 3-8.

⁶ Defendants previously proposed: “11:20-40.” Dkt. No. 161, Ex. A at 3-8.

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| <p>“means for switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off” (’073 Patent, Claim 6)</p> | |
| <p>Plaintiffs’ Proposed Construction</p> | <p>Defendants’ Proposed Construction</p> |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off”</p> <p>Structure: “Driver layer 158 of Figure 7 executing the ‘Switch to RA 170’ step, as described at 11:22-40, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm at 11:22-40”⁷</p> |
| <p>“means for switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data” (’073 Patent, Claim 7)</p> | |
| <p>Plaintiffs’ Proposed Construction</p> | <p>Defendants’ Proposed Construction</p> |
| <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data”</p> <p>Structure: “Driver layer 158 of Figure 7 as described in 11:34-36, Driver layer 158 of Figure 7, executing the ‘Switch to RA 170’ step as described at 18:10-15, and equivalents”</p> | <p>Subject to § 112, ¶ 6</p> <p>Function: “switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing the algorithm at 11:34-36”⁸</p> |

⁷ Defendants previously proposed: “11:20-40.” Dkt. No. 161, Ex. A at 3-8.

⁸ Defendants previously proposed: “11:20-40.” Dkt. No. 161, Ex. A at 3-8.

Dkt. No. 161, Ex. A at 3-8; Dkt. No. 187 at 15.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary constructions:

| <u>Term</u> | <u>Preliminary Construction</u> |
|---|---|
| <p>“switching means [coupled to said transmitter means / within said plurality of user terminals] for switching transmission between said first communication means and said second communication means in accordance with predefined criteria” (’073 Patent, Claims 2-7, 28)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching transmission between said first communication means and said second communication means in accordance with predefined criteria</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithms disclosed in the ’073 Patent at 10:30-11:40 or Figure 8, and equivalents thereof</p> |
| <p>“means for switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold” (’073 Patent, Claim 2)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 10:63-67 or 17:37-45, and equivalents thereof</p> |

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| <p>“means for switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on” (’073 Patent, Claim 3)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:1-8, and equivalents thereof</p> |
| <p>“means for switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level” (’073 Patent, Claim 4)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:9-11, and equivalents thereof</p> |
| <p>“means for switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold” (’073 Patent, Claim 5)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:30-31, and equivalents thereof</p> |

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| <p>“means for switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off” (’073 Patent, Claim 6)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:22-40, and equivalents thereof</p> |
| <p>“means for switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data” (’073 Patent, Claim 7)</p> | <p>§ 112, ¶ 6 applies.</p> <p>Function: switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data</p> <p>Structure: modem 160 and PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:34-36, and equivalents thereof</p> |

(1) The Parties’ Positions

The parties agree that these disputed terms are means-plus-function terms governed by 35 U.S.C. § 112, ¶ 6, and the parties agree upon the claimed functions. The parties dispute the corresponding structure.

Plaintiffs argue that the Court should reject Defendants’ proposals to: (1) include the entire PC 150 and modem 160 instead of just the necessary driver layer 158; (2) include only some of the disclosed embodiments; and (3) include the entire algorithms, including many steps

unrelated to switching transmission modes, instead of just the steps of the algorithms linked to the claimed function. Dkt. No. 181 at 12.

Defendants respond that “Plaintiffs told the PTAB in the IPR proceedings on the ’073 Patent that the location of these switching means is solely within the VSAT terminal.” Dkt. No. 187 at 10. Defendants argue that: (1) “Plaintiffs conflate two distinct and separately claimed means-plus-function terms: (i) ‘switching means’ and (ii) the ‘means for switching’”; (2) Plaintiffs propose only a portion of the necessary structure, thus “essentially amounting to a mere black box”; and (3) Plaintiffs’ proposal reads out the limitation that the switching function must be performed “in accordance with predefined criteria.” *Id.* at 11.

Plaintiffs reply that because “[t]he claims explicitly state that ‘said switching means comprises means for switching . . .,’” “[t]he ‘means for switching’ is therefore a part of the ‘switching means,’ not an entirely separate element.” Dkt. No. 190 at 3-4 (citing ’073 Patent at 23:45-49). Plaintiffs also argue that Defendants improperly limit the term “predefined criteria” to a single criterion. Dkt. No. 190 at 4. Finally, Plaintiffs argue that additional “enabling” steps are not part of the corresponding structure. *Id.* at 5 (citing *Asyst Techs. Inc. v. Empak, Inc.*, 268 F.3d 1364, 1371 (Fed. Cir. 2001) (“The corresponding structure . . . must actually perform the recited function, not merely enable the pertinent structure to operate as intended.”)).

(2) Analysis

The specification discusses circumstances in which “driver layer 158” switches from random access to requesting channel assignment. For example, the specification discloses:

The transmitter method portion of the present invention is situated within the *driver layer 158*. The transmitter method operates as a driver under the IP layer receiving IP packets output therefrom. Each protocol utilized by the application is identified by its own so called well known port number. The well known port

number is part of the TCP/UDP header embedded within the IP packet. Each packet is identified by its connection including its source and destination addresses and source and destination ports. In the random access mode, the transmitter method monitors the port number and the rate of the packets being received as measured in bits per second (bps). The bps rate is monitored by counting the number of bytes transmitted within a specific time window. If one of the applications transmits packets whose source port within the protocol header corresponds to a predetermined list or the length of the messages is larger than a specified length, the driver requests a channel assignment. In addition, if the rate of the transmission is higher than the maximal rate permitted in the random access mode the driver also requests a channel assignment. Note that the application layer 152 can be implemented using, for example, any browser or web browser, e-mail application or other communication type application.

'073 Patent at 17:29-51 (emphasis added). Also, the specification provides additional detail regarding the “driver layer 158” in the form of a flow chart in Figure 8. *See* '073 Patent at 17:52-18:31 (“A high level flow diagram illustrating the driver method of the present invention is shown in FIG. 8.”).

During *Inter Partes* Review proceedings, the patentee stated that “the ‘driver’ and ‘modem[]’ . . . are contained *within* the VSAT terminal and are described as performing the function of monitoring traffic over the random-access channel and requesting and switching to the channel-assignment mode if necessary.” Dkt. No. 187, Ex. 19, Feb. 18, 2016 Patent Owner Preliminary Response Pursuant To 37 C.F.R. § 42.107 at 18. The proper corresponding structure thus includes both “driver layer 158” and “modem 160.”

As to whether the “PC 150” should be included, Figure 7 of the '073 Patent illustrates “Driver 158” as part of “PC 150,” which is illustrated as distinct from modem 160. In the description of Figure 8 of the '073 Patent, however, the specification refers to steps being performed by “modem 160.” *See* '073 Patent at 17:55-56, 17:66-67, 18:2-4 & 18:8-15. Although Defendants have emphasized disclosure that the “transmitter method of the present invention” is “PC based” ('073 Patent at 17:20), this general disclosure does not override the

above-cited more specific explanation that switching functions can be performed by the modem 160.

The Court therefore finds that the specification contains alternative disclosures that the driver layer 158 may be implemented in either PC 150 or modem 160. *See Ishida Co., Ltd. v. Taylor*, 221 F.3d 1310, 1316 (Fed. Cir. 2000) (noting that a patent may disclose multiple “alternative structures for performing the claimed function”).

As to the appropriate algorithms, at the September 28, 2016 hearing neither side objected to any of the Court’s preliminary identifications of algorithms for the “means for switching . . .” terms. As to the “switching means . . .” term, Defendants maintained that the only criteria associated with the driver layer is checking the source port. Defendants thus urged that Plaintiffs’ proposal of referring to 10:30-11:40 is unsupported.

On balance, Defendants have failed to demonstrate that the switching criteria disclosed at 10:30-11:40 are not linked to the claimed function for the “switching means” Instead, the disclosure at issue refers to a transmitter method in which “[c]ommunication begins in the random access mode” and “[t]he decision to switch to the channel assignment mode is made in accordance with one of the following criteria:” ’073 Patent at 10:53-57. Defendants’ argument that this disclosure is linked only to the “means for switching . . .” terms is unavailing.

As to Plaintiffs’ proposal, however, Plaintiffs have not demonstrated that the flow chart of Figure 8 can be viewed selectively. Instead, the specification simply discloses that “[a] high level flow diagram illustrating the driver method of the present invention is shown in FIG. 8.” *See id.* at 17:52-53.

The Court therefore hereby construes the disputed terms as set forth in the following chart:

| <u>Term</u> | <u>Construction</u> |
|--|--|
| <p>“switching means [coupled to said transmitter means / within said plurality of user terminals] for switching transmission between said first communication means and said second communication means in accordance with predefined criteria” ('073 Patent, Claims 2-7, 28)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission between said first communication means and said second communication means in accordance with predefined criteria”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithms disclosed in the '073 Patent at 10:30-11:40 or Figure 8, and equivalents thereof”</p> |
| <p>“means for switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold” ('073 Patent, Claim 2)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the '073 Patent at 10:63-67 and 17:37-45, and equivalents thereof”</p> |
| <p>“means for switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on” ('073 Patent, Claim 3)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the '073 Patent at 11:1-8, and equivalents thereof”</p> |

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| <p>“means for switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level” (’073 Patent, Claim 4)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:9-11, and equivalents thereof”</p> |
| <p>“means for switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold” (’073 Patent, Claim 5)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said second communication means to said first communication means when the length of a message received by said transmitter means fails to exceed a predetermined threshold”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:30-31, and equivalents thereof”</p> |
| <p>“means for switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off” (’073 Patent, Claim 6)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said second communication means to said first communication means when a continuation flag in a message received by said transmitter means is turned off”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:22-40, and equivalents thereof”</p> |

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|---|--|
| <p>“means for switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data” (’073 Patent, Claim 7)</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said second communication means to said first communication means when the software application meeting a predetermined criteria that initiated a message to be transmitted via said transmitter means ceases to generate message data”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the ’073 Patent at 11:34-36 and 18:10-15, and equivalents thereof”</p> |
|---|--|

F. “continuation flag”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|---|--|
| <p>“a data field that indicates additional messages follow the current message”</p> | <p>“a data field that, when set, indicates that the reserved channel is still needed and when not set indicates that the reserved channel is no longer needed”</p> |

Dkt. No. 161, Ex. A at 5. The parties submit that this term appears in Claims 3 and 6 of the ’073 Patent. Dkt. No. 161, Ex. A at 5.

In their September 14, 2016 Joint Claim Construction Chart, the parties have submitted an agreed-upon construction for this term (Dkt. No. 196, Ex. A at 7), which the Court sets forth in Appendix A to this Claim Construction Memorandum and Order.

G. “means for generating a request to be sent over said return link in order to utilize said second communication means”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|--|---|
| <p>Subject to § 112, ¶ 6</p> <p>Function: “generating a request to be sent over said return link in order to utilize said second communication means”</p> <p>Structure: “Driver layer 158 of Figure 7 sending a Request for Allocation message as described at 11:12-15, Driver layer 158 of Figure 7 executing the Transmit CAR step 190 as described at 17:58-182 [<i>sic</i>], and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “generating a request to be sent over said return link in order to utilize said second communication means”</p> <p>Structure: “modem 160 and PC 150 including driver layer 158 performing an undisclosed algorithm”</p> |

Dkt. No. 161, Ex. A at 8-9. The parties submit that this term appears in Claim 28 of the ’073 Patent. Dkt. No. 161, Ex. A at 8-9.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 applies. / Function: generating a request to be sent over said return link in order to utilize said second communication means / Structure: modem 160 and PC 150 including driver layer 158 configured for sending a Request for Allocation message as described at 11:12-15 or executing the Transmit CAR step 190 as described at 17:58-60.”

(1) The Parties’ Positions

The parties agree that this disputed term is a means-plus-function term governed by 35 U.S.C. § 112, ¶ 6, and the parties agree upon the claimed function. The parties dispute the corresponding structure.

Plaintiffs argue that the Court should reject Defendants' argument that this disputed term lacks a corresponding algorithm because "the specification describes two algorithms that determine when the driver generates the request for a channel assignment." Dkt. No. 181 at 18.

Defendants respond that "Plaintiffs rely on portions of the specification merely restating the claimed function, rather than providing an algorithm showing how the claimed function is performed." Dkt. No. 187 at 17.

Plaintiffs reply that "the specification describes two separate embodiments which generate a request to utilize the second communication means." Dkt. No. 190 at 5.

(2) Analysis

The specification discloses, for example:

If one of the applications transmits packets whose source port within the protocol header corresponds to a predetermined list or the length of the messages is larger than a specified length, the driver requests a channel assignment.

'073 Patent at 17:42-45; *see id.* at 10:56-11:20 & 17:55-18:27.

Defendants have cited deposition testimony of Plaintiffs' expert opining that the specification does not limit how a software programmer would implement the software that would generate the channel assignment request and that "there's almost an infinite number of ways to write a piece of software code to do something." Dkt. No. 187, Ex. 14, Aug. 9, 2016 Elbert dep. at 152:7-22. This testimony does not demonstrate indefiniteness, however, particularly in light of the general principle that "the amount of detail that must be included in the specification depends on the subject matter that is described and its role in the invention as a whole, in view of the existing knowledge in the field of the invention." *Typhoon Touch Techs., Inc. v. Dell, Inc.*, 659 F.3d 1376, 1385 (Fed. Cir. 2011); *see id.* at 1386 ("A description of the function in words may disclose, at least to the satisfaction of one of ordinary skill in the art,

enough of an algorithm to provide the necessary structure under § 112, ¶ 6.”) (citation and internal quotation marks omitted).

Finally, for substantially the same reasons set forth above as to the “switching means . . .” and “means for switching . . .” terms, the Court therefore finds that the specification contains alternative disclosures that the driver layer 158 may be implemented in either PC 150 or modem 160. *See Ishida*, 221 F.3d at 1316 (noting that patent may disclose multiple “alternative structures for performing the claimed function”).

The Court therefore hereby finds that **“means for generating a request to be sent over said return link in order to utilize said second communication means”** is a means-plus-function term, the function is **“generating a request to be sent over said return link in order to utilize said second communication means,”** and the corresponding structure is **“modem 160 or PC 150 including driver layer 158 configured for sending a Request for Allocation message as described at 11:12-15 or executing the Transmit CAR step 190 as described at 17:58-60 and 17:66-18:2, and equivalents thereof.”**

V. CONSTRUCTION OF DISPUTED TERMS IN U.S. PATENT NO. 7,245,874

A. “[wherein said synchronous protocol allows] non-data carrying time slots”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|--|--|
| “[wherein said synchronous protocol allows] time slots that do not contain data” | Indefinite |

Dkt. No. 161, Ex. A at 10. The parties submit that this term appears in Claim 1 of the ’874 Patent. Dkt. No. 161, Ex. A at 10.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “[wherein said synchronous protocol allows] time slots that do not contain data (Not indefinite).”

(1) The Parties' Positions

Plaintiffs argue that “[t]he plain language of the claim and the specification provide clear guidance for the term ‘non-data carrying time slots.’” Dkt. No. 181 at 20.

Defendants respond that “[t]he specification provides no guidance on either the content or the form of the claim term.” Dkt. No. 187 at 18.

Plaintiffs reply that “[t]he specification describes time slots that ‘do not contain data’ and ‘blank time slots,’ among other examples.” Dkt. No. 190 at 6 (citing ’874 Patent at 7:6-8 & 7:49-56).

(2) Analysis

The Background of the Invention refers to “blank slots”:

The telephony system including cellular networks and the PSTN, is generally based on the E1, or possibly T1, protocol for multiplexing transmissions into time slots. The protocol is strongly synchronous in that the individual transmission to which a time slot is assumed to belong to is determined from its temporal position amongst the other time slots. Thus an individual transmission which does not have current data creates *blank slots* to reserve its current position.

’874 Patent at 1:26-33 (emphasis added). The specification further discloses that there can be “time slots that do not carry data”:

The IPMux 50, using data encoded into the packet headers, is also able to recreate *blank slots*, which have no meaning within a TCP/IP environment but are necessary in the E1 environment for maintaining correct sequence between time slots. Suitable buffering and reconstruction thus allows an E1 stream at the output which is a reconstruction of the E1 stream at the input despite having used an asynchronous protocol in between. Thus the IPMux 50 provides transparent bridging between E1/T1 based systems and switch based packet networks including but not restricted to TCP/IP based networks.

The IPMux 50 is preferably configurable to set desired packet sizes, and the filter 51 is preferably configurable to filter out E1 *time slots that do not carry data*. A definition for a non-data carrying time slot is preferably provided to filter 51 by an operator prior to use. Preferably, TS0 slots of the E1 protocol are also filtered out since these have no meaning in the TCP/IP protocol and may in any case be regenerated at the receiving end.

Id. at 7:38-56 (emphasis added).

These disclosures are consistent with Plaintiffs' proposed construction, and Defendants have not demonstrated that the ability of an operator to configure the system (*see* '874 Patent at 7:51-53) necessarily gives rise to indefiniteness.

Defendants' arguments regarding Plaintiffs' statements in *Inter Partes* Review proceedings are unavailing, in particular because the patentee distinguished the "Arimilli" reference's "silent frame" by arguing that the reference lacked any disclosure at all regarding time slots in a synchronous data protocol. Dkt. No. 187, Ex. 15, Feb. 19, 2016 Patent Owner Preliminary Response Pursuant To 37 C.F.R. § 42.107 at 27.

Finally, Defendants urged at the September 28, 2016 hearing that the specification provides no guidance for determining whether a particular time slot is not carrying "data." For example, Defendants submitted that signaling time slots as well as "silent" time slots do indeed contain data. The above-quoted disclosures in the specification, however, demonstrate that "non-data" in the '874 Patent refers to time slots that contain information that may be useful or necessary in one communication protocol but that is not needed in another communication protocol. The identification of particular time slots as not containing "data" is thus implementation-specific and will depend on the particular communication protocols being used.

The Court therefore hereby expressly rejects Defendants' indefiniteness arguments and hereby construes "[wherein said synchronous protocol allows] non-data carrying time slots" to mean "[wherein said synchronous protocol allows] time slots that do not contain data."

B. “[a central] high-capacity data trunking region”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|--|-----------------------------------|
| “a high speed data link coupled to one or more branches of a cellular telephone network” | Indefinite |

Dkt. No. 161, Ex. A at 13. The parties submit that this term appears in Claims 2 and 3 of the ‘874 Patent. Dkt. No. 161, Ex. A at 13.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “network backbone (Not indefinite).”

(1) The Parties’ Positions

Plaintiffs argue that “‘trunk’ is a well-known term in the telecommunications industry,” and “the specification defines a ‘trunking region’ as a synonym for a network ‘backbone.’” Dkt. No. 181 at 23.

Defendants respond that although the term “trunk” is known in the art, “[t]he base term ‘trunking region’ is simply not known to those of ordinary skill in the art” Dkt. No. 187 at 20-21. Defendants also argue that “the specification provides no objective guidance for determining whether” the requirements of “central” and “high-capacity” are met. *Id.* at 21.

Plaintiffs reply that Defendants’ current arguments are inconsistent with their position in *Inter Partes* Review proceedings. Dkt. No. 190 at 7.

At the September 28, 2016 hearing, the parties presented no oral argument as to this term.

(2) Analysis

At first blush, the term “high-capacity” appears to be subjective, and the term “trunking region” appears to contrast with the well-known term “trunk.” The specification, however, is consistent with Plaintiffs’ proposal that the disputed term refers to connections between switching systems (as opposed to connections to subscribers):

The embodiments concern cellular and other wireless networks comprising branches and a heavy data trunking region which is required to carry large amounts of data rapidly and thus to serve as the backbone of the network.

* * *

High capacity connections that link different MSCs or groupings of MSCs are referred to as the cellular backbone. High capacity connections that form part of the PSTN 18 are referred to as the PSTN backbone.

'874 Patent at 5:29-32 & 6:49-52.

Plaintiffs have also submitted an extrinsic technical dictionary definition of “trunk” that is likewise consistent with such a reading. Dkt. No. 181, Ex. 9, *The New IEEE Standard Dictionary of Electrical and Electronics Terms* 1418 (5th ed. 1993) (“A telephone line or channel between two central offices or switching devices, which is used in providing telephone connections between subscribers.”). Finally, in *Inter Partes* Review proceedings, Defendants themselves noted: “The Abstract of the '874 patent discusses the ‘high-capacity trunking region,’ as either equivalent to or interchangeable with a ‘network backbone.’” See Dkt. No. 181, Ex. 6, Hughes Network Systems, LLC’s Petition For *Inter Partes* Review of Claims 2-7 of U.S. Patent No. 7,245,874 Under 35 U.S.C. §§ 311-319 and 37 C.F.R. §§ 42.100 *et seq.* at 12.

The Court therefore hereby expressly rejects Defendants’ indefiniteness arguments. The proper construction is further informed by the context of the claims in which the disputed term appears, such as in the recital of “one of peripheral branches of a telephone network, the peripheral branches being connected to a central high-capacity data trunking region.” '874 Patent at Cl. 2. On balance, the claims, the specification, and the extrinsic evidence, as discussed above, demonstrate that the disputed term refers to a network backbone.

The Court nonetheless rejects Plaintiffs’ proposal of “a high speed data link coupled to one or more branches of a cellular telephone network” as potentially overbroad and unclear

because it includes the term “high speed” and because it could be interpreted as encompassing subscriber connections.

The Court therefore hereby construes “[a central] high-capacity data trunking region” to mean “network backbone.”

C. “converters for converting data of a datastream between said first data communication protocol and said second data communication protocol” / “E1-TCP/IP converters for converting data between said E1 protocol and said TCP/IP protocol”

| “converters for converting data of a datastream between said first data communication protocol and said second data communication protocol” (’874 Patent, Claim 1) | |
|---|---|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>No construction needed</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “converting data of a datastream between said first data communication protocol and said second data communication protocol”</p> <p>Structure: “internet protocol multiplexor (IPMux) 50 as depicted in Figure 2 and described at 6:60-7:56, SS7 Gateway 150 as depicted in Figure 10 and described at 10:51-11:44, and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “converting data of a datastream between said first data communication protocol and said second data communication protocol”</p> <p>Structure: None</p> |

| “E1-TCP/IP converters for converting data between said E1 protocol and said TCP/IP protocol” (’874 Patent, Claim 8) | |
|--|--|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>No construction needed</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “for converting data between said E1 protocol and said TCP/IP protocol”</p> <p>Structure: “internet protocol multiplexor (IPMux) 50 as depicted in Figure 2 and described at 6:60-7:56, SS7 Gateway 150 as depicted in Figure 10 and described at 10:51-11:44, and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “converting data between said E1 protocol and said TCP/IP protocol”</p> <p>Structure: None</p> |

Dkt. No. 161, Ex. A at 10-11 & 15.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 does not apply. Plain and ordinary meaning.”

(1) The Parties’ Positions

Plaintiffs argue that these are not means-plus-function terms because “[c]onverters’ are a well-known class of structures in the telecommunications space, used to adapt one telecommunications protocol to another so that two devices may communicate.” Dkt. No. 181 at 25 (citation omitted). Alternatively, Plaintiffs argue that ample corresponding structure is disclosed with reference to Figure 2 of the ’874 Patent. *Id.* at 26.

Defendants respond that “converters” is a nonce term that does not indicate any structure for performing the claimed function. Dkt. No. 187 at 22. Further, Defendants argue that “[t]he

structures identified by Plaintiffs are not any more structural than the terms of the claims.” *Id.* at 23.

Plaintiffs reply that “Defendants do not dispute that ‘converters’ are a well-known class of structures.” Dkt. No. 190 at 8.

(2) Analysis

Title 35 U.S.C. § 112, ¶ 6 provides: “An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.”

“[T]he failure to use the word ‘means’ . . . creates a rebuttable presumption . . . that § 112, para. 6 does not apply.” *Williamson v. Citrix Online LLC*, 792 F.3d 1339, 1348 (Fed. Cir. 2015) (citations and internal quotation marks omitted). “When a claim term lacks the word ‘means,’ the presumption can be overcome and § 112, para. 6 will apply if the challenger demonstrates that the claim term fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function.” *Id.* at 1349 (citations and internal quotation marks omitted).

Williamson, in an *en banc* portion of the decision, abrogated prior statements that the absence of the word “means” gives rise to a “strong” presumption against means-plus-function treatment. *Id.* (citation omitted). *Williamson* also abrogated prior statements that this presumption “is not readily overcome” and that this presumption cannot be overcome “without a showing that the limitation essentially is devoid of anything that can be construed as structure.” *Id.* (citations omitted). Instead, *Williamson* found, “[h]enceforth, we will apply the presumption as we have done prior to *Lighting World*” *Id.* (citing *Lighting World, Inc. v. Birchwood*

Lighting, Inc., 382 F.3d 1354, 1358 (Fed. Cir. 2004)). In a subsequent part of the decision not considered *en banc*, *Williamson* affirmed the district court’s finding that the term “distributed learning control module” was a means-plus-function term that was indefinite because of lack of corresponding structure, and in doing so *Williamson* stated that “‘module’ is a well-known nonce word.” 792 F.3d at 1350.

Here, the disputed terms each recite “converters,” which connote structure. *See* ’874 Patent at 4:47-50, 6:60-7:56 & Fig. 2 (illustrating a “converter”); *see also* Dkt. No. 181, Ex. 9, *The New IEEE Standard Dictionary of Electrical and Electronics Terms* 267 (5th ed. 1993) (defining “converter” in the context of data transmission as meaning “[a] device for changing one form of information language to another, so as to render the language acceptable to a different machine”).

In so finding, the Court applies long-standing principles articulated prior to the abrogated *Lighting World* decision. *See, e.g., Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1320 (Fed. Cir. 2004) (“when the structure-connoting term ‘circuit’ is coupled with a description of the circuit’s operation, sufficient structural meaning generally will be conveyed to persons of ordinary skill in the art, and § 112 ¶ 6 presumptively will not apply”; noting “language reciting [the circuits’] respective objectives or operations”); *Apex Inc. v. Raritan Computer, Inc.*, 325 F.3d 1364, 1372 (Fed. Cir. 2003) (“While we do not find it necessary to hold that the term ‘circuit’ by itself always connotes sufficient structure, the term ‘circuit’ with an appropriate identifier such as ‘interface,’ ‘programming’ and ‘logic,’ certainly identifies some structural meaning to one of ordinary skill in the art.”); *Personalized Media Commc’ns, LLC v. Int’l Trade Comm’n*, 161 F.3d 696, 705 (Fed. Cir. 1998) (“Even though the term ‘detector’ does not specifically evoke a particular structure, it does convey to one knowledgeable in the art a variety

of structures known as ‘detectors.’ We therefore conclude that the term ‘detector’ is a sufficiently definite structural term to preclude the application of § 112, ¶ 6.”); *Greenberg*, 91 F.3d at 1583 (finding that “detent mechanism” was not a means-plus-function term because it denotes a type of device with a generally understood meaning in the mechanical arts); *Affymetrix, Inc. v. Hyseq, Inc.*, 132 F. Supp. 2d 1212, 1232 (N.D. Cal. 2001) (finding that “‘computer code’ is not a generic term, but rather recites structure that is understood by those of skill in the art to be a type of device for accomplishing the stated functions”).

Finally, “[t]he amount of detail required to be included in claims depends on the particular invention and the prior art.” *Typhoon Touch*, 659 F.3d at 1385 (citation and internal quotation marks omitted). Here, the relatively simple converting functions do not demand any greater detail than is recited. Although Defendants have argued that no “off-the-shelf” hardware existed at the time of the invention that could have performed the claimed functions, Defendants have not demonstrated that this necessarily leads to a finding that the term “converters” fails to connote a class of structures. In sum, Defendants have failed to rebut the presumption against means-plus-function treatment for these non-means terms.

The Court therefore hereby construes the disputed terms as set forth in the following chart:

| <u>Term</u> | <u>Construction</u> |
|--|--|
| “converters for converting data of a datastream between said first data communication protocol and said second data communication protocol” | 35 U.S.C. § 112, ¶ 6 does not apply. Plain meaning. |
| “E1-TCP/IP converters for converting data between said E1 protocol and said TCP/IP protocol” | 35 U.S.C. § 112, ¶ 6 does not apply. Plain meaning. |

D. “non-data carrying time slot remover for removing said non-data carrying time slots during conversion into said asynchronous protocol” / “time slot regenerator for regenerating non-data carrying time slots during reconstruction of said datastream”

| “non-data carrying time slot remover for removing said non-data carrying time slots during conversion into said asynchronous protocol” | |
|--|---|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>No additional construction necessary</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “removing said non-data carrying time slots during conversion into said asynchronous protocol”</p> <p>Structure: “Filter 51 as depicted in Figure 2 and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “removing said non-data carrying time slots during conversion into said asynchronous protocol”</p> <p>Structure: None</p> |
| “time slot regenerator for regenerating non-data carrying time slots during reconstruction of said datastream” | |
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>No additional construction necessary</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “regenerating non-data carrying time slots during reconstruction of said datastream”</p> <p>Structure: “E1 Reconstructor 61 as depicted in Figure 2, and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “regenerating non-data carrying time slots during reconstruction of said datastream”</p> <p>Structure: None</p> |

Dkt. No. 161, Ex. A at 11-13. The parties submit that these terms appear in Claim 1 of the ’874

Patent. Dkt. No. 161, Ex. A at 11-13.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 does not apply. Plain and ordinary meaning.”

(1) The Parties’ Positions

Plaintiffs argue that “remover” and “regenerator” are not nonce words but rather recite structure, and Plaintiffs further urge that “the prefixes ‘non-data carrying time slot’ for the term ‘remover’ and ‘time slot’ for the term ‘regenerator’ impart additional structural meaning.” Dkt. No. 181 at 26-27. Alternatively, Plaintiffs argue that ample corresponding structure is disclosed with reference to Figure 2 of the ’874 Patent. *Id.* at 27-28.

Defendants respond that “non-data carrying time slot remover” and “time slot regenerator” are nonce terms that do not indicate any structure for performing the claimed function. Dkt. No. 187 at 24 & 26. Defendants also urge that “non-data carrying time slot” and “time slot” are “non-structural” modifiers. *Id.* at 25 & 26. Further, Defendants argue that “[t]he structures identified by Plaintiffs are no more than functionally-described black boxes, rather than structures or algorithms for performing the claimed functions.” *Id.* at 25 & 27.

Plaintiffs reply by reiterating their opening arguments. *See* Dkt. No. 190 at 8-9.

(2) Analysis

For substantially the same reasons discussed above as to the “converters” terms, Defendants have failed to rebut the presumption against means-plus-function treatment as to these “remover” and “regenerator” terms. *See, e.g.*, ’874 Patent at 4:21-24 & 7:6-8.

The Court therefore hereby construes the disputed terms as set forth in the following chart:

| <u>Term</u> | <u>Construction</u> |
|--|--|
| “non-data carrying time slot remover for removing said non-data carrying time slots during conversion into said asynchronous protocol” | 35 U.S.C. § 112, ¶ 6 does not apply. Plain meaning. |
| “time slot regenerator for regenerating non-data carrying time slots during reconstruction of said datastream” | 35 U.S.C. § 112, ¶ 6 does not apply. Plain meaning. |

E. “an extractor for extracting said SS7 signaling” / “a TCP/IP packet former for arranging said extracted signaling into TCP/IP packets”

| “an extractor for extracting said SS7 signaling” | |
|--|---|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| No construction needed | Indefinite |
| In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction: | Subject to § 112, ¶ 6 |
| Function: “extracting said SS7 signaling” | Function: “extracting said SS7 signaling” |
| Structure: “Filter 51 as depicted in Figure 2, SS7 Gateway 150 as depicted in Figure 10 and described at 10:51-11:44, and equivalents” | Structure: None |

| “a TCP/IP packet former for arranging said extracted signaling into TCP/IP packets” | |
|--|---|
| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
| <p>No construction needed</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “arranging said extracted signaling into TCP/IP packets”</p> <p>Structure: “Packager 53 as depicted in Figure 2, SS7 Gateway 150 as depicted in Figure 10 and described at 10:54-11:9, and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “arranging said extracted signaling into TCP/IP packets”</p> <p>Structure: None</p> |

Dkt. No. 161, Ex. A at 13-15. The parties submit that these terms appear in Claim 5 of the ’874 Patent. Dkt. No. 161, Ex. A at 13-15.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 does not apply. Plain and ordinary meaning.”

(1) The Parties’ Positions

Plaintiffs argue that “extractor” and “packet former” are not nonce words but rather recite structure, and furthermore the prefix “TCP/IP” imparts additional structural meaning to the “packet former.” Dkt. No. 181 at 28. Alternatively, Plaintiffs argue that “the specification links Filter 51, Packager 53 and SS7 Gateway 150 to the recited functions.” *Id.*

Defendants respond that “the terms ‘extractor’ and ‘TCP/IP packet former’ are instances of . . . purely functional ‘nonce’ claiming,” and “[t]he structures identified by Plaintiffs are no

more than functionally-described black boxes, rather than structures or algorithms for performing the claimed functions.” Dkt. No. 187 at 27-28.

Plaintiffs reply that the disputed terms denote specific structure, “especially in view of the surrounding claim language and the specification, which make clear that the Filter 51, Packager 53, and SS7 Gateway 150 perform the recited functions.” Dkt. No. 190 at 9 (citing ’874 Patent at 7:6-10 & 10:45-11:44).

(2) Analysis

For substantially the same reasons discussed above as to the “converters” terms, Defendants have failed to rebut the presumption against means-plus-function treatment as to these “extractor” and “TCP/IP packet former” terms. *See, e.g.*, ’874 Patent at 10:45-11:44. Also of note, the modifier “TCP/IP” provides additional structural significance to the “packet former” term. *See Williamson*, 792 F.3d at 1351 (noting “the presence of modifiers”).

The Court therefore hereby construes the disputed terms as set forth in the following chart:

| <u>Term</u> | <u>Construction</u> |
|--|--|
| “an extractor for extracting said SS7 signaling” | 35 U.S.C. § 112, ¶ 6 does not apply. Plain meaning. |
| “a TCP/IP packet former for arranging said extracted signaling into TCP/IP packets” | 35 U.S.C. § 112, ¶ 6 does not apply. Plain meaning. |

F. “a multiplexer for converting between the E1 signal and the TCP/IP signal”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|---|---|
| <p>No construction needed</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “converting between the E1 signal and the TCP/IP signal”</p> <p>Structure: “internet protocol multiplexor (IPMux) 50 as depicted in Figure 2 and described at 6:60-7:56 and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “converting between the E1 signal and the TCP/IP signal”</p> <p>Structure: None</p> |

Dkt. No. 161, Ex. A at 16. The parties submit that this term appears in Claims 2 and 8 of the ’874 Patent. Dkt. No. 161, Ex. A at 16.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 does not apply. Plain and ordinary meaning.”

(1) The Parties’ Positions

Plaintiffs argue that “[m]ultiplexers’ are a well-known class of structures and are used to interleave or funnel multiple streams of data over a common communications line.” Dkt. No. 181 at 29 (citation omitted). Alternatively, Plaintiffs argue that ample corresponding structure is disclosed with reference to Figure 2 of the ’874 Patent. *Id.* at 29.

Defendants respond that “multiplexer” is a purely functional nonce term that “merely sets forth the same ‘black box’ recitation of structure for providing the specified function as if the term ‘means’ had been used.” Dkt. No. 187 at 29. Defendants also argue that “[t]he structure identified by Plaintiffs is a functionally-described black box, rather than adequate structure for performing the claimed function.” *Id.*

Plaintiffs reply that “multiplexer” is “indisputably a well-known class of structures,” and Plaintiffs argue that “[b]y Defendants’ logic, §112(6) could apply to any well-known structure so long as a dictionary definition for it happens to recite the word ‘device.’” Dkt. No. 190 at 10.

(2) Analysis

For substantially the same reasons discussed above as to the “converters” terms, Defendants have failed to rebut the presumption against means-plus-function treatment as to this “multiplexer” term. *See, e.g.*, ’874 Patent at 4:47-51 & 6:60-7:32. Also of note, Plaintiffs have submitted an extrinsic technical dictionary that defines “multiplexer” as meaning “a device that allows the interleaving of two or more signals to a single line or terminal.” Dkt. No. 181, Ex. 9, *The New IEEE Standard Dictionary of Electrical and Electronics Terms* 829 (5th ed. 1993).

The Court therefore hereby finds that 35 U.S.C. § 112, ¶ 6 does not apply, and the Court hereby construes “**a multiplexer for converting between the E1 signal and the TCP/IP signal**” to have its **plain meaning**.

G. “decoders operable to decode synchronization control information from data arriving from said link, to reconstruct a synchronized telephony protocol data stream”

| Plaintiffs’ Proposed Construction | Defendants’ Proposed Construction |
|---|---|
| <p>No construction needed</p> <p>In the alternative, if the Court decides that this term is subject to § 112, ¶ 6, Plaintiffs propose the following construction:</p> <p>Function: “to decode synchronization control information from data arriving from said link and to reconstruct a synchronized telephony protocol data stream”</p> <p>Structure: “Header Reader 59 and E1 Reconstructor 61 as depicted in Figure 2, and equivalents”</p> | <p>Indefinite</p> <p>Subject to § 112, ¶ 6</p> <p>Function: “regenerating non-data carrying time slots during reconstruction of said datastream”</p> <p>Structure: None</p> |

Dkt. No. 161, Ex. A at 16-17. The parties submit that this term appears in Claim 11 of the '874 Patent. Dkt. No. 161, Ex. A at 16-17.

Shortly before the start of the September 28, 2016 hearing, the Court provided the parties with the following preliminary construction: “§ 112, ¶ 6 does not apply. Plain and ordinary meaning.”

(1) The Parties' Positions

Plaintiffs argue that “‘decoders’ are a well-known class of structures that convert coded data to its original form.” Dkt. No. 181 at 30 (citation omitted). Alternatively, Plaintiffs argue that ample corresponding structure is disclosed with reference to Figure 2 of the '874 Patent. *Id.*

Defendants respond that “decoders” is a purely functional nonce term, and “[t]he structures identified by Plaintiffs are a functionally-described black box, rather than any structure.” *Id.*

Plaintiffs reply that “Defendants do not dispute Plaintiffs’ dictionary definition or that decoders are a well-known class of structures.” Dkt. No. 190 at 10.

(2) Analysis

For substantially the same reasons discussed above as to the “converters” terms, Defendants have failed to rebut the presumption against means-plus-function treatment as to this “decoders” term. *See, e.g.*, '874 Patent at 7:20-31. Also of note, Plaintiffs have submitted an extrinsic technical dictionary that defines “decoder” as meaning “[a] device or a program routine that converts coded data back into its original form.” Dkt. No. 181, Ex. 12, *Microsoft Press Computer Dictionary* 114 (2d ed. 1994).

The Court therefore hereby finds that 35 U.S.C. § 112, ¶ 6 does not apply, and the Court hereby construes “**decoders operable to decode synchronization control information from**

data arriving from said link, to reconstruct a synchronized telephony protocol data stream” to have its plain meaning.

VI. CONCLUSION

The Court adopts the constructions set forth in this opinion for the disputed terms of the patents-in-suit.

The parties are ordered to not refer to each other’s claim construction positions in the presence of the jury. Likewise, in the presence of the jury, the parties are ordered to refrain from mentioning any portion of this opinion, other than the actual definitions adopted by the Court. The Court’s reasoning in this order binds the testimony of any witnesses, and any reference to the claim construction proceedings is limited to informing the jury of the definitions adopted by the Court.

SIGNED this 17th day of October, 2016.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

APPENDIX A

| <u>Term</u> | <u>Parties' Agreement</u> |
|---|--|
| “first synchronous data communication protocol” (’874 Patent, Claim 1) | “a data communication protocol that relies on the temporal relationship between time slots” |
| “second asynchronous data communication protocol” (’874 Patent, Claim 1) | “a data communication protocol that does not rely on the temporal relationship between time slots” |
| “continuation flag” (’073 Patent, Claims 3 and 6) | “a data field that indicates additional messages follow the current message” |

Dkt. No. 161 at 2; Dkt. No. 196, Ex. A at 7.

I. Plaintiffs’ Objections to the Claim-Construction Order

- a. “first communication means for transmitting short bursty data” and “second communication means for continuous transmission of data” (’073 Patent, Cl. 2-7, 28)

The parties agree that “first communication means for transmitting short bursty data,” and “second communication means for continuous transmission of data” are both means-plus-function terms governed by 35 U.S.C. § 112 ¶ 6. The parties further agree on the claimed functions for both terms, but they dispute the corresponding structures.

The Magistrate Judge found that the corresponding structure was the random-access transmitter in its entirety as depicted in Figure 5. The Claim-Construction Order also specifically rejected Defendants’ proposal to include a specific technique as part of the corresponding structure. The Court, therefore, construed the terms as follows:

| Term | Construction |
|--|--|
| First communications means for transmitting short bursty data | <i>Function:</i> transmitting short bursty data <i>Structure:</i> random access transmitter 70 in figure 5 and equivalents thereof |
| Second communications means for continuous transmission of data | <i>Function:</i> continuous transmission of data <i>Structure:</i> channel assignment transmitter 110 in Figure 6 and equivalents thereof |

Plaintiffs object to the Magistrate Judge’s identification of the structures. Particularly, Plaintiffs argue that the construction of both the first communications means for transmitting short bursty data and the second communications means for continuous transmission of data should be limited to the extent the structures include each Figure 5 and 6, respectively, in their entireties. Docket No. 212 at 2. According to Plaintiffs, the structures are well known in the art, and not all components depicted in each figure are necessary to perform the claimed functions of transmitting short bursty data or continuous transmission of data. *Id.* at 2–3.

As the Magistrate Judge noted in his opinion, Plaintiffs have failed to identify any evidence suggesting that the random access transmitter 70 as illustrated in Figure 5 can be dissected. Docket No. 208 at 13. The Court agrees with the Magistrate Judge that Plaintiffs have not provided any evidence that particular components of Figure 5 or 6 can be omitted.

The Court finds that the Magistrate Judge's construction of "first communications means for transmitting short bursty data" and "second communications means for continuous transmission of data" are not clearly erroneous or contrary to law. Therefore, Plaintiffs' objections are **OVERRULED**.

b. "transmitter means within each user terminal for receiving data to be transmitted from said user terminal to said hub" ('073 Patent, Cl. 2-7)

Plaintiffs object the construction of this term to the extent the Magistrate Judge construed "the corresponding structure [to] include[] a random access transmitter 70 and channel assignment transmitter 110." Docket No. 212 at 3. According to Plaintiffs, the "specification clearly links the recited function of 'receiving data to be transmitted from said user terminal to said hub' to the modem 160." *Id.* Plaintiffs argue that, while modem 160 includes the random-access transmitter 79 and channel assignment transmitter 119, those two sub-components are "unnecessary to perform the recited function of *receiving* data to be transmitted." *Id.* (emphasis original).

The Magistrate Judge's Claim-Construction Order rejected Plaintiffs' argument that the structure does not include random-access transmitter 80 and channel-assignment transmitter 110. Docket No. 208 at 19. The Magistrate Judge found that Plaintiffs' argument to be "seemingly internally inconsistent" and that it could not be squared with 35 U.S.C. § 112, ¶ 6: "[I]f the corresponding structure is modem 160, and if modem 160 includes random access transmitter 70 and channel assignment transmitter 110, then it necessarily follows that the corresponding structure includes random access transmitter 70 and channel assignment transmitter 110." *Id.*

This Court finds that the Magistrate Judge’s construction of “transmitter means within each user terminal for receiving data to be transmitted from said user terminal to said hub” is not clearly erroneous or contrary to law. Indeed, because the corresponding structure was modem 160, and modem 160 includes a random-access transmitter 70 and channel-assignment transmitter 110, it necessarily follows that the corresponding structure includes those two elements. Accordingly, Plaintiffs’ objections are **OVERRULED**.

II. Defendants’ Objections to the Claim-Construction Order

- a. Means for generating a request to be sent over said return communications link in order to utilize said second communications means ('073 Patent, Cl. 28)*

Defendants claim that the Claim-Construction Order “erred by failing to hold the ‘means for requesting’ term is indefinite for lacking sufficient disclosure of corresponding structure.” Docket No. 213 at 2. According to Defendants, the Order does not describe “*how* the request is generated but merely restate the function.” *Id.* (emphasis original).

The Magistrate Judge found that, while “Defendants ha[d] cited deposition testimony of Plaintiffs’ expert opining that the specification does not limit how a software programmer would implement the software that would general the channel assignment request and that ‘there’s almost an infinite number of ways to write a piece of software code to do something,’ ” the term was not indefinite. Docket No. 208 at 34. The Magistrate Judge explained that “the amount of detail that must be included in the specification depends on the subject matter that is described and its role in the invention as a whole, in view of the existing knowledge in the field of the invention.” *Id.* (citing *Typhoon Touch Techs., Inc. v. Dell, Inc.*, 659 F.3d 1376, 1385 (Fed. Cir. 2011)).

The Court agrees with the Magistrate Judge’s finding that the means for requesting term is not indefinite because it provides sufficient structure for a person of skill in the art. Therefore, Defendants’ objection to the Order’s construction of “means for generating a request to be sent

over said return communications link in order to utilize said second communications means” is

OVERRULED.

- b. *“switching means [coupled to said transmitter means / within said plurality of user terminals] for switching transmission between said first communication means and said second communication means in accordance with predefined criteria” (’073 Patent, Claims 2-7, 28)*

The Magistrate Judge’s Order construed the corresponding structure of “switching means” to be “modem 160 or PC 150 including driver layer 158,” but Defendants argue that construction is incorrect because the patent “makes clear that driver layer 158 is depicted and described in the ’073 Patent as software running on PC 150 and interacting with modem 160.” Docket No. 213 at 3. Defendant claims that the Court’s construction is contrary to law because it adopts a structure that is undisclosed or not supported in the specification. *Id.* Additionally, Defendants contend that the proper construction of the algorithm steps is limited to Figure 8, and “[t]he plain language of the claims supports finding that all of Figure 8 is necessary for the algorithm steps to perform the claimed function.” *Id.*

The Magistrate Judge found that the specification contained alternative disclosures that the driver layer 158 may be implemented in either PC 150 or modem 160. Docket No. 208 at 35. Figure 7 of the ’073 Patent illustrates “Driver 158” as part of “PC 150,” which is illustrated as distinct from modem 160. But the description of Figure 8 in the ’073 patent refers to steps being performed by “modem 160.” The Court agrees with the Magistrate Judge that, although the specification explains that “the transmitter method of the present invention” is “PC based,” the general disclosure does not override the above-cited more specific explanation that switching functions can be performed by modem 160. *See* ’073 Patent at 17:20, 17:55-56, 17:66-67, 18:2-4 & 18:8-15.

Additionally, the Court also agrees with the Magistrate Judge that all of Figure 8 is not necessary for the algorithm steps to perform the claimed function: the specification discloses that Figure 8 is merely a “high level flow diagram illustrating the driver method of the present invention.” ’073 Patent, 17:52–53.

The Court finds no plain error in the Magistrate Judge’s construction, and Defendants’ objection to the construction of the corresponding structure of “switching means” is **OVERRULED**.

- c. *“non-data carrying time slot remover for removing said non-data carrying time slots during conversion into said asynchronous protocol” / “time slot regenerator for regenerating non-data carrying time slots during reconstruction of said datastream” (’874 Patent)*

Defendants argue that the Order misconstrued the “remover” and “regenerator” terms. Defendants argue that the Order “provided no substantive analysis to support the decision not to apply § 112, ¶ 6.” Docket No. 213 at 4. Defendants argue that the Magistrate Judge instead relied on “substantially the same reasons discussed above as to the ‘converters’ terms,” but, “for the ‘converter’ terms, there was evidence in the record that a ‘converter’ was a known structure, [and t]he opposite is true for the “remover” and “regenerator” terms.” *Id.* (citations omitted).

Failure to use the word “means” creates a rebuttable presumption that § 112 ¶ 6 does not apply. *Williamson v. Citrix Online LLC*, 792 F.3d 1339, 1348 (Fed. Cir. 2015). The presumption can be overcome if the challenger demonstrates that the claim term fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function. *Id.* at 1349. As the Magistrate Judge explained with respect to the “converter” term, the disputed terms “remover” and “regenerator” are not “nonce” words like means, module, or mechanism and, instead, connote structure to a person skilled in the art. Accordingly, Defendants’ objection is **OVERRULED**.

d. “converters,” “E1-TCP/IP converters,” “extractor,” “TCP/IP packet former,” “multiplexer,” and “decoders”

Defendants further argue that the Order erred in construing “converters,” “E1-TCP/IP converters,” “extractor,” “TCP/IP packet former,” “multiplexer,” and “decoders” as having their plain meaning instead of applying § 112 ¶ 6. Docket No. 213 at 5. Defendants argue that they overcame the presumption against applying § 112 ¶ 6 by “demonstrating that the terms are merely ‘black boxes’ and descriptions of the functions to be performed that would not be understood by a person of ordinary skill in the art as having a sufficiently definite meaning as the name for structure.” *Id.*

The Magistrate Judge found that each of these terms connoted structure to a person of skill in the art, and Defendants did not overcome the presumption that § 112 ¶ 6 did not apply. The term converters connotes structure, and, here, the relatively simple converting functions do not demand any greater detail than is recited. Docket No. 208 at 43.

Similarly, the Magistrate Judge found that Defendants failed to rebut the presumption against means-plus-function treatment as to the “multiplexer” and “decoder” terms, especially given that Plaintiffs submitted an extrinsic technical dictionary that defines “multiplexer” as meaning “a device that allows the interleaving of two or more signals to a single line or terminal.” *Id.* at 51.

Likewise, Defendants failed to rebut the presumption against means-plus-function treatment as to the “extractor” and “TCP/IP packet former” terms, especially considering the modifier “TCP/IP” provides additional structural significance to the “packet former” term. *Id.* at 49.

The Court finds no plain error in the Magistrate Judge's constructions, and Defendants objections to the Magistrate Judge's construction of converters, E1-TCP/IP converters, extractor, TCP/IP packet former, multiplexer and decoders are **OVERRULED**.

e. "[wherein said synchronous protocol allows] non-data carrying time slots" ('874 Patent)

Defendants further argue that the Order's construction of "[wherein said synchronous protocol allows] non-data carrying time slots" as "time slots that do not contain data" is contrary to law. Docket No. 213 at 6. According to Defendants, the specification and prosecution history are ambiguous regarding the limits of what can constitute a non-data carrying time slot, and, therefore, claim 1 "on its face does not provide guidance as to a definition for a non-data carrying time slot nor does claim 1 define the particular communication protocols being used." *Id.* Defendants contend that "there is no way for a person skilled in the art to determine the scope of "non-data carrying time slot" with reasonable certainty based on the intrinsic record," and the Order incorrectly did not find the term indefinite. *Id.*

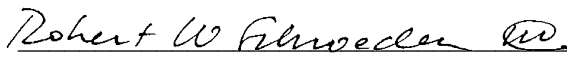
The Magistrate Judge expressly rejected Defendants' indefiniteness arguments in construing this term. Docket No. 208 at 37. In doing so, the Magistrate Judge explained that the specification demonstrates that " 'non-data' in the '874 patent refers to time slots that contain information that may be useful or necessary in one communication protocol but that is not needed in another communication protocol." *Id.* Indeed, as the Magistrate Judge correctly notes, the identification of particular time slots as not containing "data" is implementation-specific and will depend on the particular communication protocols being used. *Id.*

The Court finds no plain error in the Magistrate Judge's construction. Accordingly, Defendants' objection to the Magistrate Judge's construction of "[wherein said synchronous protocol allows] non-data carrying time slots" is **OVERRULED**.

III. Conclusion

As detailed above, the Court has found no plain error in the objected-to portions of the Magistrate Judge's Claim-Construction Order.

SIGNED this 25th day of May, 2017.


ROBERT W. SCHROEDER III
UNITED STATES DISTRICT JUDGE

- (8) Defendant Hughes Network Systems, LLC's Motion for Summary Judgment of No Copying of U.S. Patent No. 6, 240,073 (**Dkt. 295**) ("Hughes' Copying Motion")
- (9) Defendant Hughes Network Systems, LLC's Motion for Summary Judgment of No Willfulness (**Dkt. 296**) ("Hughes' Willfulness Motion").
- (10) Defendant Hughes Network Systems, LLC's Motion for Summary Judgment of No Pre-Suit Damages Based on Plaintiffs' Failure to Comply with 35 U.S.C. § 287 (**Dkt. 297**) ("Hughes' Marking Motion").
- (11) Defendant Hughes Network Systems, LLC's Motion for Partial Summary Judgment of Non-Infringement of Claims 2-5, 7-9, 11, and 12 of U.S. Patent No. 7,245,874 (**Dkt. 298**) ("Motion for Summary Judgment of Noninfringement of the '874 Patent").
- (12) Plaintiffs' Motion to Exclude the Testimony of Dr. Stephen B. Wicker (**Dkt. 312**) ("Elbit's Infringement Expert Motion").
- (13) Defendant Hughes Network Systems, LLC's Motion to Exclude Expert Testimony of Stephen G. Kunin (**Dkt. 313**) ("Hughes' Motion to Exclude Patent Office Expert Testimony")
- (14) Defendants' *Daubert* Motion to Exclude the Opinions Offered by Christopher Martinez (**Dkt. 314**) ("Defendants' Motion to Exclude Damages Expert Testimony").
- (15) Plaintiffs' Motion to Strike Defendants' Experts Opinions Regarding Previously-Undisclosed Non-Infringing Alternatives (**Dkt. 315**) ("Plaintiffs' Motion to Strike Non-Infringing Alternatives")
- (16) Hughes' Motion to Strike Portions of Elbit's Expert Reports that Rely on Previously-Unidentified Infringement Theories (**Dkt. 316**) ("Hughes' Motion to Strike Infringement Opinions").
- (17) Plaintiffs' Motion to Exclude Certain Opinions of Defendants' Damages Expert, Mr. W. Christopher Bakewell (**Dkt. 319**) ("Elbit's Motion to Exclude Damages Expert Testimony").
- (18) Defendants Hughes Network Systems, LLC And BlueTide Communications, Inc.'s Motion to Transfer Under 28 U.S.C. § 1406 (**Dkt. 372**) ("Defendants' Motion to Transfer").
- (19) Defendants Hughes Network Systems, LLC And BlueTide Communications, Inc.'s Motion to Stay Proceedings Pending Resolution of Proper Venue (**Dkt. 373**) ("Defendants' Motion to Stay").

The Court resolves the nondispositive motions and provides recommendations for the pending motions for summary judgment as follows. *See* Fed. R. Civ. P. 72.

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BACKGROUND

This is a patent infringement case brought by Elbit Systems Land and C4I Ltd and Elbit Systems of America LLC (collectively, “Elbit”). Elbit accuses Hughes Networks Systems, LLC (“Hughes”), BlueTide Communications, Inc. (“BlueTide”), and Country Home Investments, Inc. (“Country Home”) of infringing U.S. Patent Nos. 6,240,073 (“the ’073 patent”) and 7,245,874 (“the ’874 patent”), both of which relate generally to satellite communication systems.

DISCUSSION

A. Defendants’ Motions for Summary Judgment

Defendants move for summary judgment on various claims and issues underlying Elbit’s infringement and damages contentions. Summary judgment must be granted when there is no genuine issue as to any material fact and the movant is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). “A genuine issue of material fact exists ‘if the evidence is such that a reasonable jury could return a verdict for the non-moving party.’” *Crawford v. Formosa Plastics Corp., La.*, 234 F.3d 899, 902 (5th Cir. 2000) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)). The court must consider evidence in the record in the light most favorable to the non-moving party and draw all reasonable inferences in favor of that party. *Thorson v. Epps*, 701 F.3d 444, 445 (5th Cir. 2012). The moving party must identify the portions of the record that demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Once a party has made that showing, the non-moving party bears the burden of establishing otherwise. *Geiserman v. MacDonald*, 893 F.2d 787, 793 (5th Cir. 1990) (citing *Celotex*, 477 U.S. at 323). The non-moving party cannot “rest upon mere allegations or denials” in the pleadings, but “must set forth specific facts showing there is a genuine issue for trial.” *Liberty Lobby*, 477 U.S. at 248. Thus, summary judgment “is appropriate if the non-movant ‘fails

to make a showing sufficient to establish the existence of an element essential to that party's case.” *Bluebonnet Hotel Ventures, LLC v. Wells Fargo Bank, N.A.*, 754 F.3d 272, 276 (5th Cir. 2014) (quoting *Celotex*, 477 U.S. at 322).

1. Motions for Summary Judgment of Noninfringement of the '073 Patent

a) Defendants' "Switching Means" Motion (Dkt. 291)

The asserted '073 patent claims recite a “switching means . . . for switching transmission between said first communication means and said second communication means in accordance with predefined criteria.” *See, e.g.*, '073 patent at 22:66-23:2. The Court construed the switching means limitation as a means-plus-function term governed by 35 U.S.C. § 112, ¶ 6. Dkt. 208, at 30. The Court defined the corresponding structure as “modem 160 or PC 150 including driver layer 158 performing the algorithms disclosed in the '073 Patent at 10:30-11:40 or Figure 8, and equivalents thereof.” *Id.* Hughes contends that “[i]n the '073 Patent, the modem 160 and the PC 150 are part of the terminal and not part of the hub.” *See* Dkt. 291 at 4 (citing '073 Patent, Fig. 7). According to Hughes, Elbit has failed to identify “switching means” structure at or within the terminal, but rather only identifies structure at the hub, and thus summary judgment of noninfringement should be granted *Id.* at 9.

Elbit's expert, Bruce Elbert, opines to the contrary. Mr. Elbert explains that the accused terminals begin transmitting in random access mode, and when a terminal receives user data, the terminal compares the size of the data to the amount of space in the Aloha transmission. *See* Dkt. 318-2 ¶¶ 301-19. Based on that comparison, Mr. Elbert opines that the terminal decides whether to switch to an allocated channel, depending on whether the user data fit within the Aloha transmission. *Id.* The terminal then allegedly waits for the hub to acknowledge that a specific channel has been assigned. *Id.* This algorithm, according to Mr. Elbert, is consistent with the one

disclosed in the '073 patent at 10:30-11:40. *See* Dkt. 318 at 8. Mr. Elbert's testimony attributes the decision to switch transmission to the terminal, and thus this testimony "at least raises a genuine issue of material fact" concerning infringement. *See Vasudevan Software, Inc. v. MicroStrategy, Inc.*, 782 F.3d 671, 683 (Fed. Cir. 2015).

Hughes argues Elbit is estopped from making such arguments because of statements Elbit made during *inter partes* review. This argument is not persuasive. Mr. Elbert's testimony appears consistent with representations Elbit made to the Patent Office concerning where the decision to switch occurs. The Court therefore **RECOMMENDS** Defendants' "Switching Means" Motion be denied.

b) Defendants' "Means for Generating Request" Motion (Dkt. 292)

Claim 28 of the '073 patent recites a "means for generating a request." This means-plus-function limitation corresponds to algorithms described in the specification. One algorithm requires that the generated request include a requested date. *See* Dkt. 292 at 1. The other alternative algorithm requires the request to be based on an evaluation of a port number. *See id.* Hughes argues the accused terminals do not generate a request including a requested data rate or port number. *See id.* Thus, according to Hughes, summary judgment of noninfringement of claim 28 should be granted.

Elbit's expert testimony, however, raises a material factual dispute. Mr. Elbert explains how the accused products satisfy the "means for generating a request" limitation, and Mr. Elbert includes an analysis of how the accused structures are equivalent to the structure corresponding to the claim limitation. *See* Dkt. 318-2 ¶¶ 451-54, 458-61. Infringement under the doctrine of equivalents is a "highly factual inquiry." *Jeneric/Pentron, Inc. v. Dillon Co., Inc.*, 205 F.3d 1377, 1384 (Fed. Cir. 2000). Mr. Elbert's testimony suggesting that the "means for generating" limitation

is met under the function-way-results or substantial similarity tests precludes the grant of summary judgment. *See Vasudevan Software*, 782 F.3d at 683 (Fed. Cir. 2015). The Court therefore **RECOMMENDS** Defendants’ “Means for Generating Request” Motion be denied.

c) Defendants’ GMR-1 Products Motion (Dkt. 293)

Defendants explain that Elbit originally accused Hughes’ products that comply with the GMR-1 standard of infringing the ’073 patent. Dkt. 293 at 1. Elbit did not, however, include opinions concerning these infringement theories in its expert report, and Elbit acknowledges that it will not pursue such theories at trial. *Id.* As a result, Defendants contend they are entitled to summary judgment of noninfringement as to the GMR-1 products. *Id.*

The Court disagrees. Elbit voluntarily dropped the GMR-1 products before expert discovery—an action that is similar to amending a complaint or voluntarily dismissing claims without prejudice. *See Sandisk Corp v. Kingston Tech. Co.*, 695 F. 3d 1348, 1353 (treating a plaintiff’s withdrawal of asserted claims “as being akin to either a [Fed. R. Civ. P.] 15 amendment to the complaint, or a Rule 41(a) voluntary dismissal of claims without prejudice”) (citations omitted). Defendants highlight that Elbit refuses to enter into a stipulation dismissing the GMR-1 products from the case, but Defendants do not cite authority suggesting Elbit has an obligation to do so. *See Alcon Research Ltd. v. Barr Labs., Inc.*, 745 F.3d 1180, 1193 (Fed. Cir. 2014) (“[W]e have not previously held that a formal motion or stipulation was required to remove claims from a case and we decline to do so here. On the contrary, we recently decided that a patentee’s announcement that it was no longer pursuing certain claims, coupled with its ceasing to litigate them, was sufficient to remove those claims from the case even without such formalities.”). The Court therefore **RECOMMENDS** Defendants’ GMR-1 Products Motion be denied.

2. Defendants' Damages Motion (Dkt. 294)

Hughes contends that it is entitled to summary judgment of no damages arising from the alleged infringement of the '874 patent because Elbit's damages expert, Mr. Christopher Martinez, "offers no opinion on damages for the '874 Patent." Dkt. 294 at 1. According to Hughes, there is no other evidence in the record on which Elbit may rely, and thus summary judgment of no damages is appropriate. *Id.*

Hughes' own damages expert's report, however, is part of the summary judgment record, and the report includes Mr. Christopher Bakewell's opinion that the appropriate royalty for the "alleged infringement of the patents-in-suit is a lump-sum of no greater than \$3.5 million, which can be allocated as \$2.5 million for the '073 patent and \$1 million for the '874 patent." Dkt. 319-1 ¶ 559. Hughes argues this report is not competent summary judgment evidence because it is hearsay, but Hughes' argument appears to conflict with Fifth Circuit law finding an opponent's expert's statement admissible under Rule 801(d)(2)(c). *See, e.g., Collins v. Wayne Corp.*, 621 F.2d 777, 782 (5th Cir. 1980) (statement by expert nonhearsay because expert "was performing the function that [the party opponent] had employed him to perform.").

The Court need not reach the hearsay issue, however, because there is other summary judgment evidence suggesting that a zero royalty is not the only reasonable royalty for the '874 patent. Mr. Bakewell opines that products accused of infringing the '874 patent "are a subset of those that are accused of infringing the '073 patent." *See* Dkt. 319-1, ¶ 325. Mr. Martinez opines that the parties would have had a single hypothetical negotiation for both asserted patents, and Mr. Martinez's testimony can be regarded as proffering a non-zero royalty opinion for the '874 patent; otherwise, there would have been no need to opine that a "joint" hypothetical negotiation for both asserted patents would have occurred. *See* Dkt. 321 at 4.

“At summary judgment, as is the case here, a judge may only award a zero royalty for infringement if there is no genuine issue of material fact that zero is the only reasonable royalty.” *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1328 (Fed. Cir. 2014). The contrary authority cited by Hughes—*Unicom Monitoring, LLC v. Cencom, Inc.*, No. CIV.A. 06-1166 MLC, 2013 WL 1704300, at *6 (D.N.J. Apr. 19, 2013)—was decided before *Apple*. Indeed, *Unicom* relies on the summary judgment decision vacated by the panel in *Apple*, i.e., *Apple, Inc. v. Motorola Inc.*, 869 F.Supp.2d 901 (N.D.Ill.2012) (Posner, J., sitting by designation). In sum, because the summary judgment evidence does not suggest that zero is the only reasonable royalty for the ’874 patent, the Court **RECOMMENDS** Defendants’ Damages Motion be denied.

3. Hughes’ Copying Motion (Dkt. 295)

Hughes seeks summary judgment that Hughes did not copy the invention claimed in the ’073 patent, which, according to Hughes, should preclude Elbit from relying on copying as objective evidence of nonobviousness. *See* Dkt. 295. Hughes contends Elbit has not shown copying of “a specific product,” *id.* at 5, because Shiron (Elbit’s predecessor) “did not have a product practicing the ’073 Patent until 2003, two years after Hughes began selling the allegedly infringing [product],” Dkt. 324 at 1.

To establish copying, a patent owner may present evidence that an accused infringer replicated the patentee’s product rather than independently develop its own product. *See Wyers v. Master Lock Co.*, 616 F.3d 1231, 1246 (Fed. Cir. 2010). The patent owner need not establish that the accused infringer copied a specific physical product embodied by an issued patent—copying a written formula or prototype is sufficient, for example. *Advanced Display Systems, Inc. v. Kent State University*, 212 F.3d 1272, 1276 (Fed. Cir. 2000). Indeed, an accused infringer’s efforts to

replicate a claimed invention from the disclosure in a patent or patent application may be sufficient. *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1328-29 (Fed. Cir. 2009).

Consistent with this standard, Elbit presents evidence of a presentation (albeit before the '073 patent issued) in which Shiron showed Hughes a confidential proposal for a “high-speed return link via satellite” product, similar to the written formula in *Advanced Display Systems*. See 212 F.3d at 127; Dkt. 322 at 19. Elbit also presents evidence that Hughes was generally familiar with Shiron and Elbit’s products and, on one occasion in 2014, compared Hughes’ products with Elbit’s products as part of an effort to secure a contract. See Dkt. 295-8 at 14.

Hughes and Elbit are competitors, which gives credence to this evidence. See *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1336 (Fed. Cir. 2016) (“The fact that a competitor copied technology suggests it would not have been obvious.”). Hughes contends that Elbit fails to show a nexus between the alleged copying and the patented invention, but Elbit provides reasonably-supported expert testimony on the matter, thus reducing the dispute to a factual one for the jury to resolve. See Dkt. 322; *WBIP*, 829 F.3d at 1336 (“Copying is a question of fact and, as with any question of fact, the fact-finder (here, the jury) was entitled to credit WBIP’s evidence over Kohler’s.”). The Court therefore **RECOMMENDS** Hughes’ Copying Motion be denied.

4. Hughes’ Willfulness Motion (Dkt. 296)

Hughes seeks summary judgment of no willfulness because Elbit “cannot point to evidence that is sufficient, as a matter of law, to show that Hughes willfully infringed” the asserted patents. Dkt. 296 at 1. In response to Hughes’ motion, Elbit highlights evidence supporting its contention that Hughes knew the asserted patents were valid and infringed. For example, Elbit points to evidence that its predecessor, Shiron, presented an embodiment of the '073 patent to Hughes’ senior executives in 1997, that Hughes had knowledge of the asserted patents through

correspondence between Hughes' in-house counsel and Shiron's agent, and that Hughes' in-house counsel and senior engineers possessed claim charts detailing how Hughes' products are encompassed by the asserted patent claims. *See, e.g.*, Dkt. 322 at 2-3, 6-9.

There is sufficient evidence to create a fact dispute as to Hughes' state of mind before beginning the allegedly infringing conduct. Determining willfulness is a fact-based endeavor. Hughes argues that it had good faith reasons to believe that the patent did not encompass the accused system and that the patent was invalid. *See* Dkt. 296. Indeed, Hughes' summary judgment motions of noninfringement provide support for the contention that it was at least not clear that the asserted patents were both valid and infringed. The Supreme Court has explained, however, that the issue of willfulness turns not on the objective reasonableness of a defendant's conduct, but on the defendant's subjective beliefs. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933 (2016) ("The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.").

A jury might conclude from Hughes' objective evidence that Hughes did not subjectively believe it was infringing a valid patent. *See WesternGeco L.L.C. v. Ion Geophysical Corp.*, 837 F.3d 1358, 1363 (Fed. Cir. 2016) (even after *Halo*, the objective reasonableness of the accused infringer's positions can still be relevant to § 284). But Hughes has not offered other summary judgment evidence regarding its executives' subjective beliefs. Given the state of the evidence, the Court cannot conclude that it would be unreasonable for a jury to find Hughes knew the asserted patents were valid and infringed. The Court therefore **RECOMMENDS** Hughes' Willfulness Motion be denied.

The Court is nevertheless mindful of the Supreme Court's clarification that case law has channeled courts' discretion in granting enhanced damages under § 284—limiting the award of

such damages “to egregious cases of misconduct beyond typical infringement.” *Halo*, 136 S. Ct. at 1935. The Court will be in a better position after receiving the evidence at trial to determine whether Elbit has demonstrated the level of willfulness necessary to warrant enhanced damages if Elbit prevails.

5. Hughes’ Marking Motion (Dkt. 297)

Hughes moves for summary judgment of no pre-suit damages under the ’073 patent because Elbit allegedly failed to comply with the notice requirements of the marking statute, 35 U.S.C. § 287(a). According to Hughes, because Elbit failed to comply with the statute, damages may only accrue from January 21, 2015, the date Elbit filed suit.

“The patent marking statute limits recoverable damages where a patentee fails to mark her patented products.” *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 711 F.3d 1348, 1378 (Fed. Cir. 2013) *cert. denied*, 134 S. Ct. 900 (2014). “Where a patentee does not appropriately mark her products, she may not recover damages for infringement occurring before notice to the infringer.” *Id.* The statute provides two ways to provide notice: a patentee can (1) provide actual notice; or (2) provide constructive notice “by affixing . . . the word ‘patent’ or the abbreviation ‘pat.’, together with the number of the patent” on patented articles sold by the patentee or its licensees. 35 U.S.C. § 287. “[A] party that does not mark a patented article is not entitled to damages for infringement prior to actual notice.” *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308, 1316 (Fed. Cir. 2009).

“For purposes of section 287(a), [actual] notice must be of ‘the infringement,’ not merely notice of the patent’s existence or ownership. Actual notice requires the affirmative communication of a specific charge of infringement by a specific accused product or device.” *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994) (quoting

§ 287(a)). “It is irrelevant . . . whether the defendant knew of the patent or knew of his own infringement. The correct approach to determining notice under section 287 must focus on the action of the patentee, not the knowledge or understanding of the infringer.” *Id.*

Elbit identifies sufficient summary judgment evidence to create a fact dispute concerning whether Hughes had actual notice of the '073 patent and the charge of infringement. A juror could conclude that iLeverage’s former CEO, Uzi Aloush, provided actual notice sufficient to satisfy the marking statute. Mr. Aloush testified that iLeverage “had the right to act as the exclusive worldwide agent to commercialize” the '073 patent. *See* Dkt. 322-11 at 35:24-36:8. Mr. Aloush explained that during talks with Hughes about a license to the '073 patent, he told Hughes that it infringed the patent. *See id.* at 139:2-140:9. Hughes corroborates that such talks took place through an interrogatory response stating that “[i]n 2008, Hughes was approached by iLeverage regarding Shiron’s patents, including U.S. Patent Nos. 6,240,073 or 7,245,874. At that time, Hughes communicated with iLeverage regarding U.S. Patent Nos. 6,240,073 or 7,245,874.” Dkt. 322-25 at 24.

Hughes’ argument in response to this evidence is that § 287 is an affirmative step that must be taken by the patentee, and that the iLeverage talks do not qualify because iLeverage “did not have authority from Shiron to accuse Hughes of infringement.” Dkt. 324 at 8. To support this argument, Hughes cites the following testimony from Mr. Aloush’s deposition:

Q: You did not have any authority from Shiron to make any accusation of patent infringement; is that correct?

A: We were brokers. We were not lawyers. It was not a cease and desist letter. It was just an offer for sale.

Dkt. 297-8 at 156:14-157:17. This testimony, however, does not suggest that iLeverage could not have provided actual notice of the patent and the charge of infringement, as Shiron’s agent, in a manner sufficient to comply with the marking statute.

If Hughes is arguing that iLeverage would not have been considered an effective patentee when it offered to sell the system allegedly covered by the '073 patent, Hughes' argument is not clear. "[I]f the patentee transfers all substantial rights under the patent, it amounts to an assignment and the assignee may be deemed the effective patentee under 35 U.S.C. § 281 for purposes of holding constitutional standing to sue another for patent infringement in its own name." *See, e.g., Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005). It follows that if an effective patentee provides actual notice of the patent and the charge of infringement, the marking statute could have been satisfied. Mr. Aloush described iLeverage as Shiron's "exclusive agent," and Hughes has not met its summary judgment burden of establishing that iLeverage could not have been an effective patentee. A material fact issue as to the scope and extent of iLeverage's agency relationship exists. If iLeverage was effectively the patentee for purposes of standing, a reasonable juror could conclude that iLeverage provided actual notice of the '073 patent and the charge of infringement. The Court therefore **RECOMMENDS** Hughes' Marking Motion be denied.

6. Motion for Summary Judgment of Noninfringement of the '874 Patent (Dkt. 298)

Hughes moves for partial summary judgment of noninfringement of claims 2-5, 7-9, 11, and 12 of the '874 patent. Hughes explains that each of these claims depends from a claim requiring "conversion between two protocols," namely "E1" and "TCP/IP." Dkt. 298 at 1. According to Hughes, "[t]he third party devices provided by Hughes do not convert to or use TCP/IP for cellular backhaul under any circumstances." *Id.* "Instead, they use a different protocol known as UDP." *Id.* Thus, according to Hughes, "Elbit has no evidence of infringement of the dependent claims of the '874 patent." *Id.*

The Court does not agree. Both Elbit's and Hughes' technical experts agree that "TCP/IP refers to a suite of protocols that may be used to interconnect network devices on the Internet."

See Dkt. 321 at 5-6 (citing expert reports). On the basis of the summary judgment record, a reasonable juror could therefore conclude that UDP is a member of the TCP/IP family, and that if the accused products convert to the UDP protocol, they are encompassed by claims 2-5, 7-9, 11, and 12 of the '874 patent.

To the extent Hughes' motion for summary judgment is based on an untimely claim construction position regarding the meaning of "TCP/IP," as that term is used in the asserted claims, Hughes waived these arguments by not raising them earlier. See, e.g., *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Sols., P.C.*, 482 F.3d 1347, 1356 (Fed. Cir. 2007) ("The district court found that [defendants] waived any argument with respect to this term by failing to raise it during the claim construction phase. We agree."); *Fenner Inv., Ltd. v. Microsoft Corp.*, 632 F. Supp. 2d 627, 638 (E.D. Tex. 2009) ("Because this argument is contrary to the claim construction order and was not raised prior to or even following the claim construction hearing it is waived."), *aff'd sub nom. Fenner Investments, Ltd. v. Microsoft Corp.*, 369 F. App'x 132 (Fed. Cir. 2010). The Court therefore **RECOMMENDS** Hughes' Motion for Summary Judgment of Noninfringement of the '874 Patent be denied.

B. Motions to Strike or Exclude Contentions or Opinions

1. Elbit's Motion to Strike Invalidity Opinions (Dkt. 275)

Elbit asks the Court to strike the following two portions of Dr. Stephen Wicker's expert report: (1) prior art references previously struck by the Court because Hughes failed to disclose the references through invalidity contentions, namely U.S. Patent No. 5,978,386 ("Hämäläinen") and U.S. Patent No. 7,050,456 ("Sprague"); and (2) a prior art product known as "LANAdvantage" that Hughes allegedly failed to disclose through contentions. See Dkt. 275 at 1.

With respect to the first portion of Dr. Wicker’s report, Hughes argues there is no dispute, while Elbit contends otherwise. Hughes states it agreed, “it would not seek to present the Hämäläinen and Sprague references without first obtaining leave of Court” and that “that Elbit was not required to present an expert rebuttal for those references unless the Court grants Hughes leave to assert them.” Dkt. 286 at 1. Hughes therefore suggests that “there was no dispute on this issue at the time Elbit filed its motion to strike, nor is there any dispute now.” *Id.* Elbit’s reply brief nonetheless explains that Hughes’ position on the Hämäläinen and Sprague references is not as clear as Hughes would have the Court believe. Dkt. 290 at 1-2.

The Court previously struck the Hämäläinen and Sprague references from Hughes’ invalidity contentions because Hughes failed to timely disclose them or offer an adequate explanation for the delay. *See* Dkt. 242 at 1; Dkt. 249 (Hearing Transcript). Though it is unclear whether a dispute about these references exists, Dr. Wicker opines that claim 1 of the ’874 patent is obvious in view of a combination of references including Hämäläinen or Sprague. *See* Dkt. 275-2 at 1292, 1323. To clear the record and resolve any dispute that exists or that may arise, the Court **GRANTS** Elbit’s motion as to the Hämäläinen and Sprague references and **STRIKES** portions of Dr. Wicker’s report that rely on these references to demonstrate obviousness, specifically paragraphs 1,118-1,264. *See* Dkt. 275-2.

As for the second disputed portion of Dr. Wicker’s report, Elbit argues Dr. Wicker introduces a new invalidity theory relying on an undisclosed add-on to Hughes’ Personal Earth Station (“PES”) system prior art—the LAN*Advantage* feature—which allegedly provided Internet-related functionality to the PES. Dkt. 275 at 6. While the phrase “LAN*Advantage*” may not have appeared in Hughes’ invalidity contentions, Hughes disclosed that the PES included Transmission Control Protocol/Internet Protocol (TCP/IP) functionality, and Hughes cited the

corresponding source code. *See* Dkt. 286 at 1. Elbit demands granularity not required by the local patent rules. Because Hughes adequately disclosed PES’s underlying functionality, the Court **DENIES** Elbit’s motion as to the LAN*Advantage* feature.

2. Hughes’ Motion to Strike Infringement Contentions (Dkt. 276)

Hughes moves to strike Elbit’s infringement contentions regarding the ’874 patent for failure to comply with Local Patent Rule 3-1. Dkt. 276 at 1. Hughes contends Elbit “invoked P.R. 3-1(g) for seven claim elements in the asserted claims” yet failed to comply with P.R. 3-1(g)’s requirement that source code corresponding to the claim element be identified 30 days after the opposing party produces the relevant code. *Id.*; Local Pat. R. 3-1(g) (included in Discovery Order, Dkt. 55 at 2-3). Elbit argues it fully complied with Local Patent Rule 3-1’s requirements by timely serving infringement contentions with an element-by-element analysis and supporting documents, and Elbit merely reserved the right to supplement these contentions for software limitations after it received relevant source code.

Local Patent 3-1(g) has a clear purpose. The Rule affords a party alleging infringement an opportunity to delay compliance with Patent Rule 3-1’s requirements for claim elements that may be satisfied by source code that has not yet been produced. After production of the source code, the party claiming infringement must update its infringement contentions by identifying the portions of the code that satisfy relevant claim elements within 30 days. The Rule does not, however, bind a party that refers to a claim element as a “software limitation” to later identify corresponding source code. The Rule merely gives the party a delayed option of doing so. If a party discloses how a “software limitation” is met without reference to source code, and the party’s disclosure otherwise meets Local Patent Rule 3-1’s requirements, there may be no need to later update infringement contentions with references to source code.

Elbit charted certain software limitations by identifying documents allegedly establishing the existence of the limitations in the accused system—without reference to third-party source code. *See* Dkt. 276-2. Elbit’s contentions also included the following statement:

Pursuant to the Court’s Discovery Order (Dkt. 55) and P.R. 3-1(g), Plaintiffs state on information and belief that further evidence for this limitation resides in the source code for the Accused Instrumentalities. Plaintiffs reserve the right to supplement after production of the source code for the Accused Instrumentalities.

See, e.g., id. at 7. Although Elbit reserved the right to supplement its contentions with later-produced source code, it had no obligation to do so simply because it identified claim elements as “software limitations” or because it believed at the time that further evidence for those limitations would exist in third-party source code. Because Elbit did not violate Rule 3-1(g), Hughes’ motion to strike is **DENIED**.

3. Hughes’ Priority Date Motion (Dkt. 277)

Hughes moves to exclude Elbit’s contention that asserted claims of the ’073 patent are entitled to a priority date earlier than the patent’s November 14, 1997 filing date. Dkt. No. 277 at 1. There have been prior disputes surrounding the ’073 patent’s priority date and Hughes’ interrogatory question concerning priority. *See* Dkt. 277 at 2-4. Suffice it to say that until January 2017, Elbit disclosed to Hughes and represented to the Court that the ’073 patent’s priority date is November 14, 1997—the filing date. *Id.* Elbit’s position changed on January 9, 2017, shortly before the close of fact discovery, when Elbit disclosed to Hughes that the ’073 patent is entitled to a priority date nine months earlier than the filing date—February 11, 1997—based on an earlier conception and reduction to practice. *See* Dkt. 277-2 at 9-11.

Elbit argues its change in position was justified. *See* Dkt. 288. According to Elbit, it changed its priority contention shortly after Hughes disclosed a new prior art system based on documents dated less than one year before the ’073 patent’s filing date. *See id.* at 1; 35 U.S.C.

§ 102(a). Elbit also argues its new position was not untimely under Rule 26(e)(1) because it was disclosed within the fact discovery period. *See* Dkt. 288 at 1.

Hughes' interrogatory understandably sought to commit Elbit to a priority date. The Local Patent Rules encourage a party claiming infringement to identify the priority date for asserted claims early in a case. *See* Local Patent Rule 3-1(e). In many instances, a party claiming infringement will possess facts supporting priority before bringing the lawsuit. Even when discovery reveals an unforeseen earlier priority date, there is rarely a justifiable excuse for shifting a priority date contention near the end of fact discovery.

Elbit's change in priority date was untimely under Rule 26(e)(1) because it is undisputed that Elbit possessed the underlying facts at least by September 2016. Yet Elbit did not update its interrogatory response until January 2017, nine days before fact discovery closed. Accordingly, the question is whether Elbit's untimely disclosure is harmless. *See CQ, Inc. v. TXU Min. Co., L.P.*, 565 F.3d 268, 280 (5th Cir. 2009) (considering "(1) [the party's] explanation for its failure to disclose the evidence, (2) the importance of the evidence, (3) the potential prejudice to [the opposing party] in allowing the evidence, and (4) the availability of a continuance").

Elbit does not adequately explain the delay. While Hughes may have supplemented an invalidity contention based on prior art documents dated less than one year before the '073 patent's filing date, Elbit had an incentive to trace the '073 patent's priority date to as far back as possible in light of other asserted prior art references allegedly made public in 1997. *See* Dkt. 277 at 8 n.2. Elbit has known about such references since January 2015. While Elbit's attempt to antedate a prior art defense is undoubtedly important, the prejudice to Hughes is significant. Hughes justifiably developed invalidity positions under the assumption that the '073 patent is entitled to a priority date no earlier than its filing date. Finally, any continuance would delay trial, which is

about a month away. *See S&W Enters., L.L.C. v. SouthTrust Bank of Ala., N.A.*, 315 F.3d 533, 537 (5th Cir. 2003) (affirming district court’s refusal to grant continuance when it would “unnecessarily delay the trial”). Elbit has therefore failed to show its discovery violation is harmless. *See* Fed. R. Civ. P. 37(c)(1) (If a party fails to provide information as required by Rule 26(e), “the party is not allowed to use that information . . . to supply evidence . . . at a trial, unless the failure was substantially justified or is harmless.”).

Hughes’ Priority Date Motion is **GRANTED**. Elbit may not present evidence or argue that the ’073 patent is entitled to a priority date earlier than its filing date, i.e., November 14, 1997. Additionally, Elbit is precluded from presenting evidence or argument that the inventors listed on the ’073 patent reduced the invention to practice earlier than November 14, 1997.

4. Plaintiffs’ Motion to Strike Non-Infringing Alternatives (Dkt. 315)

Elbit asks the Court to prevent Dr. Wicker and Mr. Bakewell from offering opinions on alleged noninfringing alternatives provided by iDirect, Iridium and Gilat. *See* Dkt. 315. According to Elbit, Dr. Wicker disclosed Defendants’ reliance on these noninfringing alternatives for the first time in his March 6, 2017 rebuttal report. *Id.* at 3. Mr. Bakewell in turn cites to Dr. Wicker’s noninfringing alternatives analysis in his report. *Id.*

Defendants do not dispute that the iDirect, Iridium and Gilat products were not disclosed during discovery. Rather, Defendants rely on a loophole in the Federal Rules governing responses to interrogatories. *See* Dkt. 329 at 2. Elbit served Hughes (and only Hughes) with one interrogatory related to non-infringing alternatives, and Hughes “respond[ed] to that interrogatory with the information available to Hughes.” *Id.* at 2. The iDirect, Iridium and Gilat products, however, are only sold by other Defendants, most notably BlueTide. *Id.* at 1. Hughes therefore contends information concerning these products was not available to Hughes, and because the other

Defendants were not served with the non-infringing alternatives interrogatory, Defendants were not obligated to disclose the iDirect, Iridium and Gilat products. *Id.* at 1-2.

The record nevertheless suggests that Hughes had knowledge of at least Gilat's "SkyEdge" product and the iDirect product. *See* Dkt. 353-1, 353-2. Deposition testimony reveals that BlueTide had little if any technical expertise necessary to understand whether the products it sells do or do not infringe the asserted claims. *See* Dkt. 353-3 at 263:3-18. Defendants' experts only state that they relied on other experts and one of Hughes' executives, and there is no mention of these experts' reliance on BlueTide documents or witnesses for any of the three products. *See* Dkt. 353 at 2-3.

Defendants therefore had an obligation to disclose the allegedly non-infringing iDirect, Iridium and Gilat products, and they failed to do so. The question is whether the violation is harmless. *See* Fed. R. Civ. P. 37(c)(1) (If a party fails to provide information as required by Rule 26(e), "the party is not allowed to use that information . . . to supply evidence . . . at a trial, unless the failure was substantially justified or is harmless."); *see also* *CQ*, 565 F.3d at 280 (considering "(1) [the party's] explanation for its failure to disclose the evidence, (2) the importance of the evidence, (3) the potential prejudice to [the opposing party] in allowing the evidence, and (4) the availability of a continuance").

Defendants' explanation for their failure to disclose the evidence is simply that Elbit did not ask each Defendant to answer the interrogatory about noninfringing alternatives. That explanation is not credible because the record suggests Hughes should be charged with knowledge of the iDirect, Iridium and Gilat products. "The rules governing discovery in federal court are designed to 'accomplish full disclosure of the facts, eliminate surprise, and promote settlement.'"

Moore v. Ford Motor Co., 755 F.3d 802, 808 (5th Cir. 2014) (quoting *S. Ry. Co. v. Lanham*, 403 F.2d 119, 127 (5th Cir. 1968)).

The importance of the opinions concerning the allegedly noninfringing iDirect, Iridium and Gilat products is minimal. Dr. Wicker provides little detail as to how these products meet the noninfringing alternative standard. Rather, Dr. Wicker explains that “Elbit has not accused the [products] of infringement and Mr. Elbert has not provided an opinion as to the infringement of the [products].” *See* Dkt. 315-3 ¶¶ 67-71. Such a conclusion is insufficient to establish a noninfringing alternative. *Droplets, Inc. v. Overstock.com, Inc.*, Case 2:11-cv-00401-JRG-RSP, Dkt. 347 at 3 (Jan. 9, 2015 E.D. Tex.) (expert “should be precluded from making the assertion that [products] are non-infringing alternatives simply because [the plaintiff] has not accused them of infringement.”). The possibility that Defendants could establish the iDirect, Iridium and Gilat products as noninfringing alternatives is therefore remote. *See Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 1512334, at *5 (E.D. Tex. Apr. 27, 2017) (Bryson, J., sitting by designation) (“In determining the importance of the amendment, the Court must make a pragmatic judgment as to the likelihood that the newly asserted defense will succeed.”).

The potential prejudice to Elbit is significant because Defendants’ experts, if limited to their reports at trial, would simply present their conclusions that the iDirect, Iridium and Gilat products are noninfringing alternatives, largely because the products have not been accused of infringement. Elbit has not had a chance to test the underlying merits of these conclusions through discovery. Finally, any continuance would delay trial, which is about a month away. *See S&W Enters., L.L.C. v. SouthTrust Bank of Ala., N.A.*, 315 F.3d 533, 537 (5th Cir. 2003) (affirming district court’s refusal to grant continuance when it would “unnecessarily delay the trial”). Accordingly, Plaintiffs’ Motion to Strike Non-Infringing Alternatives is **GRANTED**.

Elbit does not identify which specific portions of Defendants' reports should be struck. It appears that paragraphs 67-71 of Dr. Wicker's report include opinions that the iDirect, Iridium and Gilat products are noninfringing alternatives. Accordingly, the Court **STRIKES** paragraphs 67-71 of Dr. Wicker's March 6, 2017 report. *See* Dkt. 315-3. Mr. Bakewell appears to reference Dr. Wicker's opinions in paragraphs 209, 214, and 357 (fifth bullet point only) in his March 6, 2017 rebuttal damages report. *See* Dkt. 315-4. The Court therefore **STRIKES** paragraphs 209, 214, and 357 (fifth bullet point only) from Mr. Bakewell's report.

5. Hughes' Motion to Strike Infringement Opinions (Dkt. 316)

Hughes moves to strike two theories of infringement allegedly undisclosed until Elbit served its expert reports: (1) functionality and source code in Hughes' accused HN/HX products allegedly corresponding to the "switching means" claim limitation; and (2) opinions regarding transmitter structure allegedly corresponding to the "first communication means." Dkt. 316 at 1-2.

With respect to the first theory, Hughes argues Richard Goodin's infringement report "marks the first instance of Elbit identifying that the HN/HX systems performed a comparison of an amount of data to the size of an Aloha burst and identifying that such functionality satisfied the 'switching means' claim limitation." *Id.* at 7. Elbit's December 2015 Contentions, however, disclose the relationship between the Aloha burst and the amount of data that can be transmitted: "If the Aloha logical channels are configured to be large enough, the remote terminal may be able to send a complete transaction within the Aloha burst, depending on the application." *See* Dkt. 337 at 3 (quoting P.R. 3-1 Contentions).

Hughes argues this disclosure is insufficient to provide notice of the theory as it relates to the "switching means" element because, according to Hughes, this disclosure relates to a different

“means for switching” element. *See* Dkt. 356 at 2. The claim limitation, however, recites a “switching means compris[ing] means for switching.” *See* Dkt. 363 at 1. Elbit’s December 2015 Contentions therefore provide adequate notice of the “switching means” theory described in Mr. Elbert’s expert report.

Hughes also complains that Elbit did not disclose the specific lines of source code underlying Elbit’s expert reports, i.e., that Elbit “abandoned” the original source code cited in its contentions in favor of new source code. *See* Dkt. 316 at 1. Elbit cites persuasive authority, however, explaining that as long as an infringement theory is adequately disclosed, every underlying item of proof (such as source code) does not need to be disclosed, provided the notice purpose of the local patent rules is satisfied through a disclosure of an infringement theory. *See Adobe Sys. Inc. v. Wowza Media Sys.*, No. 11-CV-02243-JST, 2014 WL 709865, at *16 (N.D. Cal. Feb. 23, 2014).

More important, however, Mr. Goodin testified during his deposition that the functionality of the source code cited in his report is consistent with the source code cited in Elbit’s infringement contentions. *See* Dkt. 337-4 at 123:10-23. According to Mr. Goodin, he chose the source code cited in his report simply because “it was just in one place in two functions versus being distributed a little more, you know, across multiple files or across multiple areas of a single file.” *Id.* at 123:14-17. Finally, Hughes has articulated its substantive disagreements with Mr. Goodin’s theory (and moved for summary judgment on that theory, *see* Dkt. 291) suggesting any prejudice is minimal. *See SSL Services, LLC v. Cisco Sys., Inc.*, Case No. 2:15-cv-433-JRG-RSP (E.D. Tex. Feb. 24, 2016).

The remaining prejudice Hughes identifies does not persuade the Court that any discovery violation that may have occurred warrants correction. Hughes contends that if it had been on notice

of Elbit's new "switching means" theory, it could have identified comparable source code in the Aloha processor module in its prior art Personal Earth Station system. *See* Dkt. 316 at 10. Hughes was aware of the Court's claim constructions when it developed its invalidity position, however, and Hughes knew as much about the scope of the claims as Elbit did. Hughes also had the source code for the Personal Earth Station system. *See id.* It is not clear why Elbit's infringement theory should match Hughes' invalidity theory. Hughes' motion as to the "switching means" theory is therefore **DENIED**.

With respect to the second allegedly undisclosed theory, the Court determined during claim construction that the "first communication means" recited in the '073 patent claims is governed by § 112, ¶ 6 and that the corresponding structure is "the random access transmitter as depicted in Figure 5 in its entirety." *See* Dkt. 208 at 11, 14.

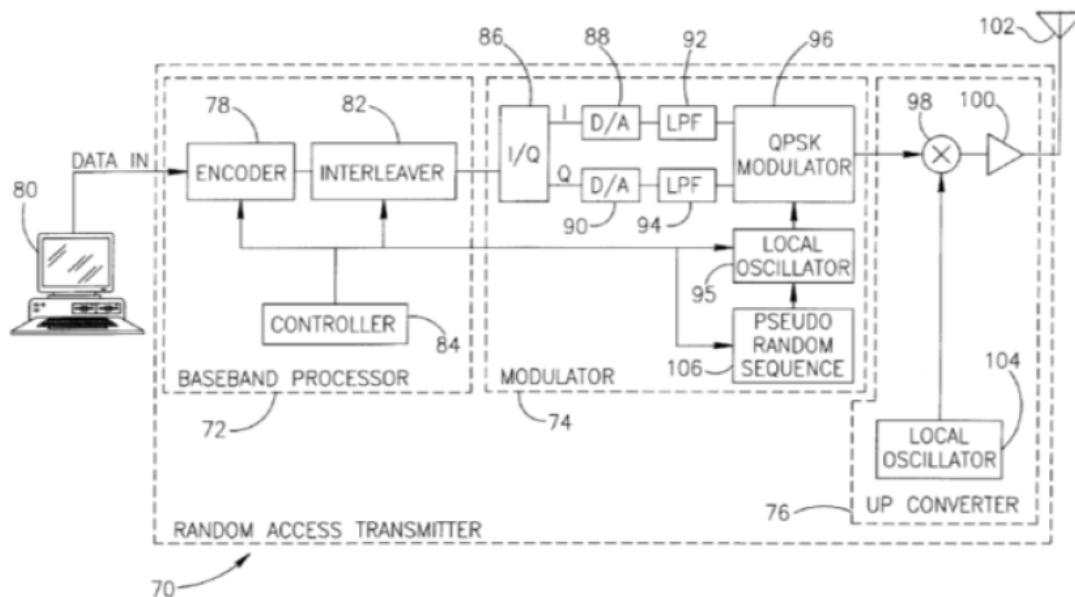


FIG. 5

Hughes argues that Elbit's infringement contentions "did not map the structure identified in the Court's claim construction order ('Figure 5 in its entirety') to any Hughes product structure." Dkt.

316 at 12. Rather, according to Hughes, Elbit’s infringement contentions “identify only a ‘High-Level Inroute IpoS Diagram’ with “no discussion of the depicted components, or how any of the components in this high-level figure correspond to the required structure for the ‘first communication means.’” *Id.*

Local Patent Rule 3-1(c) requires a party alleging infringement to identify “where each element of each asserted claim is found within each Accused Instrumentality, including for each element that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function.” Consistent with that standard, Elbit’s contentions identify a diagram depicting a number of structural components, including an encoder, scrambler, and “16-bit CRC,” among others. *See* Dkt. 337 at 8 (citing P.R. 3-1 Contentions). Hughes’ argument is simply that more detail or explanation should have been included, but “the preparation and supplementation of infringement contentions is a matter of pleading and merely notifies a defendant of the asserted theories of infringement in order to provide adequate notice and streamline discovery.” *See Realtime Data, LLC v. Packeteer, Inc.*, No. 6:08CV144, 2009 WL 2590101, at *5 (E.D. Tex. Aug. 18, 2009).

To the extent Hughes’ argument rests on the assumption that a party alleging infringement must map each structural component corresponding to a “means” limitation to an accused component, the Court disagrees that such a requirement exists. “The individual components, if any, of an overall structure that corresponds to the claimed function are not claim limitations.” *Odetics, Inc. v. Storage Technology Corp.*, 185 F.3d 1259, 1268 (Fed. Cir. 1999). “Rather, the claim limitation is the overall structure corresponding to the claimed function. This is why structures with different numbers of parts may still be equivalent under § 112, ¶ 6, thereby meeting the claim limitation.” *Id.*

It is true, as Hughes points out, that the Court rejected Elbit's argument during claim construction that Figure 5 without any sub-components (an "empty box" as Hughes characterizes it) could constitute structure corresponding to the "first communication means." *See* Dkt. 208 at 14. But it is unclear how this should affect Hughes' infringement contentions or what decision Elbit should be "forced to live with," *see* Dkt. 316 at 11. Elbit unsuccessfully argued for a broad category of structure corresponding to the "first communication means." Elbit is not thereafter precluded from detailing how components in a diagram disclosed through infringement contentions correspond to the structure of the "first communication means." Hughes' motion as to the "first communication means" theory is therefore **DENIED**.

C. *Daubert* Motions

Both Elbit and Defendants challenge each others' expert testimony under Federal Rule of Evidence 702. When evaluating a party's challenge to an opponent's expert witness, the Court assumes the role of gatekeeper to ensure the reliability and relevance of the expert's testimony. *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 597 (1993); *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 150 (1999). Rule 702 guides the inquiry, specifying that a qualified expert may testify as long as his opinion will aid the fact finder and is reliable, i.e., the opinion must stand on sufficient data, reliable methods, and the facts of the case. *See Daubert*, 509 U.S. at 590; Fed. R. Evid. 702(a)-(d); *see also Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1391 (Fed. Cir. 2003) ("In 2000, Rule 702 was amended in response to *Daubert* and cases applying it.").

1. Elbit's Infringement Expert Motion (Dkt. 312)

Elbit moves to exclude four portions of Dr. Wicker's testimony. First, Elbit argues Dr. Wicker's opinions that the PES prior art system anticipates the '073 patent claims are unreliable because Dr. Wicker allegedly concedes the PES system does not include every element

of the asserted claims. Elbit's complaint appears to be that Dr. Wicker's opinions rely on a comparison between the accused products and the prior art PES system.

With respect to the claimed "first communications means," Dr. Wicker includes opinions that rest on a factual analysis of the allegedly prior PES system, as compared to the asserted claims. *See* Dkt. 327-2 ¶ 230. The same is true for the claimed "second communication means." *See id.* ¶ 248. While Dr. Wicker's report does make comparisons between the PES system and the accused products, there is enough standalone factual basis for Dr. Wicker's opinions to withstand exclusion under Rule 702. *See Verizon Servs. Corp. v. Cox Fibernet Virginia, Inc.*, 602 F.3d 1325, 1339 (Fed. Cir. 2010) ("[A] reasonable jury could conclude, based on evidence in the record and separate and apart from any alleged 'practicing the prior art' argument, that the Feature Patents were invalid.").

Second, Elbit argues Dr. Wicker's invalidity opinions are unreliable because Dr. Wicker used the broadest reasonable construction for a claim term in a manner that is inconsistent with the *Phillips* standard. *See* Dkt. 312 at 1. Elbit's objection is based on a typographical error or oversight in Dr. Wicker's report. Dr. Wicker clarified in deposition that he "was using what one of ordinary skill at the time of the invention would have understood the claims to mean, which would be within the broadest reasonable interpretation, but it would be narrower than that." *See* Dkt. 327-3 at 430:3-8. Dr. Wicker will not be permitted to testify about a claim term's broadest reasonable interpretation, regardless of what his expert report says, and it does not appear that he intends to do so.

Third, Elbit contends Dr. Wicker's opinions describing noninfringing alternatives should be excluded. According to Elbit, Dr. Wicker provided no factual basis or analysis for his noninfringing alternatives opinions. *See* Dkt. 312 at 1-2. Hughes contends that Dr. Wicker intends

to support this opinions at trial by pointing to testimony from live fact witnesses. Dr. Wicker cites relevant deposition testimony in his report, and there is no dispute that an expert may rely on fact testimony presented at trial. For these reasons, Elbit’s Infringement Expert Motion is **DENIED** (Subject to the Court’s ruling on Plaintiffs’ Motion to Strike Non-Infringing Alternatives, Dkt. 315).

2. Hughes’ Motion to Exclude Patent Office Expert Testimony (Dkt. 313)

Hughes asks the Court to exclude certain opinions of Elbit’s patent office practice and procedure expert, Stephen Kunin, because Hughes contends that some of his opinions are “not relevant to any issue in the case and are based on unreliable methodologies.” Dkt. 313 at 1. First, Hughes argues “Mr. Kunin improperly opines regarding [the prosecuting attorney’s] supposed state of mind and knowledge of the ’073 patent, and actions Mr. Plastrik must have taken in responding to an office action.” *Id.*

Mr. Kunin’s testimony emphasizes that Elbit’s ’073 patent was cited as prior art to one of Hughes’ patent applications. *See, e.g.*, Dkt. 313-1 ¶¶ 37-48. Mr. Kunin includes an analysis of the prosecution of Hughes’ patent application, including Mr. Kunin’s assertion that the prosecuting attorney, “in order to distinguish [the ’073 patent] disclosure from the limitations set forth in the then pending claims of the ’755 application,” “would have had to review the ’073 patent to reach the conclusion that it ‘does not teach or suggest the feature of a network control cluster’” *Id.* ¶ 44.

Whatever relevance this testimony might have, the Court agrees with Hughes that the testimony does not satisfy the *Daubert* standard. Mr. Kunin does not have personal knowledge of what Hughes’ prosecuting attorney may or may not have necessarily done to prosecute Hughes’ patent application. *See Daubert*, 509 U.S. at 599, 113 S.Ct. 2786 (requiring more than “subjective

belief or unsupported speculation” from expert testimony). Nor would Mr. Kunin’s testimony be relevant or helpful to the trier of fact. *See Daubert*, 509 U.S. at 595 (trial court must ensure “that an expert’s testimony both rests on a reliable foundation and is relevant to the task at hand”). Accordingly, Mr. Kunin will not be permitted to testify about what Hughes’ prosecuting attorney “would have had to review” as part of prosecuting Hughes’ patent application. *See* Dkt. 313-1 ¶¶ 44, 45, 48.

Second, Hughes contends Mr. Kunin’s opinion that the ’073 patent is “foundational” should be excluded. *See* Dkt. 313 at 1-2. Mr. Kunin characterizes the ’073 patent as “foundational” because the patent was cited as prior art during the prosecution of “at least three Hughes patent applications,” “has been applied by the Examiners as anticipatory prior art to then pending claims in at least the ’755 Hughes patent application,” and has been cited “in 52 United States patents.” Dkt. 313-1 ¶¶ 55-56. These facts, according to Mr. Kunin “is an indicator of the foundational nature of a patent.” *Id.* ¶ 58.

The Court agrees with Hughes that Mr. Kunin’s testimony does not meet the *Daubert* standard. Mr. Kunin cites two studies reporting the mean and median number of patent citations, and Mr. Kunin compares these mean and median citation numbers with the number of times the ’073 patent has been cited. Even assuming these studies compel a statistically significant conclusion, it is not clear how the number of times a patent is cited renders the patent “foundational.” *See* Dkt. 313-1 ¶ 62 n. 12. Indeed, Mr. Kunin’s testimony suggests that a patent may be cited by Examiners more frequently if the patent has a “a large omnibus specification.” *Id.* ¶ 59. An omnibus specification of course has nothing to do with the technical merits of a patent specification or the patentability of its claims. *See Sundance, Inv. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1361-62 (Fed. Cir. 2008) (reversing trial court for erroneously permitting a patent

prosecution expert to testify on the technical merits of a patent in suit). Moreover, the term “foundational” is not clearly defined by Mr. Kunin and thus unhelpful to the jury.

Nor is it clear what relevance, if any, Mr. Kunin’s testimony about the supposedly foundational nature of the ’073 patent has to the questions the jury will be required to resolve. *See Daubert*, 509 U.S. at 595 (trial court must ensure “that an expert’s testimony both rests on a reliable foundation and is relevant to the task at hand”). In sum, Mr. Kunin’s testimony about the foundational nature of the ’073 patent will not assist the trier of fact. *See id.* Accordingly, Mr. Kunin’s testimony based on paragraphs 55 through 62 of his expert report is excluded. *See* Dkt. 313-1. 2. 2. Hughes’ Motion to Exclude Patent Office Expert Testimony is therefore **GRANTED**.

3. Defendants’ Motion to Exclude Damages Expert Testimony (Dkt. 314)

Hughes moves to exclude opinions by Elbit’s expert, Mr. Martinez, related to: (1) his royalty analysis for the ’073 Patent that relies on an allegedly non-comparable settlement agreement and fails to apportion value to the claimed invention; (2) his lost profits analysis for the ’073 patent that allegedly fails to consider non-infringing alternatives; and (3) his damages opinion with respect to the ’874 patent in view of his failure to separately calculate damages for this patent. *See* Dkt. 314.

The parties’ arguments about Mr. Martinez’s royalty and apportionment analysis are less about reliability and more about credibility, i.e., they raise questions for the jury to resolve. The parties do not dispute that the patents-in-suit have not been licensed before. Dkt. 331 at 2-3. Mr. Martinez opines that the Gilat license is comparable, while Hughes’ expert opines that the Caltech license is comparable. *Id.*

The Gilat License resulted from a lawsuit Hughes brought against a competitor in the satellite communication industry for infringing patents related to Hughes' one-way DirecPC systems, i.e., technology that preceded Hughes' allegedly infringing two-way systems. Dkt. 331-1 ¶¶ 207-39. Defendants highlight differences between the Gilat License and the hypothetical negotiation involving the patents-in-suit, but comparable licenses need not be identical as long as they are "sufficiently comparable to the hypothetical license at issue in suit." *Lucent Techs., Inc. v. Gateways, Inc.*, 580 F.3d 1301, 1325, 1328-30 (Fed. Cir. 2009). An expert may rely on past licenses involving different technology as long as the expert "account[s] for differences in the technologies and economic circumstances of the contracting parties." *Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1330 (Fed. Cir. 2014). Mr. Martinez's report adequately accounts for such differences. *See* Dkt. 331-1 ¶¶ 207-39.

Moreover, Mr. Martinez's explanation of the differences between the accused technology and the technology subject to the Gilat license adequately accounts for his apportionment of the value of the patents-in-suit. *See id.* ¶¶ 208-224, 228-235, 238-239, 267-273. "[E]stimating a reasonable royalty and apportionment is never an exact science. At some level an expert must be allowed to rely on and use his or her judgment, provided the opinion is supported by facts and data." *PerdiemCo, LLC v. Industrack LLC*, No. 2:15-CV-726-JRG-RSP, 2016 WL 6611488, at *3 (E.D. Tex. Nov. 9, 2016). Mr. Martinez's opinion is not so opaque as to be immune from rigorous cross-examination, the "traditional and appropriate means of attacking shaky but admissible evidence." *See Daubert*, 509 U.S. at 596.

Hughes' objection to Mr. Martinez's lost profits opinion is based on Mr. Martinez's alleged failure to consider noninfringing alternatives. *See, e.g.*, Dkt. 314 at 4-5. The parties' arguments concerning lost profits reveal a complex disagreement about what is required to establish lost

profits. Mr. Martinez's opinion accounts for the existence and effect of noninfringing alternatives, assuming those alternatives exist (which is a factual dispute for the jury to resolve) by conducting a market share apportionment analysis. *See* Dkt. 331-1 ¶¶ 276-92. Mr. Martinez's report also accounts for the possibility that certain alternatives are not satisfactory noninfringing alternatives. *See* Dkt. 331-1 ¶¶ 161-77.

Mr. Martinez's opinion is consistent with Federal Circuit authority. Indeed, as the Federal Circuit explained in *State Indus., Inc. v. Mor-Flo Industries, Inc.*, calculating lost profits in a multiple-competitor environment is difficult, but not impossible:

Frequently, the patent owner and infringer are the only suppliers in the market, and the owner is seeking to recover profits lost through every sale made by the infringer. In the two-supplier market, it is reasonable to assume, provided the patent owner has the manufacturing and marketing capabilities, that it would have made the infringer's sales. In these instances, the *Panduit* test is usually straightforward and dispositive.

Here we have multiple competitors and the patent owner contends that all the competitors infringed or sold a far less preferable alternative—fiberglass. The district court made the absence of acceptable substitutes, *Panduit* item (2), a neutral factor by crediting all the other competitors with their market shares as State requested. If the court is correct in its finding that the other competitors were likely infringers of one or the other of State's patents, State would have been entitled to their shares of the market on top of its own, and a correspondingly greater share of Mor-Flo's sales. If it is wrong in whole or in part, State would have been entitled to its current share or to a lesser increase in share. We need not decide which it is because it would make no difference to the outcome. State would get at least what it asked for, because as discussed further below the district court found, and we agree, that State's share of the market was proven.

883 F.2d 1573, 1578 (Fed. Cir. 1989) (citations omitted). Because Mr. Martinez's opinion is based on a market share approach similar to that described in *Mor-Flo*, the opinion does not violate *Daubert* and Rule 702.

Hughes' complaint with Mr. Martinez's opinion concerning compensation for the alleged infringement of the '874 patent is based on Mr. Martinez's lack of a separate royalty opinion for the '874 patent. *See* Dkt. 294; Dkt. 314 at 14-15. Hughes fails to adequately demonstrate why Mr. Martinez's opinion that the parties would have engaged in a single hypothetical negotiation for both asserted patents is unreliable simply because the '874 patent had not yet issued. Mr. Martinez's opinions satisfy the *Daubert* standard. *See, e.g., Comcast IP Holdings I LLC v. Sprint Commc'ns Co., L.P.*, 850 F.3d 1302 (Fed. Cir. 2017) (“[a] hypothetical negotiation in 2006 would include each of the asserted patents, even if they issued later, and the resulting negotiation would include the fact that two of the patents issued later.”). For these reasons, Defendants' Motion to Exclude Damages Expert Testimony is **DENIED**.

4. Elbit's Motion to Exclude Damages Expert Testimony (Dkt. 319)

Elbit asks the Court to strike five portions of Mr. Bakewell's report, namely opinions concerning: (1) “standard essential patents” (SEPs) and the related requirement to license such patents on fair, reasonable, and nondiscriminatory (FRAND) terms because, according to Elbit, the asserted patents are not SEPs and Elbit is under no FRAND obligations; (2) market approach royalty calculations based on a valuation by third party iLeverage; (3) an allegedly arbitrary royalty baseline; (4) third party patent licenses that Mr. Bakewell allegedly fails to establish are comparable; and (5) non-infringing alternatives for which Mr. Bakewell allegedly cites no evidence of their availability at the time of the hypothetical negotiation. *See* Dkt. 319.

The Court concludes that Elbit's objections to Mr. Bakewell's opinions go more toward the weight of his testimony than to its admissibility. With respect to Mr. Bakewell's SEP opinions, the parties dispute whether the patents-in-suit, notably the '073 patent, are SEPs. Mr. Bakewell contends at least the '073 patent is a SEP because it includes a claim that is “necessarily infringed”

by a system that utilizes technology incorporated into the IPoS standard. *See* Dkt. 346 at 1. Elbit emphasizes the lack of noninfringing alternatives for the accused Hughes products that practice the IPoS standard, and thus Mr. Bakewell's SEP analysis is at least supported by the possible conclusion that the '073 patent is essential to the IPoS standard. *See In re Innovatio IP Ventures, LLC Patent Litig.*, 956 F. Supp. 2d 925, 939 n.5 (N.D. Ill. 2013) ("If there are no commercially and technically feasible non-infringing alternatives, a claim is necessary. Similarly, if a claim is necessary, it means that there are no feasible alternatives with which to implement the standard."). Elbit argues Mr. Bakewell's discussions of FRAND obligations would confuse the jury, but this argument goes more to whether his testimony should be excluded under Rule 403, not Rule 702. Cross-examination is the "traditional and appropriate means of attacking shaky but admissible evidence." *See Daubert*, 509 U.S. at 596.

Elbit's objection to Mr. Bakewell's reliance on the iLeverage valuation is more of a disagreement about the reasonableness of Mr. Bakewell's valuation. Mr. Bakewell's iLeverage valuation opinions are not so unreliable as to warrant exclusion under *Daubert* and Rule 702. There are numerous factual disputes underlying Mr. Bakewell's iLeverage valuation, *see* Dkt. 346 at 4-7, and Elbit's objection goes to the weight of Mr. Bakewell's testimony, not its admissibility. *See Robocast, Inc. v. Microsoft Corp.*, No. 10-1055-RGA, 2014 WL 202399, *2-3 (D. Del. January 16, 2014) (declining to exclude valuation relied upon by expert because "it is up to the jury to determine the weight accorded the valuation").

Similarly, Elbit disagrees with Mr. Bakewell's royalty baseline, his reliance on the allegedly comparable Caltech license, and his discussion of noninfringing alternatives, but Mr. Bakewell's economic analysis is sufficiently detailed to avoid exclusion under *Daubert*. As for the royalty baseline, Mr. Bakewell provides a range of values derived from economic analysis,

see, e.g. Dkt. 346-1 ¶¶ 358, 364, 368, 486, 488, and this range can be tested through cross-examination. *See Summit6, LLC v. Samsung Elecs. Co., Ltd.*, 802 F.3d 1283, 1299 (Fed. Cir. 2015) (“[D]isputes over the expert’s credibility or over the accuracy of the underlying facts are for the jury”). As for the Caltech license, the real dispute is whether the license is sufficiently comparable, and thus the weight of Mr. Bakewell’s testimony is at issue, at least when the Court is satisfied that the allegedly comparable license bears a sufficient technological relationship to the patented technology, as is the case here. *See Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1227 (Fed. Cir. 2014) (“[T]hat a license is not perfectly analogous generally goes to the weight of the evidence, not its admissibility.”).

Finally, as for Mr. Bakewell’s discussion of noninfringing alternatives, the dispute is one that will be resolved by the jury when they determine which alternatives, if any, are adequate noninfringing substitutes, and what affect that may have on any damages award, *see* Dkt. 346-1 ¶ 203, 358, subject to the Court’s ruling on Plaintiff’s Motion to Strike Non-Infringing Alternatives (Dkt. 315). For these reasons, Elbit’s Motion to Exclude Damages Expert Testimony is **DENIED**.

D. Defendants’ Motions to Transfer and Stay (Dkts. 372 and 373)

Hughes and BlueTide move to transfer the case under 28 U.S.C. § 1406(a), contending that venue is improper in this district in view of the Supreme Court’s recent decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017)—a decision that reaffirmed the Supreme Court’s 1957 holding that 28 U.S.C. § 1400(b) is the “sole and exclusive provision controlling venue in patent infringement actions.” *See Fourco Glass Co. v. Transmirra Prod. Corp.*, 353 U.S. 222, 229. *TC Heartland* clarified that venue is proper under § 1400(b) “in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business,” and that the term “resides” refers

“only to the State of incorporation.” *TC Heartland*, 137 S. Ct. at 1521. Hughes and BlueTide¹ contend they are not incorporated in Texas and have no regular and established place of business in the district. Elbit disputes whether Hughes waived objections to venue and whether venue over Hughes is proper on the merits. *See* Dkt. 386. The Court need not address the merits because Hughes and BlueTide waived their venue defense or objection to venue under Federal Rules of Civil Procedure 12(g)(2) and 12(h)(1)(A).

1. Relevant Procedural Background

In response to Elbit’s initial complaint, Hughes filed a motion to dismiss under Rule 12(b)(6), asking the Court to dismiss Elbit’s claims for willful patent infringement. *See* Dkt. 22. Hughes made no assertion that venue was improper. *See id.* Hughes renewed its motion on April 20, 2015, and again on December 14, 2015, in response to Elbit’s amended complaints. *See* Dkt. 34; Dkt. 69. Hughes’ renewed motions made no claim of improper venue. In Hughes’ answer to the complaint filed on April 13, 2016, Hughes stated that it “does not contest that venue is proper for Hughes in this District” but that Hughes “reserves the right to contest that venue is proper in this District based on *In re TC Heartland*, Case No. 16-0105, currently pending before the Federal Circuit. . . .” Dkt. 110 at 3. Hughes later filed a sealed document requesting transfer under 28 U.S.C. § 1404(a), arguing that venue would be more convenient in the District of Maryland. *See* Dkt. 130 at 5. Notably, the sealed document makes no mention of transfer under § 1406(a), which is the appropriate provision for requesting transfer of a case “laying venue in the wrong division or district.” *See* § 1406(a).

¹ Elbit responded to Defendants’ motion to transfer by stating it does not oppose “the Court dismissing the action against BlueTide on venue grounds at this time.” Dkt. 386 at 1. The Court declines to do so without a joint motion to dismiss BlueTide. Elbit also requests “that the Court exercise its power to dismiss Country Home under Rule 41(a)(2).” *Id.* at 1 n.1. The Court will consider Elbit’s request if Elbit or the parties file a motion to dismiss Country Home.

For its part, BlueTide filed a motion to dismiss for improper venue on March 16, 2015, acknowledging the existing Federal Circuit precedent holding that § 1391(c) supplements § 1400(b), and thus, according to that Circuit precedent, venue is proper in a patent case where a defendant is subject to personal jurisdiction. *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990). Indeed, BlueTide stated in its motion that “[a] corporate defendant is deemed to reside for purposes of venue ‘in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question.’” Dkt. 23 at 2 (quoting § 1391(c)(2)). The remainder of BlueTide’s motion assumes § 1391(c)(2) applied to this case and to patent cases generally. BlueTide’s objection was based solely on the argument that this district did not have personal jurisdiction over BlueTide (assuming the district was a state under § 1391(c)(2)). *See id.* at 3-9. The same assumption held in BlueTide’s second and third motions to dismiss for improper venue filed on April 20, 2015, and on December 14, 2015, both in response to Elbit’s amended complaints. *See* Dkt. 35 at 3; Dkt. 67 at 3. In BlueTide’s answer filed on April 13, 2016, BlueTide again denied that venue is proper, but for the first time stated that it “reserves the right to contest that venue is proper in this District based on *In re TC Heartland*, Case No. 16-0105, currently pending before the Federal Circuit.” *See* Dkt. 111 ¶ 10.

In sum, neither Hughes nor BlueTide affirmatively sought dismissal or transfer because of the lack of “resid[ence]” or the lack of a “regular and established place of business” under § 1400(b) as interpreted by *Fourco*, 353 U.S. at 229, until June 3, 2017—less than two months from trial. *See* Dkt. 351 (Docket Control Order); Dkt. 372.

2. Waiver of Venue Defense

“A party waives any defense listed in Rule 12(b)(2)-(5) by . . . omitting it from a motion in the circumstances described in Rule 12(g)(2).” Fed. R. Civ. P. 12(h)(1)(A). Under Rule 12(g)(2),

“a party that makes a motion under this rule must not make another motion under this rule raising a defense or objection that was available to the party but omitted from its earlier motion.” Rules 12(h)(2) and (3) exempt certain defenses from Rule 12(g)(2)’s consolidation requirement, including “[f]ailure to state a claim upon which relief can be granted,” failure “to join a person required by Rule 19(b),” failure “state a legal defense to a claim,” and lack of subject-matter jurisdiction. *See, e.g., Nationwide Bi-Weekly Admin., Inc. v. Belo Corp.*, 512 F.3d 137, 141 (5th Cir. 2007) (discussing Rule 12(h)(2)’s exemption of a motion for failure to state a claim from Rule 12(g)’s consolidation requirement); *see also Doe v. Columbia-Brazoria Indep. Sch. Dist. by & through Bd. of Trustees*, 855 F.3d 681, 687 (5th Cir. 2017). Rule 12(g)(2) does not exempt a venue defense or objection to venue under Rule 12(b)(3). *See Albany Ins. Co. v. Almacenadora Somex, S.A.*, 5 F.3d 907, 909 (5th Cir. 1993).

Thus, by filing a motion to dismiss for failure to state a claim under Rule 12(b)(6) and omitting its venue defense, Hughes waived the defense—assuming that defense “was available” to Hughes at the time. *See Fed. R. Civ. P. 12(g)(2), 12(h)(1)(A)*. Rule 12(g)(2) (and by extension Rule 12(h)(1)(A)) applies only to defenses or objections that were “available to the party.” Fed. R. Civ. P. 12(g)(2). Consistent with the text of the Rule and its applicability to “available” defenses and objections, courts in this Circuit recognize that waiver under Rule 12(h)(1)(A) does not apply to personal defenses that were unavailable to the party when waiver would have otherwise occurred. *See, e.g., Peacock v. Ins. & Bonds Agency of Texas, PLLC*, No. 3:12-CV-1710-D, 2012 WL 3702920, at *1 (N.D. Tex. Aug. 28, 2012).

Hughes and BlueTide argue the defense was unavailable because *TC Heartland* is an intervening change in law. Dkt. 372 at 14 n.4 (citing *Holzsgager v. Valley Hop.*, 646 F.2d 792, 796 (2d Cir. 1981)). The Court need not reach Defendants’ argument that a change in law constitutes

an exception to waiver under Rule 12(h)(1)(A) because the Supreme Court’s decision in *TC Heartland* does not qualify. *Fourco* was decided in 1957. While the Federal Circuit’s decision in *VE Holding* was inconsistent with *Fourco*, the Federal Circuit cannot overturn Supreme Court precedent. See *Thurston Motor Lines, Inc. v. Jordan K. Rand, Ltd.*, 460 U.S. 533, 535 (1983) (“Needless to say, only this Court may overrule one of its precedents.”). As one court in the Eastern District of Virginia concluded, “*TC Heartland* does not qualify for the intervening law exception to waiver because it merely affirms the viability of *Fourco*.” *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15-CV-21, 2017 WL 2556679, at *3 (E.D. Va. June 7, 2017).²

Hughes argues “it was well known that any motion under § 1400(b) suggesting that proper venue required either incorporation within the state of Texas or ‘a regular and established place of business’ by the defendant would be viewed as meritless.” Dkt. 372 at 14 n.4. While such a motion might have been viewed as meritless in a lower court, that does not change the harsh reality that Hughes would have ultimately succeeded in convincing the Supreme Court to reaffirm *Fourco*, just as the petitioner in *TC Heartland* did. See *Cobalt Boats*, 2017 WL 2556679, at *3. The Supreme Court’s decision in *TC Heartland* does not exempt Hughes from the waiver that occurred when Hughes left the venue defense out of its motion to dismiss for failure to state a claim. See Fed. R. Civ. P. 12(g)(2), 12(h)(1)(A).

Furthermore, Hughes waived its venue defense in its answer to Elbit’s complaint filed on April 13, 2016, by stating that it “does not contest that venue is proper for Hughes in this District” See Dkt. 110 at 3. Hughes has “fallen victim to the well-settled rule that a party is

² After the decision in *Cobalt Boats*, the defendant petitioned for writ of mandamus, and the Federal Circuit denied the petition “[u]nder the circumstances” and “on the eve of trial,” over Judge Newman’s dissent. See *In re Sea Ray Boats, Inc.*, Case No. 2017-124, Dkt. 15, Slip Op. at 2 (Fed. Cir. June 9, 2017). This Court confronts similar circumstances with trial on the horizon.

bound by what it states in its pleadings.” *See Soo Line R. Co. v. St. Louis Sw. Ry. Co.*, 125 F.3d 481, 483 (7th Cir. 1997); *see also Sunday Riley Modern Skin Care, L.L.C. v. Maesa*, No. CIV.A. H-12-1650, 2014 WL 722870, at *6 (S.D. Tex. Feb. 20, 2014). Hughes argues that Defendants “each expressly reserved their rights to challenge venue in the event *TC Heartland* changed the law,” *see* Dkt. 372 at 14 n.4; Dkt. 110 at 3, but a defendant cannot state that it does not dispute venue while reserving the ability to later contest it. To conclude otherwise would undermine the purpose of Rule 12(g) and (h) to promote efficiency and finality. *See Tiernan v. Dunn*, 295 F. Supp. 1253, 1256 (D.R.I. 1969) (“To permit this defense to be raised now would undermine the very purpose of Rule 12(g), (h), which is the avoidance of time-consuming, piece-meal litigation of pre-trial motions.”). A party’s conduct in the course of a proceeding can justify waiver even when the requirements of Rule 12(h)(1) are not satisfied. *See, e.g., Yeldell v. Tutt*, 913 F.2d 533, 539 (8th Cir. 1990) (“A delay in challenging personal jurisdiction *by motion to dismiss* has resulted in waiver, even where, as here, the defense was asserted in a timely answer.”) (emphasis added).

Unlike Hughes, BlueTide has consistently denied that venue is proper in the district, and BlueTide has filed three motions articulating its arguments. *See* Dkts. 23, 35, 67. Yet in each of these motions, BlueTide acknowledged the applicability of § 1391(c) to patent cases, a position that is not and never was controlling Supreme Court law, at least not since 1957—notwithstanding the fact that lower courts may have been bound by *VE Holding*. *See TC Heartland*, 137 S. Ct. at 1520 (“In *Fourco*, this Court definitively and unambiguously held that the word ‘reside[nce]’ in § 1400(b) has a particular meaning as applied to domestic corporations: It refers only to the State of incorporation.”).

By filing motions to dismiss for improper venue and omitting its objection to venue under § 1400(b)—as that provision was interpreted by *Fourco*—BlueTide waived its objection under

Rule 12(g)(2) and 12(h)(1)(A). BlueTide raised the *defense* of improper venue, but Rule 12(g)(2)'s consolidation requirement, and hence Rule 12(h)(1)(A) waiver, is not limited to a "defense." The Rule requires a party to include "a defense *or objection* that was available to the party." Fed. R. Civ. P. 12(g)(2) (emphasis added); *see also Albany Ins. Co.*, 5 F.3d at 909-10 (applying waiver to an available venue objection omitted from a prior motion to dismiss for improper venue). If a party can preserve any objection to venue by simply raising a venue *defense*—regardless of the *objection* underlying that defense—then the word "objection" in Rule 12(g)(2) would be superfluous. "[C]ourts 'must give effect, if possible, to every clause and word of a statute.'" *See Loughrin v. United States*, 134 S. Ct. 2384, 2390 (2014) (citation omitted). BlueTide's venue objection is therefore waived.

Hughes and BlueTide move to transfer § 1406, which applies only to cases "laying venue in the wrong division or district." Hughes and BlueTide waived their objections to venue. *See* § 1406(b) ("Nothing in this chapter shall impair the jurisdiction of a district court of any matter involving a party who does not interpose timely and sufficient objection to venue."); *In re Vitamins Antitrust Litig.*, 263 F. Supp. 2d 67, 68 n.1 (D.D.C. 2003) ("The Court need not address Defendants' motion pursuant to 28 U.S.C. § 1406(a). It is undisputed that Defendants have failed to timely object to venue or personal jurisdiction. The Federal Rules clearly provide that such objections are waivable defenses unless raised in a responsive pleading or by motion under Rule 12."); *see also Broad. Co. of the Carolinas v. Flair Broad. Corp.*, 892 F.2d 372, 377 (4th Cir. 1989). The motion to transfer is therefore **DENIED**, and the motion to stay pending Defendants' motion to transfer under § 1406 is **DENIED AS MOOT**.

3. Defendants' Pending Motion to Transfer under § 1404 (Dkt. 130)

Shortly before Defendants filed their motion to transfer under § 1406, Defendants alerted the Court to a document Defendants filed via ECF on May 24, 2016 simply as a "Sealed Document." *See* Dkt. 130. Although the document was titled "motion," the Court was not aware of it because the ECF system did not identify the document as a pending motion because Defendants' counsel did not file it as such. The Court is now aware of the motion and will resolve it in due time, but under the circumstances, a stay pending resolution of the motion to transfer under § 1404 is not warranted. Defendants had numerous occasions to alert the Court to the motion, and no such notice was given until more than a year after the motion was filed. Accordingly, Defendants' motion to stay pending transfer under § 1404 is **DENIED**. An Order on the pending motion to transfer under § 1404 will be forthcoming.

CONCLUSION

For the foregoing reasons, **IT IS ORDERED** that the parties’ pending motions are resolved as follows:

| Motion | Dkt. | Disposition |
|--|-------------|---|
| Elbit’s Motion to Strike Invalidity Opinions | 275 | GRANTED-IN-PART and DENIED-IN-PART |
| Hughes’ Motion to Strike Infringement Contentions | 276 | DENIED |
| Hughes’ Priority Date Motion | 277 | GRANTED |
| Elbit’s Infringement Expert Motion (Dkt. 312) | 312 | DENIED |
| Hughes’ Motion to Exclude Patent Office Expert Testimony | 313 | GRANTED |
| Defendants’ Motion to Exclude Damages Expert Testimony | 314 | DENIED |
| Plaintiffs’ Motion to Strike Non-Infringing Alternatives | 315 | GRANTED |
| Hughes’ Motion to Strike Infringement Opinions | 316 | DENIED |
| Elbit’s Motion to Exclude Damages Expert Testimony | 319 | DENIED |
| Defendants’ Motion to Transfer | 372 | DENIED |
| Defendants’ Motion to Stay | 373 | DENIED AS MOOT |

Additionally, the Court **RECOMMENDS** the following motions for summary judgment be resolved as follows:

| Motion | Dkt. | RECOMMENDATION |
|--------------------------------------|-------------|-----------------------|
| Defendants’ “Switching Means” Motion | 291 | Deny |

| | | |
|---|-----|------|
| Defendants' "Means for Generating Request" Motion | 292 | Deny |
| Defendants' GMR-1 Products Motion | 293 | Deny |
| Defendants' Damages Motion | 294 | Deny |
| Hughes' Copying Motion | 295 | Deny |
| Hughes' Willfulness Motion | 296 | Deny |
| Hughes' Marking Motion | 297 | Deny |
| Motion for Summary Judgment of Noninfringement of the '874 Patent | 298 | Deny |

A party's failure to file written objections to the findings, conclusions, and recommendations contained in this report within fourteen days after being served with a copy shall bar that party from de novo review by the district judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. Fed. R. Civ. P. 72(b)(2); see *Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc).

SIGNED this 20th day of June, 2017.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

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

| | | |
|----------------------------------|---|--------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | Case No. 2:15-CV-00037-RWS-RSP |
| <i>Plaintiffs,</i> | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| BLUETIDE COMMUNICATIONS, INC., | § | |
| COUNTRY HOME INVESTMENTS, INC., | § | |
| | § | |
| <i>Defendants.</i> | § | |

ORDER

The Court enters this separate Order memorializing the Orders on nondispositive motions in the Combined Order and Report and Recommendation. *See* Dkt. 388. For the reasons previously explained, *id.*, **IT IS ORDERED** as follows:

- (1) Plaintiffs’ Motion to Strike Expert Opinions Regarding Stricken Prior Art References And Undisclosed Invalidity Theories (**Dkt. 275**) (“Elbit’s Motion to Strike Invalidity Opinions”) is **GRANTED-IN-PART** and **DENIED-IN-PART**.
- (2) Defendant Hughes Network Systems, LLC’s Motion to Strike Elbit’s ’874 Patent Infringement Contentions (**Dkt. 276**) (“Hughes’ Motion to Strike Infringement Contentions”) is **DENIED**.
- (3) Defendant Hughes’s Motion to Exclude Elbit’s New Priority Date Contentions for the ’073 Patent (**Dkt. 277**) (“Hughes’ Priority Date Motion”) is **GRANTED**.
- (4) Plaintiffs’ Motion to Exclude the Testimony of Dr. Stephen B. Wicker (**Dkt. 312**) (“Elbit’s Infringement Expert Motion”) is **DENIED**.
- (5) Defendant Hughes Network Systems, LLC’s Motion to Exclude Expert Testimony of Stephen G. Kunin (**Dkt. 313**) (“Hughes’ Motion to Exclude Patent Office Expert Testimony”) is **GRANTED**.
- (6) Defendants’ *Daubert* Motion to Exclude the Opinions Offered by Christopher Martinez (**Dkt. 314**) (“Defendants’ Motion to Exclude Damages Expert Testimony”) is **DENIED**.

- (7) Plaintiffs' Motion to Strike Defendants' Experts Opinions Regarding Previously-Undisclosed Non-Infringing Alternatives (**Dkt. 315**) ("Plaintiffs' Motion to Strike Non-Infringing Alternatives") is **GRANTED**.
- (8) Hughes' Motion to Strike Portions of Elbit's Expert Reports that Rely on Previously-Unidentified Infringement Theories (**Dkt. 316**) ("Hughes' Motion to Strike Infringement Opinions") is **DENIED**.
- (9) Plaintiffs' Motion to Exclude Certain Opinions of Defendants' Damages Expert, Mr. W. Christopher Bakewell (**Dkt. 319**) ("Elbit's Motion to Exclude Damages Expert Testimony") is **DENIED**.
- (10) Defendants Hughes Network Systems, LLC And BlueTide Communications, Inc.'s Motion to Transfer Under 28 U.S.C. § 1406 (**Dkt. 372**) ("Defendants' Motion to Transfer") is **DENIED**.
- (11) Defendants Hughes Network Systems, LLC And BlueTide Communications, Inc.'s Motion to Stay Proceedings Pending Resolution of Proper Venue (**Dkt. 373**) ("Defendants' Motion to Stay") is **DENIED AS MOOT** as to Defendants' request to stay pending resolution of motion to transfer under § 1406 and **DENIED** as to Defendants' request to stay pending resolution of motion to transfer under § 1404.

SIGNED this 20th day of June, 2017.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

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

| | | |
|----------------------------------|---|--------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | Case No. 2:15-CV-00037-RWS-RSP |
| <i>Plaintiffs,</i> | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| BLUETIDE COMMUNICATIONS, INC., | § | |
| COUNTRY HOME INVESTMENTS, INC., | § | |
| | § | |
| <i>Defendants.</i> | § | |
| | § | |

MEMORANDUM OPINION AND ORDER

Before the Court is Defendants’ Motion to Sever and Transfer Claims Against Hughes Network Systems, LLC and Stay Claims Against the Two Remaining Customer Defendants. Dkt. 130. Defendants’ motion is **DENIED**.

BACKGROUND

Elbit filed this action on January 21, 2015. Dkt. 1. About 16 months later, on May 24, 2016, Hughes Network Systems, LLC (“Hughes”), BlueTide Communications, Inc. (“BlueTide”), and Country Home Investments, Inc. (“Country Home”) electronically filed a “Sealed Document” via the Court’s Case Management/Electronic Case Files (“ECF”) system, requesting that the Court sever claims against Hughes, transfer those claims to the District of Maryland, and stay the remaining claims against BlueTide and Country Home. *See* Dkt. 130. Defendants’ counsel did not file the Sealed Document as a “motion” using the appropriate ECF event.¹ Although the Clerk’s

¹ The Court keeps track of pending motions by running motions reports through the ECF system, but a document that has not been electronically filed as a “motion” will not appear on a motions report or on the Court’s biannual Civil Justice Reform Act Report. It would not be practical for the

Office ordinarily reviews filings as part of quality control, the Clerk's Office did not identify Defendants' sealed document, and the document was never converted into a pending motion in ECF. The case progressed, and Defendants' counsel did not bring the motion to the Court's attention until June 2, 2017, more than a year after it was filed and only about two months from trial.²

DISCUSSION

"The delay associated with transfer may be relevant in 'rare and special circumstances,'" and the Fifth Circuit has found such circumstances present "where a 'transfer [of] venue would have cause yet another delay in [an already] protracted litigation.'" *In re Radmax, Ltd.*, 720 F.3d 285, 289 (5th Cir. 2013) (quoting *In re Horseshoe Entm't*, 337 F.3d 429, 435 (5th Cir.2003) and *Peteet v. Dow Chem. Co.*, 868 F.2d 1428, 1436 (5th Cir.1989)). While "garden-variety delay associated with transfer is not to be taken into consideration when ruling on a § 1404(a) motion to transfer," *id.*, the failure to seek transfer until 18 months after the movant knew of the facts supporting transfer has been given significant consideration, *see Peteet*, 868 F.2d at 1436; *see also In re Wyeth*, 406 F. App'x 475, 477 (Fed. Cir. 2010) ("Without reasonable promptness on the part of the movant, a case proceeds, requiring the court to expend time and effort that might become wasted upon transfer."). Indeed, the purpose of § 1404(a) is "to facilitate just, convenient, efficient,

Court to periodically peruse each case on ECF to determine whether a motion might have been missed.

² *See* Judge Richard G. Kopf, "What to do when your summary judgment motion goes missing in federal court," Hercules and the Umpire (Sept. 13, 2013), <https://herculesandtheumpire.com/2013/09/13/what-to-do-when-your-summary-judgment-motion-goes-missing-in-federal-court/> (last visited June 21, 2017, 2:00 PM) ("No federal judge that I know of would ever punish a litigant or lawyer because a concern about delay was respectfully voiced. The judge might be grumpy (read 'embarrassed'), but you won't be 'punished.'").

and less expensive determination.” *In re Nintendo of Am., Inc.*, 756 F.3d 1363, 1365 (Fed. Cir. 2014).

With only a month left before trial begins, the Court confronts rare and special circumstances, to say the least. Notwithstanding the fact that Defendants only recently informed the Court about their pending transfer motion, Defendants waited some 16 months after the case was filed to seek transfer. Few if any facts allegedly supporting transfer were discovered in the course of litigation. There was no excuse to wait so long to seek transfer, all while “discovery was conducted, protective orders were issued, individual disclosures were turned over, infringement and invalidity contentions were exchanged, and an extensive amount of documents were produced.” *Wyeth*, 406 at 477. Not to mention the numerous hearings and Orders from the Court during this time. Whether or not Defendants’ 16 month delay alone is enough to warrant denial of transfer, it carries significant weight. *See Peteet*, 868 F.2d at 1436.

To make matters worse, Defendants did not file the transfer motion in a way that would bring the motion to the Court’s attention. The motion was filed as a “sealed document” amongst a busy docket sheet that at the time had over 120 entries. While the Court readily admits some fault in not identifying the document as a motion, the Court cannot be required to regularly review docket sheets in individual cases to make sure that parties have filed their motions correctly. Motions sometimes fall through the cracks, and when that happens, the movant inevitably calls or emails the Court with a polite reminder. That did not happen in this case. Defendants’ reminder did not come until more than a year after the motion was filed, with trial less than two months away. This too carries significant weight. *See Peteet*, 868 F.2d at 1436.

Finally, to the extent the Court is required to consider the relevant public and private interest factors under the rare circumstances of this case, the Court finds on the basis of the record

that existed at the time Defendants' motion was filed that Defendants' have not shown the District of Maryland to be clearly more convenient than this district. *See In re Volkswagen AG*, 371 F.3d 201, 203 (5th Cir. 2004) ("*Volkswagen I*"); *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 315 (5th Cir. 2008) ("*Volkswagen II*").

CONCLUSION

Defendants only request the combined relief of severance, transfer, and stay. Under the circumstances, transfer at this point is not warranted. Elbit has represented that it would agree to dismiss the remaining two customer defendants. Hughes is indemnifying those defendants in any event. Accordingly, there is no basis for severing and staying the customer suits in the absence of a justifiable reason to transfer the case against Hughes to the District of Maryland. Accordingly, Defendants' motion to sever, transfer, and stay, Dkt. 130, is **DENIED**.

SIGNED this 23rd day of June, 2017.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

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

| | | |
|----------------------------------|---|--------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | Case No. 2:15-CV-00037-RWS-RSP |
| <i>Plaintiffs,</i> | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| <i>Defendant.</i> | § | |

ORDER ON MOTIONS *IN LIMINE*

Before the Court are Motions *in Limine* filed by Plaintiffs Elbit Systems Land and C4I Ltd. And Elbit Systems of America, LLC (collectively, “Elbit”) (Dkt. 370) and by Defendant Hughes Network Systems, LLC (“Hughes”) (Dkt. 370). The Court heard argument on the motions during the pretrial conference on June 26, 2017. For the reasons explained at the conference, the Court rules as follows. A party must approach the bench before introducing evidence or argument about the subject matter of a granted motion *in limine*.

ELBIT’S MOTIONS *IN LIMINE*

1. Testimony or Argument Contrary to the *Markman* Order

DENIED. Either party may object to witness testimony as being contrary to the Court’s claim construction at trial.

2. PES Demonstration System

CARRIED. Plaintiffs were given leave to take a deposition of Mr. Messineo in Michigan, not to exceed four hours. The deposition must be completed before the next pretrial conference. The Court will reconsider Plaintiffs’ motion *in limine* in light of Mr. Messineo’s testimony.

3. Relative Importance of Claim Elements

DENIED.

4. Expert Testimony Not Disclosed in Expert Reports

GRANTED IN PART and **DENIED IN PART** as follows: (1) Defendant is precluded from presenting evidence or argument that Mr. Elbert is an inventor of the subject matter claimed in the '073 patent; and (2) Defendant is precluded from relying on uncharted prior art to prove invalidity by demonstrating that uncharted prior art discloses or suggests elements of the asserted claims. Defendant is also precluded from introducing uncharted prior art as an exhibit and displaying uncharted prior art as a demonstrative, with the exception of books authored by Mr. Elbert. Defendant is otherwise not precluded from relying on uncharted prior art in the context of background material relevant to the technology at issue, state of the art, or establishing what one of skill in the art would have known at the time of the invention. The motion is otherwise denied with the understanding that expert testimony is always limited to the disclosure in the report. *See* Fed. R. Civ. P. 26(a)(2)(B), 37(c)(1).

5. Any Argument That Shiron Breached its 2008 Patent Commercialization Agreement With iLeverage

DENIED.

6. References to Claims or Causes of Action That Have Been Dismissed or Dropped by Elbit to Narrow its Case for Trial

GRANTED as to (1) evidence or argument that the *fact* that a claim or cause of action has been dropped or dismissed suggests that a product is not covered by the claims or that a third party does not infringe; and (2) evidence or argument that the *fact* that a product or third party was once accused but is no longer accused suggests the product is not covered by the claims or the third party does not infringe.

7. Products and Third Parties Not Accused of Infringement

GRANTED as to evidence or argument that the *fact* that a party has not been sued for patent infringement suggests that the party does not infringe.

8. Defendants' Patents or Patent Applications as a Defense to Infringement

GRANTED as to evidence or argument that Defendant's patents are a defense to infringement.

9. Criticisms of the USPTO and/or USPTO Employees and Speculation About Possible Examiner Responses

GRANTED BY AGREEMENT. But does not prevent argument of invalidity.

10. References to Equitable Issues

DENIED with the understanding that Defendant will not (1) present evidence or argument that is relevant only to an equitable issue, absent agreement; or (2) present evidence or argument that Plaintiffs are estopped or undeserving of damages because of Plaintiffs' delay in filing suit.

11. Elbit's Business Activities

GRANTED IN PART AS RECIPROCAL BY AGREEMENT and **DENIED** as to Defendant's use of the phrase "hold up" as an economic term.

* * *

HUGHES' MOTIONS *IN LIMINE*

1. Evidence or argument that the '073 Patent requires unclaimed features or capabilities

DENIED.

2. Evidence or argument that "means for switching" satisfies the "switching means" or that a "decision to switch" at the remote terminal is not required by the claims

DENIED.

3. Evidence or argument concerning the doctrine of equivalents

GRANTED BY AGREEMENT.

4. Evidence or argument suggesting that the Personal Earth Station is not prior art because documents and source code were not public

DENIED.

5. Evidence or argument that Advantech's products practice the asserted patents

GRANTED AS RECIPROCAL BY AGREEMENT.

6. Evidence or argument that Defendant copied the '874 Patent

GRANTED BY AGREEMENT.

7. Preclude References, Evidence, or Argument Regarding Financial Arrangements between Biscotti and Its Outside Counsel or Any Difficulties in Obtaining Financing for This Litigation.

CARRIED.

8. Evidence or argument that Defendant had a duty to search or investigate patents

GRANTED BY AGREEMENT that Plaintiffs will not prevent evidence or argument that Defendant had a duty to search or investigate patents. Plaintiffs are not precluded from presenting evidence or argument that Defendant *did* investigate patents. In addition, Plaintiffs may refer to 37 C.F.R. § 11.18, which among other things relates to an applicant's certification that statements made to the Patent Office are true, but the Court will closely monitor any testimony related to this provision at trial.

9. Evidence or argument concerning purported statements by Kenneth Miller, deceased

CARRIED.

10. Evidence or argument that violates the entire market value rule

GRANTED BY AGREEMENT as to total revenues and net worth, **DENIED** as to unit prices including products and services.

11. Evidence or argument concerning the parties' Caltech-related discovery letters

GRANTED as to discovery letters from Defendant's counsel.

12. Evidence or argument that Hughes' patents show infringement, validity, or the functionality of Hughes' products

GRANTED BY AGREEMENT that Defendant's patents will not be used to show functionality of Hughes' accused products.

13. Evidence or argument suggesting that the Personal Earth Station was not inventive or first in time because Hughes did not seek its own patent

WITHDRAWN.

14. Evidence or argument relating to indemnification agreements

GRANTED AS MODIFIED BY AGREEMENT.

15. Evidence or argument of discovery deficiencies, violations, or spoliation

GRANTED with the narrow exception that if a party relies on the absence of its own documents to establish a material fact, the opposing party may present evidence or argument about that party's document retention policy.

16. Evidence or argument for the presumption of validity

DENIED.

17. Evidence or argument relating to expert's prior affiliations

GRANTED BY AGREEMENT.

18. Improper argument regarding the burden of proof

GRANTED (modified from ruling at pretrial conference). Before a party presents argument concerning the burden of proof in a different area of law, e.g., the burden of proof required to commit an individual to an institution, revoke parental rights, or terminate life support, the party must first approach the bench. This applies to any reference to the burden of proof in another area of law anticipated during voir dire.

19. Evidence or argument that the Court has power to dismiss frivolous suits

GRANTED.

20. Evidence or argument relating to irrelevant lawsuits

GRANTED to the extent that the parties will not discuss the terms of a license or agreement that neither party contends is comparable to the hypothetical license.

21. Reference to a priority or reduction to practice date earlier than the date of filing of the '073 Patent

DENIED AS MOOT in light of Court's previous Order. *See* Dkt. 388.

22. Evidence or argument relating to the Gilat Settlement

WITHDRAWN.

SIGNED this 4th day of July, 2017.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

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

| | | |
|----------------------------------|---|------------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | CIVIL ACTION NO. 2:15-CV-00037-RWS |
| Plaintiffs, | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| Defendant. | § | |

ORDER

Before the Court are Defendant Hughes Network Systems, LLC’s (“Hughes”) Objections to Order Denying Motion to Sever and Transfer Claims Against Hughes Network Systems, LLC and Stay Claims Against Remaining Defendants (Docket No. 401) and Objections to Orders Denying Motion to Transfer and Motion to Stay (Docket No. 404). Plaintiffs Elbit Systems Land and C4i Ltd. and Elbit Systems of America, LLC (collectively, “Elbit” or “Plaintiffs”) filed responses to Hughes’s objections. Docket Nos. 422 and 423. The Court heard argument on each set of objections (Docket No. 429).¹

The Court reviews objected-to portions of the Magistrate Judge’s Orders for clear error. *See* 28 U.S.C. § 636; Fed. R. Civ. P. 72(a). For the reasons outlined below, Hughes’s objections to each Order are **OVERRULED**.

¹ The Court issues this Order with respect to Hughes’s objections to the Magistrate Judge’s rulings relating to Hughes’s motions to transfer and associated motion to stay (Docket Nos. 130 , 372, and 373). The Court will evaluate the parties’ objections to the Magistrate Judge’s other rulings in a separate order.

BACKGROUND

On January 25, 2015, Elbit filed this action against Black Elk Energy Offshore Operations, LLC (“Black Elk”), BlueTide Communications, Inc. (“BlueTide”), Helm Hotels Group (“Helm”), and Hughes Network Systems, LLC alleging infringement of U.S. Patent Nos. 6,240,073 (“the ’073 patent”) and 7,245,874 (“the ’874 patent”), both of which relate generally to satellite communication systems. The patents-in-suit were first assigned to Shiron Satellite Communications (“Shiron”), which was purchased by Elbit Systems Ltd., the parent to Plaintiffs, in 2009. Docket No. 53 at ¶ 34. By assignment, Elbit is the sole owner of the ’073 patent, and Elbit and Elbit Systems of America jointly retain the exclusive right to enforce the ’073 patent. *Id.*

On April 2, 2015, Elbit amended its complaint, substituting Defendant Helm with Country Home Investments, Inc. (“Country Home”). Elbit also moved to dismiss Black Elk on February 2, 2016 after Black Elk sought a stay pending bankruptcy proceedings on November 15, 2015 (Docket No. 50).

On May 24, 2016, Defendants Hughes, BlueTide, and Country Home filed a motion to sever and transfer Elbit’s claims against Hughes and stay Elbit’s claims against BlueTide and Country Home (Docket No. 130). On June 23, 2017, the Magistrate Judge denied Defendants’ motion (Docket No. 394), and Hughes filed objections (Docket No. 401). Elbit responded to those objections (Docket No. 422) and this Court heard argument on the parties’ objections on July 14, 2017 (Docket No. 429).

On June 3, 2017, Defendants filed a motion to transfer pursuant to 28 U.S.C. § 1406 (Docket No. 372) and a related motion to stay (Docket No. 373). The Magistrate Judge denied this motion on June 20, 2017, (Docket No. 388, 389) and Hughes filed objections (Docket No.

404). Elbit responded to those objections (Docket No. 423), and the Court also heard argument on the parties objections to the Magistrate Judge's ruling on July 14, 2017.

In its response to Defendants' motion to transfer venue pursuant to 28 U.S.C. § 1406, Elbit stated that it did not oppose "dismissal of BlueTide on venue grounds." Docket No. 386 at 1. Elbit also stated that "in order to streamline Plaintiffs' case for trial, Plaintiffs request that the Court exercise its power to dismiss Country Home under Rule 41(a)(2)." *Id.* at 2 n.1. The Court declined to do so in the absence of the parties filing a motion. Docket No. 388 at 37 n.1. On June 25, 2017, Elbit filed motions to dismiss Defendants BlueTide (Docket No. 396) and Country Home (Docket No. 395). The Court granted those motions. Docket Nos. 397, 398.

I. Hughes's Objections to Order Denying Motion to Sever and Transfer Claims Against Hughes Network Systems, LLC and Stay Claims Against Remaining Defendants (Docket No. 401)

Hughes's first set of objections are to the Magistrate Judge's Order denying Defendants Hughes, BlueTide and Country Home's motion to sever and transfer the claims against Hughes to the District of Maryland and stay and abate the claims against BlueTide and Country Home pending resolution of the transferred action. Docket No. 401.

In his Order, the Magistrate Judge denied Defendants' motion to transfer, assigning significant weight to Defendants' 16-month delay before seeking transfer and to Defendants' misfiling of the motion in the CM/ECF system as a "Sealed Document." Docket No. 394 at 2–3. Judge Payne also concluded that the relevant private and public interest factors considered on the record that existed at the time Defendants' motion was filed did not weigh in favor of transfer. *Id.* at 3–4. Additionally, since Elbit represented that it would agree to dismiss BlueTide and Country Home and because Hughes was indemnifying those defendants, the Magistrate Judge found no basis for severing and staying the customer suits in the absence of a justifiable reason to transfer the case against Hughes to the District of Maryland. *Id.* at 4.

Hughes objects to the Magistrate Judge's Order on three grounds: (1) it was clearly erroneous to rely upon the filing date for the Original Complaint and not the Second Amended Complaint; (2) it was clearly erroneous to assign weight to the fact that the motion was misfiled as a "Sealed Document" and that Defendants did not bring the motion to the Court's attention; and (3) it was clearly erroneous to deny the Motion without providing an opinion under the 1404(a) *Gilbert* Factors. The Court addresses each argument in turn.

A. Hughes's objection that it was clearly erroneous to rely upon the filing date for the Original Complaint and not the Second Amended Complaint

Hughes argues that the Magistrate Judge clearly erred by denying its motion to transfer based on a 16-month delay calculated from the date Plaintiffs filed their Original Complaint.

In his Order, the Magistrate Judge explains that Hughes "waited some 16 months after the case was filed to seek transfer" and that "[f]ew if any facts allegedly supporting transfer were discovered in the course of the litigation." Docket No. 394 at 3. Judge Payne further explained that the case involved "rare circumstances" and the delay could not be justified: "There was no excuse to wait so long to seek transfer, all while 'discovery was conducted, protective orders were issued, individual disclosures were turned over, infringement and invalidity contentions were exchanged, and an extensive amount of documents were produced.'" *Id.* at 3 (citing *In re Wyeth*, 406 F. App'x 475, 477 (Fed. Cir. 2010)). Additionally, Judge Payne detailed that the court held numerous hearings and issued several Orders during this time and explained that, regardless of whether a 16-month filing delay *alone* was enough to warrant denial of the transfer motion, it carried "significant weight." *Id.* (citing *Peteet v. Dow Chem. Co.*, 868 F.2d 1428, 1436 (5th Cir. 1989)).

Hughes now argues that Judge Payne erred by calculating Hughes's delay based upon the filing date of the Original Complaint and not the Second Amended Complaint. Docket No. 401 at

6. According to Hughes, Plaintiffs serially amended their Complaint over the course of 10 months to add new facts to “defeat any venue issues” and “to cure venue jurisdictional issues raised by defendants.” *Id.* at 7. Specifically, Hughes identifies two “venue issues” created by Plaintiffs’ amendments to the Complaint: (1) Plaintiffs’ First Amended Complaint dropped Helm as a Defendant and replaced it with Country Home, a resident of the Eastern District of Texas, and (2) Plaintiffs’ Second Amended Complaint added allegations relating to Sevis Systems Inc. (“Sevis”) and Memotec, Inc. (“Memotec”), providers of a “material part of the patented system,” to “inject[] new venue issues.” Docket No. 401 at 4–5. Hughes contends that its delay in filing its motion to transfer stems from these changing “venue facts” and from its pursuit of a declaration from Sevis arranging for its appearance in Maryland. *Id.* at 7; Docket No. 429 at 10:11–11:10 (contending that Plaintiffs “filed a second amended complaint to add venue facts”).

Hughes also contends that its delay in filing its motion to transfer should be afforded less weight because “no claim construction briefing or dispositive motions had been filed, Plaintiffs had amended their infringement contentions only one day prior, the close of fact discovery was over five months away, and trial was nearly one year out.” Docket No. 401 at 7.

In response to Hughes’s objections, Elbit argues that its amended complaints do not materially affect the transfer analysis. With respect to Elbit’s replacement of Defendant Helm with Defendant Country Home, Elbit states that it substituted these parties based on Defendants’ indication that Country Home was the appropriate Defendant. Docket No. 422 at 4 (citing Docket No. 21 at 2); Docket No. 429 at 50:11–13 (“We also substituted for Helms Group, the party that the defendant indicated was the proper party, that was the actual corporate entity of Country Home.”). And in response to Hughes’s contention that Elbit added facts regarding Sevis and Memotec to manipulate venue, Elbit states that both Memotec and Sevis were discussed in a

Hughes official white paper that was attached as an exhibit to the Original Complaint. Docket No. 422 at 4; Docket No. 429 at 51:5–10 (citing Docket No. 1-14 at 4).

Additionally, Elbit argues that the facts Hughes identifies do not support transfer and thus cannot excuse Hughes's delay: "Hughes cannot plausibly argue the presence of a hotel using the accused products (Country Home) and a manufacturer of components for the accused system (Sevis) in this District would have supported transfer." Docket No. 422 at 4. Finally, Elbit also contends that Hughes further delayed—filing its motion six months after the Second Amended Complaint was filed. *Id.* at 4–5.

Having reviewed the parties' submissions and argument relating to Hughes's objections, the Court finds that the Magistrate Judge did not commit clear error by measuring Hughes's delay from the date of the Original Complaint. No fact Hughes identifies excuses its delay. The record indicates that Elbit substituted Helm for Country Home based on Defendants' own contentions. Docket No. 21 at 2 ("Country Home Investments, therefore, is the appropriate party against whom any allegations of infringement by Best Western Denton should have been asserted."). That Plaintiffs substituted one Defendant (Helm) for another (Country Home) upon Defendants' contention that Country Home was the appropriate defendant does not suggest "venue manipulation" by Elbit and does not excuse Hughes's delay in filing its motion to transfer.

Additionally, the Court finds that the Original Complaint refers to both Sevis and Memotec as discussed in a Hughes document. Plaintiffs' inclusion of detailed allegations relating to these third parties appears to be consistent with a conventional amendment made as a result of ongoing discovery. This also does not suggest "venue manipulation" on the part of Plaintiffs.

Hughes's pursuit of an arrangement with a potential third-party witness does not justify Hughes's delay in filing its motion to transfer. Hughes received a declaration from Sevis

explaining that it “is no more costly for Sevis’s employees to travel to Maryland than to Marshall, Texas because Hughes has agreed to reimburse Sevis’s travel costs.” Docket No. 130-2 at 2–3. Hughes’s decision to wait to file its motion until after it had reached this agreement with a third-party witness was a strategic one. Hughes cannot rely on its own pursuit of this agreement to both bolster its motion and to excuse its delay in filing it.

Finally, the Court notes that it would view Hughes’s delay in a different light if Hughes had shown that the amended complaints presented facts that gave rise to new venue arguments that had previously been unavailable to Hughes. But instead, the two changes identified by Hughes in Plaintiffs’ amended complaints—the substitution of Country Home, a defendant operating a hotel using allegedly infringing products, and the addition of allegations relating to a component providers Sevis and Memotec, one located in this District and one neutral to the analysis—do not render Hughes’s motion more compelling and do not provide Hughes with any facts that were previously unavailable to it. Hughes’s delay is not excusable on this record.

Accordingly, the Magistrate Judge did not clearly err by calculating Hughes’s 16-month delay from the date of the Original Complaint, and Hughes’s objections are **OVERRULED**.

B. Hughes’s objection that the Order failed to provide an opinion under the 1404(a) *Gilbert* Factors

Hughes argues that the Magistrate Judge erred by failing to provide an opinion detailing his analysis of the 1404(a) *Gilbert* Factors.

In his Order, the Magistrate Judge states that Hughes’s 16-month delay and Hughes’s misfiling of its motion carried significant weight in the transfer analysis. Docket No. 394 at 3. As a result and based on the relevant public and private interest factors, Judge Payne concluded that Hughes had not established that the District of Maryland was clearly more convenient than this District. *Id.* at 3–4.

Hughes contends that the Magistrate Judge clearly erred by failing to meaningfully evaluate the 1404(a) factors. Docket No. 401 at 8 (citing *In re Oracle Corp.*, 399 F. App'x 587, 589 (Fed. Cir. 2010)). Hughes further contends that the record clearly establishes that Maryland is a more convenient forum based on the currently remaining issues and witnesses in this case. *Id.*

Elbit counters that Hughes's reliance on the facts as they stand weeks before trial is misplaced and that motions to transfer venue are considered "not on a series of changing facts, but instead should be evaluated based on the situation which existed when the suit was filed." Docket No. 422 at 6 (citing *Vertical Comput. Sys., Inc. v. LG Elecs. Mobilecomm U.S.A., Inc.*, No. 2:10-cv-490-JRG, 2013 WL 2241947, at *3 (E.D. Tex. May 21, 2013) (citing *In re EMC Corp.*, 501 F. App'x 973, 976 (Fed. Cir. 2013)). Elbit also disputes that the remaining witnesses and sources of proof render the District of Maryland clearly more convenient. *Id.* Additionally, Elbit argues that the circumstances in this case differ from *In re Oracle* because this case does not involve a forum-selection clause.

This Court now undertakes the 1404(a) analysis as detailed below to evaluate whether Hughes has established the District of Maryland as a clearly more convenient forum for Plaintiffs' claims against Defendant Hughes.² Based on an analysis of the 1404(a) factors, *infra* Part I.B.iii–iv, the Court finds that the Magistrate Judge did not clearly err in concluding that Hughes failed to meet its burden to establish that the District of Maryland is clearly more convenient than this District.

In its objections, Hughes argues that Defendants' motion to transfer "should have been considered on the merits and decided based on the events in the case as of the date of filing—May

² Although Defendants' motion sought both severance of Elbit's claims against Hughes and transfer, neither party objected to the Magistrate Judge's denial of severance. Accordingly, this Court does not review the Magistrate Judge's denial of Hughes's severance motion.

24, 2016.” Docket No. 401 at 6. In Elbit’s response to Hughes’s objections, it argues that “the legally relevant period for transfer analysis is not based on the facts existing when the motion is filed . . . or when Hughes is the ‘only defendant left in the case’ three weeks before trial.” Docket No. 422 at 5. Instead, Elbit claims that the motion should be evaluated based on the date of the original complaint. *Id.* At the hearing on Hughes’s objections, the Court asked counsel for Hughes if, “when [the Court] get[s] to these factors, should [the Court] look at the convenience of the witnesses at the time the complaint was filed? At the time the motion was filed? At the time Judge Payne ruled on it?” to which Hughes responded that “because of what [Hughes] believes was a direct and deliberate attempt to manipulate venue in this District, . . . it is appropriate to look at the entire record as recently as two weeks ago.” Docket No. 429 at 14:9–15:17.

The Court considers all the factors as of the date the motion was filed. Elbit’s suggestion that the motion should be evaluated from the time of the filing of the Complaint fails to account for the realities of this litigation—namely, Hughes’s 16-month delay in filing its motion. Hughes has offered two conflicting positions for when the factors should be considered, but this Court agrees with the position Hughes takes in its objections. The Court is not persuaded by Hughes’s argument that the factors should be evaluated as of “two weeks ago” because of “venue manipulation” for the same reasons the Court rejects Hughes’s venue-manipulation arguments relating to its 16-month delay.³ *See supra* Part I.A.⁴

i. Legal Standard

³ Notably, even if the Court were to evaluate the convenience factors based on the record that existed two weeks ago as Defendant requests, it would also, in the interest of justice, consider the significant prejudice to Elbit that would result from transfer of its case merely a few weeks before trial.

⁴ Additionally, this issue comes to the Court on review of Judge Payne’s Order denying transfer, in which he considered the record that existed at the time Defendants’ motion was filed. Docket No. 394 at 4. The parties have not persuaded the Court that Judge Payne clearly erred in choosing to evaluate the factors as of the date the motion was filed.

Section 1404(a) provides that “[f]or the convenience of the parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it may have been brought.” 28 U.S.C. § 1404(a). The first inquiry when analyzing a case’s eligibility for § 1404(a) transfer is “whether the judicial district to which transfer is sought would have been a district in which the claim could have been filed.” *In re Volkswagen AG*, 371 F.3d 201, 203 (5th Cir. 2004) (“*Volkswagen P*”).

Once that threshold is met, courts analyze both private and public factors relating to the convenience of parties and witnesses, as well as the interests of the venues in hearing the case. *See Humble Oil & Ref. Co. v. Bell Marine Serv., Inc.*, 321 F.2d 53, 56 (5th Cir. 1963); *In re Nintendo Co.*, 589 F.3d 1194, 1198 (Fed. Cir. 2009). The private factors are: (1) the relative ease of access to sources of proof; (2) the availability of a compulsory process to secure the attendance of witnesses; (3) the cost of attendance for willing witnesses; and (4) all other practical considerations that make the trial of a case easy, expeditious and inexpensive. *Volkswagen I*, 371 F.3d at 203; *In re Nintendo*, 589 F.3d at 1198. The public factors are: (1) the administrative difficulties flowing from court congestion; (2) the local interest in having localized interests decided at home; (3) the familiarity of the forum with the law that will govern the case; and (4) the avoidance of unnecessary problems of conflict of laws or in the application of foreign law. *Volkswagen I*, 371 F.3d at 203; *In re Nintendo*, 589 F.3d at 1198.

The plaintiff’s choice of venue is not a factor in this analysis. *In re Volkswagen of Am. Inc.*, 545 F.3d 304, 314–15 (5th Cir. 2008) (“*Volkswagen II*”). Rather, the plaintiff’s choice of venue leads to the defendant’s burden of proving that the transferee venue is “clearly more convenient” than the transferor venue. *Id.* at 315; *In re Nintendo*, 589 F.3d at 1200. This standard places a “significant burden on the [defendant] to show good cause for the transfer.” *Volkswagen*

II, 545 F.3d at 314 n.10. Furthermore, though the private and public factors apply to most transfer cases, “they are not necessarily exhaustive or exclusive,” and no single factor is dispositive. *Id.* at 314–15.

ii. Threshold Question

The threshold issue when analyzing a motion to transfer is whether the case could have been brought in the transferee venue. 28 U.S.C. § 1404(a). Hughes contends—and Elbit does not contest—that Elbit could have brought suit in Maryland. Docket No. 130 at 10–11; Docket Nos. 143 and 160. Accordingly, the threshold is satisfied.

iii. Private Factors

The Court now considers the private factors prescribed by the Fifth Circuit in *Volkswagen II*: (1) the relative ease of access to sources of proof; (2) the availability of compulsory process to secure the attendance of witnesses; (3) the cost of attendance for willing witnesses; and (4) all other practical problems that make trial of a case easy, expeditious and inexpensive.” 545 F.3d 304, 315 (5th Cir. 2008).

(a) Sources of Proof

This factor is a relevant part of the transfer analysis despite technological advances that make transporting large volumes of documents across the country more convenient. *Volkswagen II*, 545 F.3d at 316. In addition, courts presume that the bulk of all relevant evidence will come from the accused infringer. *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009). Finally, parties must identify sources of proof with some specificity such that the court may determine whether transfer will increase the convenience of the parties. *J2 Global Commc’ns, Inc. v. Proctus IP Solutions, Inc.*, No. 6:08-CV-211, 2009 WL 440525, at *2 (E.D. Tex. Feb. 20, 2009).

Hughes argues that nearly all of its relevant evidence is located within 100 miles of the District of Maryland and none of it is in the Eastern District of Texas. Docket No. 130 at 11.

According to Hughes, the accused systems and functionalities were developed mostly in Maryland. *Id.* Hughes contends that marketing materials and financial and sales information are maintained in Maryland and that most potential third-party witnesses reside within 100 miles of the District of Maryland's Greenbelt Division. *Id.* at 11–12. Hughes also disputes Elbit's connection to the district because Elbit is from Israel and is incorporated in Delaware with a headquarters in Fort Worth, Texas. *Id.* at 12.

In response, Elbit argues that the location of physical documents should not be afforded much weight because of electronic discovery. Docket No. 143 at 9. Elbit also notes that that Elbit and Country Home have principal places of business in Texas and BlueTide is from nearby Louisiana, arguing that any evidence from these non-Hughes parties would be closer to this District than to Maryland. *Id.* at 9–10. Elbit disputes that most potential witnesses reside near the District of Maryland's Greenbelt Division and claims that Hughes's headquarters being in Maryland is not enough to render the District of Maryland clearly more convenient. *Id.* at 10.

In its Reply, Hughes argues that while Elbit, Country Home, and BlueTide may have evidence close to this District, Elbit has not established that Country Home or any other party has non-cumulative relevant evidence in the District. Docket No. 157 at 3. Hughes further contends that the “bulk of the relevant evidence remains at Hughes's headquarters in Maryland.” *Id.* (citing *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009)).

The Court finds that the bulk of the relevant evidence is located in the District of Maryland. Accordingly, this factor weighs in favor of transfer to that District.⁵

⁵ The Court does not consider sources of proof relating to BlueTide and Country Home's documents under this factor because, on a motion to sever and transfer, the Court considers the transfer factor only with respect to the Defendant seeking to be severed and transferred. *Shifferaw v. Emson USA*, No. 2:09-CV-54-TJW-CE, 2010 WL 1064380, at *1 (E.D. Tex. Mar. 18, 2010) (“severance may be permitted if three factors are met: (1) whether the remaining claims are peripheral to the severed claims; (2) whether adjudication of the severed claims would potentially dispose of the remaining claims; and (3) whether the § 1404(a) factors warrant transfer of *the severed claims*”) (emphasis added).

(b) *Subpoena power*

This factor weighs in favor of transfer when more third-party witnesses reside within the transferee venue and when the transferee venue is said to have “absolute subpoena power” over these third-party witnesses. *Volkswagen II*, 545 F.3d at 316. “Absolute subpoena power” is subpoena power for both depositions and trial. *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333, 1338 (Fed. Cir. 2009). Additionally, courts give more weight to specifically identified witnesses and afford less weight to vague assertions that witnesses are likely located in a particular forum. *See Novelpoint Learning v. Leapfrog Enter.*, No. 6:10-CV-229, 2010 WL 5068146, at *6 (E.D. Tex. Dec. 6, 2010) (stating that the Court will not base its conclusion on unidentified witnesses); *see also West Coast Trends, Inc. v. Ogio Int’l, Inc.*, No. 6:10-CV-688, 2011 WL 5117850, at *3 (E.D. Tex. Oct. 27, 2011).

Rule 45 provides the presiding court with the power to issue nationwide deposition subpoenas and compel testimony so long as the trial, hearing, or deposition is to take place within 100 miles of the witness’s residence or regular place of business. FED. R. CIV. P. 45(a)(2), 45(b)(2), 45(c)(1)(A). The proffering party may depose the non-party witness near that witness’s residence or regular place of business and later present the witness’s deposition testimony at trial without the involvement of a second district court. *See* FED. R. CIV. P. 32(a)(4) (“A party may use for any purpose the deposition of a witness, whether or not a party, if the court finds . . . that the witness is more than 100 miles from the place of hearing or trial . . .”).

According to Hughes, “[a]ll but one potential non-party witness reside within the subpoena power of the District of Maryland.” Docket No. 130 at 12. Hughes identifies three non-party witnesses who resided in or near the District of Maryland when the Original Complaint was filed: (1) Advantech, a provider of InterSKY satellite products that Elbit alleges are covered by the ’073 Patent, (2) Jeff Biber, a former Vice President of Engineering at Hughes responsible for overall

design and development for the accused products; and (3) Tony Heatwole, a former Senior Engineer at Hughes who worked on the accused products. *Id.* at 12–13. Hughes also identifies Sevis Systems as a component supplier with “potentially non-cumulative material information to this litigation,” but Hughes states that Sevis’s location in the Eastern District of Texas does not weight against transfer because Hughes has confirmed Sevis’s willingness to travel to the District of Maryland. *Id.*

Elbit responds that this District has subpoena power over four times as many witnesses as the District of Maryland. Elbit first contends that Sevis is an important source of evidence in this case as “one of only two providers of ‘optimizer’ equipment that forms part of the Hughes ‘cellular backhaul’ systems” that Plaintiffs accuse of infringement. Docket No. 143 at 11. Elbit argues that Sevis is subject to compulsory process in the Eastern District of Texas because of its location in Lewisville, Texas. *Id.* Elbit further contends that, while Sevis has stated it will “encourage its employees to willingly appear in Maryland” pursuant to an agreement with Hughes, minimal weight should be given to Sevis and Hughes’s financial arrangement because “any defendant could manipulate the transfer analysis by arranging to pay third-party witnesses to travel to its proposed transferee forum—literal ‘forum shopping.’ ” *Id.*

Elbit further argues that Memotec has relevant knowledge about Hughes’s implementation of the Hughes Backhaul Services that are accused of infringing the ’874 Patent. *Id.* at 12. According to Elbit, Memotec is located in Tempe, Arizona, which it states is significantly closer to this District than the District of Maryland. *Id.*

Additionally, Elbit argues that Advantech is not located in Maryland or within 100 miles thereof, but that its headquarters are instead in Canada. Elbit cites correspondence with Hughes

that suggests Hughes be required to pursue relevant evidence from Advantech through appropriate international treaties. *Id.* at 10 n.6 (citing Docket No. 143-10).

Elbit also identifies seven additional witnesses that it argues are both relevant to the case and subject to the Court's subpoena power:

- Black Elk, who is a former party to the case, operates oil and gas platforms in this District using accused systems relevant to Elbit's induced infringement claims, and, as of the date of the motion to transfer, Black Elk had already produced over 120,900 documents in discovery;
- David Cantu, Black Elk Energy's Chief Technology Officer, who has been identified by Defendants as a relevant witness in their initial disclosures (Docket No. 143-11);
- David Kendrick, a former Shiron customer with knowledge of Shiron's satellite systems and its commercialization efforts;
- Bryan Young, President of Real Time Communications, a non-party allegedly relevant to Elbit's induced infringement, who works in Kilgore, Texas;
- Van C. Dewitt, President and CEO of Bee Mar LLC, a non-party allegedly relevant to Elbit's induced infringement claims, who lives in Sugar Land, TX;
- Hercules Offshore Inc., a non-party who is located in Houston and is allegedly relevant to Elbit's induced infringement claims; and
- Triton Diving Services LLC, a non-party who is located Houston and is allegedly relevant to Elbit's induced infringement claims.

Docket No. 143 at 10–12. Elbit states that Young, Dewitt, Hercules Offshore, and Triton Diving Services were each identified in both its initial disclosures and Second Amended Complaint. *Id.* Elbit also states that Kendrick was cited in its initial disclosures. *Id.* at 11.

Hughes argues in its Reply that Elbit had not shown that Kendrick, Dewitt, Black Elk, Hercules Offshore, Triton Diving Services, and Memotec reside within 100 miles of the District or would not incur substantial expense to attend trial or deposition. Docket No. 157 at 4. Hughes also contends that it did not anticipate calling Black Elk or its employees, including David Cantu, during trial. *Id.* Hughes finally argues that Elbit did not explain what material information Bryan Young had.

The Court is persuaded by Elbit's argument that it should not discount Sevis from the analysis. Because Sevis has only stated that it would "encourage" its employees to appear in Maryland, the Court's subpoena power may yet prove necessary. Further, giving weight to Hughes's decision to enter a financial agreement with Sevis would encourage gamesmanship and forum shopping.

But, even if Sevis is excluded from the analysis of this factor, based on the witnesses as represented on the day the motion was filed, the Court finds that this factor weighs against transfer. The Court credits Hughes's statement that it did not anticipate calling Black Elk or its employees including David Cantu at trial. The Court also discounts the relevance of Memotec under this factor, as it is located beyond this Court's subpoena power. The Court is also persuaded by Elbit's argument and (cited correspondence with Hughes) that Advantech is not subject to compulsory process in either District.

On balance, Elbit has identified five witnesses subject to this District's subpoena power—David Kendrick, Bryan Young, Van C. Dewitt, Hercules Offshore, Inc. and Triton Diving Services, and Hughes has identified two third-party witnesses—Biber and Heatwole—subject to the subpoena power of the District of Maryland. Considering the number of witnesses subject to

subpoena power in this District compared to the District of Maryland, this factor weighs against transfer.

(c) *The Cost of Attendance of Willing Witnesses*

In analyzing this factor, all parties and witnesses must be considered. *Volkswagen I*, 371 F.3d at 204. District courts should assess the relevance and materiality of the information the witness may provide, but there is no requirement that the movant demonstrate that the witness has anything more than relevant and material information. *In re Genentech, Inc.*, 566 F.3d at 1343–44.

The Fifth Circuit established a “100–mile rule” to assist with analysis of this factor. *See Volkswagen I*, 371 F.3d at 204–205; *see also In re TS Tech USA Corp.*, 551 F.3d 1315, 1320 (Fed. Cir. 2008) (“[I]t generally becomes more inconvenient and costly for witnesses to attend trial the further they are away from home”). The threshold question is whether the transferor and transferee venues are more than 100 miles apart. *See Volkswagen II*, 545 F.3d at 217. If so, then a court compares the respective distances between the residences of all the identified material and relevant witnesses and the transferor and transferee venues. *Id.* Transfer is favored if the transferee venue is a shorter average distance from witnesses as compared to the transferor venue. *See id.*

More than 100 miles separate this District from the District of Maryland. Hughes argues that the high cost of attendance of Hughes witnesses favors transfer. Docket No. 130 at 14. According to Hughes, it has nine employees who may be called to testify at trial—eight that work in Germantown, Maryland and one that works in San Diego, California. *Id.* These witnesses include:

- John Border, a Senior Engineer located near Germantown, Maryland with information relating to Hughes’s non-infringement and invalidity defenses;

- Patrick O’Neil, a Senior Principal Engineer located near Germantown, Maryland with information relating to Hughes’s non-infringement and invalidity defenses;
- Doug Dillon, President of the Engineering Division located near Germantown, Maryland with information relating to Hughes’s non-infringement and invalidity defenses,
- John Kenyon, Senior Advisor and former Senior Vice President of Engineering located near Germantown, Maryland with information relating to Hughes’s non-infringement and invalidity defenses;
- David Jupin, Vice President of International Product Management located near Germantown, Maryland, with information relating to Hughes’s non-infringement and invalidity defenses and marketing and financial information;
- Channasandra Ravishankar, Vice President of Engineering located near Germantown, Maryland with information relating to Hughes’s non-infringement and invalidity defenses;
- Royce Hernandez, Senior National Account Executive located near Germantown, Maryland with marketing information regarding the Accused Products;
- Jeff Boggs, Senior Director of Finance located near Germantown, Maryland, with sales and financial information regarding the Accused Products; and
- Graham Avis, Vice President located near San Diego, with information material to Hughes’s non-infringement and invalidity defenses as well as marketing and sales information.

Id. at 14–15.

Elbit responds that while there may be eight potential Hughes witnesses closer to the District of Maryland, there are at least eight other potential witnesses that Defendants have identified as having relevant information. According to Elbit, these eight witnesses are either in Texas or are closer to Texas than Maryland. Elbit identifies Zach Glenn, an employee of Country Home and Steve Burke, Elizabeth Lyons, Jeff Robertson, and Emil Regard, employees of BlueTide. Docket No. 143 at 13–14. With respect to Defendant Hughes, Elbit identifies three witnesses: (1) Walt Tysenn, located in San Diego, California with relevant sales and financial information relating to the accused products and services including GMR-1; (2) Daryl Stokes, located in Utah with relevant information relating to Country Home; and (3) Bill Whitmarsh, Hughes’s Vice President of Engineering who is located in San Diego and is the person with the most knowledge regarding the development of certain accused products and components. *See* Docket No. 143-14 at 15.

Finally, Elbit also identifies Chris Puffer, Vice President and General Counsel at Elbit Systems of America, LLC, as a witness with relevant knowledge about the license agreement between Elbit and Elbit Systems of America. Docket No. 143 at 14. Elbit represents that Puffer resides in Fort Worth.

Hughes has identified eight employees near the District of Maryland that have information relevant to this action. While Elbit has identified one Elbit employee within the state of Texas and argued that two of Hughes employees are closer to this District than to the District of Maryland, five of the employees it has identified work for Country Home or BlueTide. In evaluating this motion to sever and transfer, however, the Court only considers the § 1404 factors with respect to claims against Hughes. *See Shifferaw v. Emson USA*, No. 2:09-CV-54-TJW-CE, 2010 WL 1064380, at *1 (E.D. Tex. Mar. 18, 2010) (explaining that on a motion to sever and transfer, the

Court considers the 1404(a) factors with respect to the severed claims). Elbit has not argued that the Country Home and BlueTide employees it has identified have any information relating to its claims against Hughes. The Court finds that, discounting BlueTide and Country Home witnesses, on balance, it would be more costly for the specifically identified witnesses to attend trial in this District as compared to the District of Maryland. This factor weighs in favor of transfer.

(d) Practical problems that make trial of a case easy, expeditious, and inexpensive

Practical problems include those related to judicial economy. Courts have considered a party's delay in denying a motion to transfer under this factor, and parties seeking a change of venue should act with "reasonable promptness." *Peteet*, 868 F.2d at 1436. "The delay associated with transfer may be relevant in 'rare and special circumstances,' " and such circumstances exist "where a 'transfer [of] venue would have caused yet another delay in [an already] protracted litigation." *In re Radmax, Ltd.*, 720 F.3d 285, 289 (5th Cir. 2013) (quoting *In re Horseshoe Entm't*, 337 F.3d 429, 435 (5th Cir.2003) and *Peteet*, 868 F.2d at 1436). While "garden-variety delay associated with transfer is not to be taken into consideration when ruling on a § 1404(a) motion to transfer," *id.*, the failure to seek transfer until 18 months after the movant knew of the facts supporting transfer has been given significant consideration, *see Peteet*, 868 F.2d at 1436; *see also In re Wyeth*, 406 F. App'x 475, 477 (Fed. Cir. 2010) ("Without reasonable promptness on the part of the movant, a case proceeds, requiring the court to expend time and effort that might become wasted upon transfer."). Additionally, the Federal Circuit has held that "[i]t is entirely within the district court's discretion to conclude that in a given case the § 1404(a) factors of public interest or judicial economy can be of 'paramount consideration' . . . even if the convenience factors call for a different result." *In re Vistaprint Ltd.*, 628 F.3d 1342, 1347 (Fed. Cir. 2010). Additionally, in *Wyeth*, the Federal Circuit denied mandamus relief from a district court's denial of a motion to

transfer where the district court found that concerns of judicial economy stemming from defendant's 16-month delay in filing the motion outweighed the convenience factors. *In re Wyeth*, 406 F. App'x at 477 (Fed. Cir. 2010).

Hughes argues that practical problems including those related to judicial economy do not weigh against transfer in this case. Docket No. 130 at 16. Hughes's argument regarding judicial economy mirrors the arguments it presented regarding Judge Payne's calculation of its delay from the date the original complaint was filed. *See supra* Part I.A.

According to Hughes, at the time the motion was filed, the case was in its early stages. Docket No. 130 at 16. To support its contention, Hughes states that Defendants had only answered the Complaint one month prior to filing the motion, that a discovery order was entered on December 2, 2015 (approximately five months prior to filing the motion), that the deadline for substantial completion of document production was not until August 10, 2016 (approximately three months after the filing of the motion), and that the close of fact discovery would not occur until November 28, 2016 (approximately six months after the filing of the motion). *Id.* at 16–17. Hughes also cites that the parties had not begun exchanging claim-construction positions and that Plaintiffs were allowed to amend infringement contentions on May 23, 2016 (the day before the motion was filed) to double the number of accused products. *Id.* at 17. Additionally, Hughes contends that the delay in filing the motion is not dispositive and that the motion was brought with reasonable promptness. Docket No. 157 at 5. According to Hughes, its motion was “not filed with dilatory motive” and its “inability to bring the motion sooner was caused by Elbit.” *Id.* at 5–6.

Elbit counters that Hughes's delay in filing the motion was significant and that Hughes's delay alone is a sufficient basis to deny its motion to transfer. Elbit analogizes the circumstances of the litigation to those in *Novartis Vaccines & Diagnostics, Inc. v. Wyeth*, 2010 WL 1374806,

at *5 (E.D. Tex. Mar. 31, 2010). Elbit argues that in *Novartis*, the Court similarly denied a motion to transfer relying on judicial economy based on the circumstances where the defendant waited 16 months before filing a motion to transfer—during which time the parties negotiated docket control, discovery, and protective orders, completed initial disclosures, exchanged infringement and invalidity contentions, and proceeded through extensive document production. Docket No. 143 at 4. Elbit claims that by the time Hughes filed its motion, this litigation had passed “the same significant milestones” as the *Novartis* litigation. *Id.* Additionally, Elbit states that by the time Hughes filed its motion, Elbit had produced over 140,000 pages of documents, Hughes had itself produced over 120,000 pages of documents, BlueTide had produced close to 19,000 pages of documents, and Black Elk (which had already been dismissed) had produced over 129,000 pages of documents. *Id.* at 4 n.1.

Elbit also argues that Hughes’s delay in filing the motion caused it prejudice based on the late stage of the case and based on the fact that the parties would have lost their trial and *Markman* dates if transfer was granted. Docket No. 160 at 2–3 (citing *Konami Digital Entm’t Co. v. Harmonix Music Sys., Inc.*, No. CIV A 6:08CV286, 2009 WL 781134, at *7 (E.D. Tex. Mar. 23, 2009) and *eTool Dev., Inc. v. Nat’l Semiconductor Corp.*, No. 2-08-cv-196-TJW, 2010 WL 1000790, at *4 (E.D. Tex. Mar. 15, 2010)).

Elbit further contends that Hughes’s filing of its motion after 16 months was a “dilatatory tactic,” arguing that Hughes only filed its motion to transfer upon Defendants’ receipt an adverse ruling on a motion to dismiss. *Id.* at 3; see Docket No. 101. And Elbit contests Hughes’s contention that its motion was brought with “reasonable promptness,” as a 16-month delay was found to outweigh every other factor favoring transfer in *Novartis*. *Id.* at 4.

The Court finds that Hughes's 16-month delay in bringing this motion to sever and transfer is significant and weights strongly against transferring the case. At the time the motion was filed, discovery was ongoing and the parties were proceeding with claim construction. The parties had engaged in significant discovery and produced thousands of pages of documents. The parties had received rulings from the Court on substantive issues. Accordingly, this factor weighs strongly against transfer. *See supra* Part I.A.

iv. Public Factors

The Court also considers four public factors in evaluating transfer motions under 1404(a). The parties agree that two of the factors—the familiarity of the forum with the law that will govern the case and the avoidance of unnecessary problems of conflict of laws or in the application of foreign law—are neutral in this case. *See* Docket Nos. 130 n.8 and 143 at 15. The parties dispute the other two public factors: (1) the administrative difficulties flowing from court congestion and (2) the local interest in having localized interests decided at home. *See Volkswagen II*, 545 F.3d at 315.

(e) Administrative difficulties from Court congestion

Hughes claims that administrative difficulties from court congestion is not a significant consideration in this case. Docket No. 130 at n. 8. According to Hughes, this factor is “speculative” and when “several relevant factors weigh in favor of transfer and others are neutral, then the speed of the transferee district court should not alone outweigh all of those other factors.” *Id.* (citing *In re Genentech*, 566 F.3d at 1347). Hughes also argues that the District of Maryland's average median disposition of civil cases is 7.43 months compared to 7.97 months in this District. Docket No. 157 at 6.

Elbit counters that the median time to claim construction in this District is 18.5 months compared to 22.5 months in Maryland and that the median time for a patent case to reach trial in

this District is 30 months as compared with 42.7 months in Maryland. Docket No. 143 at 15–16. Elbit also argues that this factor is not “speculative” and is routinely considered by courts. *Id.* at 15 (citing *TiVo Inc. v. Verizon Commc’ns, Inc., et. al*, No. 2:09-CV-257, Docket No. 109 at 15 (E.D. Tex. Sep. 17, 2010)).

Based on the statistics cited to the Court in the parties’ briefing, this factor is neutral. To the extent that transfer would result in a delayed trial setting, the Court has already considered that with respect to the practical-problems factor. *See supra* Part I.B.iii.(d).

(f) *Local interest*

The Fifth Circuit has explained that “[j]ury duty is a burden that ought not to be imposed upon the people of a community which has no relation to the litigation.” *Volkswagen I*, 371 F.3d at 206. Interests that could apply to any district in the United States—for example, the sale of infringing products—are disregarded in favor of particularized local interest. *Volkswagen II*, 545 F.3d at 218. Local interests may favor transfer when the transferee venue is home to a party because the suit may call into question the reputation of individuals that work and conduct business in the community. *See Hoffman-La Roche*, 587 F.3d at 1336.

Hughes argues that Maryland has a far greater local interest in this case than this District because Hughes was founded and first incorporated as Digital Communication Corporation in Rockville, Maryland. Docket No. 130 at 18. Hughes explains that it has 1,500 employees in Maryland and is headquartered there. *Id.* According to Hughes, Elbit’s accusations call into question the work and reputation of Hughes and its employees, suggesting that Maryland has a local interest. *Id.*

Elbit argues that since acts of infringement occurred in this District, the “underlying concern that the burden of jury duty ‘ought not to be imposed upon the people of a community which has no relation to the litigation’ is not present here.” Docket No. 143 at 16. Elbit contends

that Hughes's connection to Maryland is no more significant than Elbit's connection to Texas because Elbit maintains a principal place of business in Fort Worth. *Id.* Elbit also cites in support of a local interest that Country Home is from Lewisville, Texas and BlueTide is from Louisiana. *Id.*

The Court only evaluates Elbit and Hughes's ties to each district, and Elbit's connections to this forum are outweighed by Hughes's connections to the District of Maryland. This factor weighs in favor of transfer.

* * *

This Court has considered each of the private and public factors at length and finds that Hughes has not carried its burden to establish that the District of Maryland is clearly more convenient than the Eastern District of Texas. The access to sources of proof, the costs to willing witnesses, and local interest factors each weighs in favor of transfer. But more third-party witnesses are subject to the subpoena power of this District, weighing against transfer. Additionally, concerns about judicial economy stemming from Hughes's 16-month delay in filing its motion strongly weigh against transfer.

The Court finds that it confronts here the rare and special circumstances described by the Fifth Circuit in *In re Radmax*, 720 F.3d at 289 and *Peteet*, 868 F.2d at 1436. Transfer of this case—on the date the motion was filed—would have resulted in yet another delay in what was then an already protracted litigation. The Court is also persuaded that the circumstances of this case mirror those in *Novartis*, where the Court found a 16-month delay in filing a motion to transfer with significant case progression weighed strongly against transfer. *Novartis Vaccines & Diagnostics, Inc. v. Wyeth*, No. 208-CV-00067 TJW-CE, 2010 WL 1374806, at *5 (E.D. Tex. Mar. 31, 2010).

Moreover, Hughes's delay in filing its motion and the significant prejudice to Elbit resulting from that delay is compelling. Hughes asks the Court to excuse its delay based on Elbit's substitution of Helm for Country Home and its addition of allegations relating to Sevis in its Second Amended Complaint, but neither of these facts or allegations had any effect on this Court's transfer analysis. On this record, the Court questions whether Hughes "is using the motion to transfer venue as a dilatory tactic." *Id.*

Hughes failed to establish that the District of Maryland is a clearly more convenient forum. Accordingly, the Magistrate Judge's finding that Hughes's motion to transfer should be denied because Hughes had not established that the District of Maryland was clearly more convenient was not clearly erroneous. Hughes's objections are **OVERRULED**.

C. Hughes's objection that it was clearly erroneous to assign weight to the fact that the motion was misfiled as a "Sealed Document" and that Defendants did not bring the motion to the Court's attention

Hughes also contends that the Magistrate Judge clearly erred in assigning weight to the fact that Hughes filed its motion incorrectly on the CM/ECF system as a "Sealed Document" and did not notify the Court that it was pending. Docket No. 401 at 6.

In the Magistrate Judge's Order, the Court explains that Defendants filed their motion as a "Sealed Document" on a busy docket, and, "[w]hile the court readily admits some fault in not identifying the document as a motion, the Court cannot be required to regularly review docket sheets in individual cases to make sure that parties have filed their motions correctly. Motions sometimes fall through the cracks, and when that happens, the movant inevitably calls or emails the Court with a polite reminder. That did not happen in this case." Docket No. 394 at 3.

Hughes argues that it was improper for the Magistrate Judge to rely on the erroneous fact that it did not remind the Court that the motion was pending. Hughes suggests that, regardless, it did remind the Court of the pending motion in the Joint Claim Construction Statement two months

after it was filed and specifically requested that the Court not expend its resources on claim construction until it had been resolved. Docket No. 401 at 6. Hughes contends that the Motion “should have been considered on the merits and decided based on the events in the case as of the date of filing—May 24, 2016.” *Id.*

Elbit responds that, even if Hughes filed a reminder with the Court two months later, Hughes’s motion was still improperly filed as a “Sealed Document” and Hughes failed to bring it to the Court’s attention thereafter. Docket No. 422 at 5. Elbit notes that, for example, the Court asked the parties at a January 2017 hearing if “there [was] anything else that the Court need[ed] to address at [that] time,” and in response Hughes’s lead counsel explained that it had “nothing further.” *Id.* (citing Docket No. 249 at 66:19-67:1).

On this record, the Court finds that the Magistrate Judge did not clearly err by considering in his analysis the misfiling of the motion as a “Sealed Document” and Hughes’s lack of diligence in pursuing its motion. Parties are responsible for ensuring their filings are made correctly with the Court, and to the extent a party misfiles a document, such error should be brought to the attention of the Court’s staff or the Clerk’s Office. But, even if the Magistrate Judge had erred in relying on both the misfiling of the motion and Hughes’s subsequent lack of diligence, any such error would be harmless as Hughes has not met its burden in proving that the District of Maryland would be clearly more convenient under the *Volkswagen* factors. *See supra* Parts I.B.iii, I.B.iv.

II. Defendant Hughes’s Objections to the Magistrate Judge’s Order Denying Motion to Transfer and Motion to Stay

Hughes also seeks transfer of its case, arguing that venue is improper in the Eastern District of Texas.⁶ Docket No. 372. The Magistrate Judge denied Hughes and BlueTide’s Motion to

⁶ Hughes also filed a motion to stay pending its transfer motion under 28 U.S.C. §1406, which the Magistrate Judge denied as moot. Docket No. 388 at 42. Hughes objects to the Order denying the stay pending resolution of the transfer issue “for the same reasons” it cites for its transfer motion. *See* Docket No. 404 at 8 n.5. The Court considers Hughes’s

Transfer Under 28 U.S.C. § 1406, finding that Hughes and BlueTide had waived its venue defense (Docket No. 388), and Hughes thereafter filed objections (Docket No. 404).

In his Order, the Magistrate Judge explained that “by filing a motion to dismiss for failure to state a claim under Rule 12(b)(6) and omitting its venue defense, Hughes waived the defense—assuming that defense ‘was available’ to Hughes at the time.” Docket No. 388 at 38–39. The Magistrate Judge then explained that, even if the Court recognized a change in the law exception to waiver under Rule 12(h)(1)(A), *TC Heartland* did not qualify as a change in the law because it “merely affirm[ed] the viability of *Fourco*.” *Id.* at 39–40 (citing *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15-cv-21, 2017 WL 2556679, at *3 (E.D. Va. June 7, 2017)). The Order further notes that the Federal Circuit denied the defendant’s petition for writ of mandamus in *Cobalt Boats* on the eve of trial. *Id.* at 40 n.2.

Additionally, the Magistrate Judge analyzed the effect of Hughes’s statement in its answer that it “does not contest venue is proper for Hughes in this District.” Judge Payne found that the “defendant cannot state that it does not dispute venue while reserving the ability to later contest it. To conclude otherwise would undermine the purpose of Rule 12(g) and (h) to promote efficiency and finality.” *Id.* at 41.

Hughes objects to the Magistrate Judge’s Order, stating that it “explicitly ‘reserved the right to contest that venue is proper in this District based on *In re TC Heartland*, Case No. 16-0105, currently pending before the Federal Circuit.’ ” Docket No. 404 at 5. Hughes contends that waiver does not apply when a defense is unavailable and that this Court is not bound by the Federal Circuit’s opinion denying mandamus in *Cobalt*. *Id.* at 6–7. Hughes further contends the Magistrate Judge erred in finding that Hughes did not contest venue in its answer. *Id.* at 7. Finally,

arguments with respect to the Magistrate Judge’s denial of its motion to transfer below and overrules those objections. Hughes’s objections to the Magistrate Judge’s denial of its stay motion is likewise **OVERRULED**.

Hughes contends that the Magistrate Judge erred by faulting “Hughes for not filing a futile Rule 12 motion in March of 2015 before *TC Heartland* was even petitioned to the Federal Circuit, which this Court (and the Federal Circuit) would have denied as meritless at the time.” *Id.*

In response to Hughes’s Objections, Elbit contends that the Magistrate Judge did not err in finding waiver. Docket No. 423 at 2. Elbit argues that *TC Heartland* did not change the law. *Id.* (citing *Cobalt Boats* No. 2:15-cv-21, 2017 WL 2556679, at *8–9 (E.D. Va. June 7, 2017) (“[b]ased on the Supreme Court’s holding in *TC Heartland*, *Fourco* has continued to be binding law since it was decided in 1957, and thus, it has been available to every defendant since 1957”)). Additionally, Elbit argues that other defendants in this District and the petitioners in *TC Heartland* itself did file motions to dismiss based on *Fourco*, stating that “[t]he intervening twenty-seven years may have created reliance on *VE Holding*, . . . but that does not change the harsh reality that a party could have ultimately succeeded in convincing the Supreme Court to reaffirm *Fourco*, just as the petitioner in *TC Heartland* did.” (citing *iLife Techs., Inc. v. Nintendo of Am., Inc.*, No. 3:13-cv-4987, 2017 U.S. Dist. LEXIS 98698, at *15-16 (N.D. Tex. June 27, 2017)).

Elbit additionally argues that Hughes’s litigation conduct waived any venue challenge based on its answer to the Complaint, which stated that “Hughes does not contest that venue is proper for Hughes in this District,” and based on Hughes’s participation in claim construction, “contested fact and expert discovery, including filing no fewer than 10 motions on discovery and contentions.” *Id.* at 4.

The Court finds that the Magistrate Judge did not clearly err in finding that Hughes waived its venue argument. In short, Hughes filed a motion to dismiss pursuant to Rule 12 without including its venue defense and specifically represented to the Court and the parties in its answer that it did not contest venue. Moreover, the Court is not persuaded by Hughes’s argument that the

defense was “unavailable” when numerous other litigants—including the petitioners in *TC Heartland*—maintained that *Fourco* governed venue. *See* Docket No. 386 at n.2 (collecting cases). The Magistrate Judge’s finding that Hughes waived its venue defense is not clearly erroneous.

Additionally, the Magistrate Judge did not clearly err in finding that *TC Heartland* is not new law. Indeed, when Judge Payne issued his Order denying Hughes’s motion, similar arguments in a case on a similar schedule—the eve of trial—had already been rejected in the Eastern District of Virginia in *Cobalt Boats* No. 2:15-cv-21, 2017 WL 2556679, at *8–9 (E.D. Va. June 7, 2017). And in *TC Heartland*, the Supreme Court confirmed that *Fourco* has continued to be binding law since it was decided in 1957. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017) (“*Fourco*’s holding rests on even firmer footing”). Because *Fourco* had not been overruled and *TC Heartland* “merely affirms its viability,” the Magistrate Judge’s finding that *TC Heartland* does not qualify for the intervening-law exception to waiver was not clearly erroneous. *See Cobalt Boats* No. 2:15-cv-21, 2017 WL 2556679, at *8–9 (E.D. Va. June 7, 2017) (citing *Thurston Motor Lines, Inc. v. Jordan K. Rand, Ltd.*, 460 U.S. 533, 535 (1983) (“Needless to say, only this Court may overrule one of its precedents.”)). In so holding, the Magistrate Judge did not commit clear error.

Additionally, the Court notes that, since *Cobalt Boats*, all but one court that has considered this issue has similarly found that *TC Heartland* would not qualify for the intervening-law exception to waiver. *See Reebok International Ltd. et al. v. TRB Acquisitions LLC et al.*, Case No. 3:16-cv-1618 (D. Or. July 14, 2017) (“Other than *Westech*, Defendants cite to no other cases, nor could the Court find any, holding that *TC Heartland* qualifies as an intervening change in the law sufficient to negate a waiver of the defense of improper venue. The Court does not find persuasive the decision in *Westech* under the facts of the present case and agrees with the reasoning and

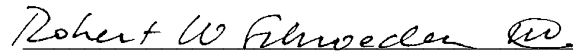
analyses of the several district court cases finding that *TC Heartland* does not serve as an intervening change in the law negating Defendants' waiver of the defense of improper venue."); *Navico, Inc. v. Garmin Int'l, Inc.*, No. 2:16-CV-190, 2017 WL 2957882, at *2 (E.D. Tex. July 11, 2017) ("as a majority of courts have recognized and this Court now holds, *TC Heartland* was not an intervening change in the law"); *Realtime Data LLC v. Carbonite Inc. et al.*, Case No. 6:17-cv-121 (E.D. Tex. July 11, 2017); *Diem LLC v. BigCommerce, Inc.*, Case No. 6:17-cv-186 (E.D. Tex. July 6, 2017); *Infogation Corp. v. HTC Corp.*, No. 16-CV-01902-H-JLB, 2017 WL 2869717, at *4 (S.D. Cal. July 5, 2017) ("In addition, the Court rejects Defendants' argument that no waiver has occurred because there has been an intervening change in controlling law, specifically the Supreme Court's recent decision in *TC Heartland*"); *Tinnus Enterprises, LLC et al. v. Telebrands Corporation et al.*, No. 6:15-cv-551 (E.D. Tex. July 5, 2017) ("the Supreme Court's decision in *TC Heartland* is not an intervening change of law"); *Amax, Inc. v. ACCO Brands Corp.*, No. CV 16-10695-NMG, 2017 WL 2818986, at *3 (D. Mass. June 29, 2017); *Chamberlain Group, Inc. v. Techtronic Industries Co. et al.*, No. 1:16-cv-6097, at 3 (N.D. Ill. June 28, 2017) ("[T]he Court follows *Elbit* and *Cobalt Boats* . . . in finding that *TC Heartland* did not represent a change in the law that would excuse waiver under these circumstances."); *iLife Techs. Inc. v. Nintendo of America, Inc.*, No. 3:13-cv-4987, 2017 WL 2778006, at *7 (N.D. Tex. June 27, 2017) ("*TC Heartland* does not qualify as an intervening change in law."); *but see Westech Aerosol Corp. v. 3M Co.*, No. C17-5067-RBL, 2017 WL 2671297, at *2 (W.D. Wash. June 21, 2017).

The Court finds that the Magistrate Judge did not commit clear error by holding that Hughes had waived its venue defense by not including it as a defense at the time it filed its motion to dismiss. Accordingly, Hughes's objections are **OVERRULED**.

CONCLUSION

Having considered the evidence in the record, the underlying briefing, Hughes's objections, and Elbit's responses thereto, the Court has **OVERRULED** each of Hughes's objections to the Magistrate Judge's Orders (Docket Nos. 388, 389, and 394).

SIGNED this 19th day of July, 2017.


ROBERT W. SCHROEDER III
UNITED STATES DISTRICT JUDGE

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

| | | |
|----------------------------------|---|--------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | Case No. 2:15-CV-00037-RWS-RSP |
| <i>Plaintiffs,</i> | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| <i>Defendant.</i> | § | |

ORDER ON MOTIONS *IN LIMINE*

Before the Court are Motions *in Limine* filed by Plaintiffs Elbit Systems Land and C4I Ltd. And Elbit Systems of America, LLC (collectively, “Elbit”) (Dkt. 370) and by Defendant Hughes Network Systems, LLC (“Hughes”) (Dkt. 370). The Court heard argument on the motions during the pretrial conference on June 26, 2017. For the reasons explained at the conference, the Court rules as follows. A party must approach the bench before introducing evidence or argument about the subject matter of a granted motion *in limine*.

ELBIT’S MOTIONS *IN LIMINE*

1. Testimony or Argument Contrary to the *Markman* Order

DENIED. Either party may object to witness testimony as being contrary to the Court’s claim construction at trial.

2. PES Demonstration System

DENIED. Having considered testimony and argument concerning the authenticity of the PES Demonstration System components, the Court is convinced that Hughes has met the low bar of authenticity. Whether the system is a *prior art* system, or whether system components were available before the critical date, are questions for the jury, not questions of authenticity. *See Silver State Intellectual Techs., Inc. v. Garmin Int’l, Inc.*, No. 2:11-CV- 01578-GMN, 2015 WL 2152658, at *1 (D. Nev. May 7, 2015). Hughes must make Mr. Messineo available at trial, and Elbit may question the witness about his knowledge of the allegedly prior system.

3. Relative Importance of Claim Elements

DENIED.

4. Expert Testimony Not Disclosed in Expert Reports

GRANTED IN PART and **DENIED IN PART** as follows: (1) Defendant is precluded from presenting evidence or argument that Mr. Elbert is an inventor of the subject matter claimed in the '073 patent; and (2) Defendant is precluded from relying on uncharted prior art to prove invalidity by demonstrating that uncharted prior art discloses or suggests elements of the asserted claims. Defendant is also precluded from introducing uncharted prior art as an exhibit and displaying uncharted prior art as a demonstrative, with the exception of books authored by Mr. Elbert. Defendant is otherwise not precluded from relying on uncharted prior art in the context of background material relevant to the technology at issue, state of the art, or establishing what one of skill in the art would have known at the time of the invention. The motion is otherwise denied with the understanding that expert testimony is always limited to the disclosure the report. *See* Fed. R. Civ. P. 26(a)(2)(B), 37(c)(1).

5. Any Argument That Shiron Breached its 2008 Patent Commercialization Agreement With iLeverage

DENIED.

6. References to Claims or Causes of Action That Have Been Dismissed or Dropped by Elbit to Narrow its Case for Trial

GRANTED as to (1) evidence or argument that the *fact* that a claim or cause of action has been dropped or dismissed suggests that a product is not covered by the claims or that a third party does not infringe; and (2) evidence or argument that the *fact* that a product or third party was once accused but is no longer accused suggests the product is not covered by the claims or the third party does not infringe.

7. Products and Third Parties Not Accused of Infringement

GRANTED as to evidence or argument that the *fact* that a party has not been sued for patent infringement suggest that the party does not infringe.

8. Defendants' Patents or Patent Applications as a Defense to Infringement

GRANTED as to evidence or argument that Defendant's patents are a defense to infringement.

9. Criticisms of the USPTO and/or USPTO Employees and Speculation About Possible Examiner Responses

GRANTED BY AGREEMENT.

10. References to Equitable Issues

DENIED with the understanding that Defendant will not (1) present evidence or argument that is relevant only to an equitable issue; or (2) present evidence of argument that Plaintiffs are estopped or undeserving of damages because of Plaintiffs' delay in filing suit.

11. Elbit's Business Activities

GRANTED IN PART AS RECIPROCAL BY AGREEMENT and **DENIED** as to Defendant's use of the phrase "hold up" as an economic term.

* * *

HUGHES' MOTIONS *IN LIMINE*

1. Evidence or argument that the '073 Patent requires unclaimed features or capabilities

DENIED.

2. Evidence or argument that "means for switching" satisfies the "switching means" or that a "decision to switch" at the remote terminal is not required by the claims

DENIED.

3. Evidence or argument concerning the doctrine of equivalents

GRANTED BY AGREEMENT.

4. Evidence or argument suggesting that the Personal Earth Station is not prior art because documents and source code were not public

DENIED.

5. Evidence or argument that Advantech's products practice the asserted patents

GRANTED AS RECIPROCAL BY AGREEMENT.

6. Evidence or argument that Defendants copied the '874 Patent

GRANTED BY AGREEMENT.

7. Evidence or argument that Defendants copied the '073 Patent.

DENIED.

8. Evidence or argument that Defendant had a duty to search or investigate patents

GRANTED BY AGREEMENT that Plaintiffs will not prevent evidence or argument that Defendant had a duty to search or investigate patents. Plaintiffs are not precluded from presenting evidence or argument that Defendant *did* investigate patents. In addition, Plaintiffs may refer to 37 C.F.R. § 11.18, which among other things relates to an applicant's certification that statements made to the Patent Office are true, but the Court will closely monitor any testimony related to this provision at trial.

9. Evidence or argument concerning purported statements by Kenneth Miller, deceased

GRANTED. Having considered the arguments and authorities offered by the parties, the Court concludes that Mr. Miller's position at a related corporate entity is not sufficient to meet the requirements of Federal Rule of Evidence 801(d)(2). Mr. Miller's hearsay statements are excluded.

10. Evidence or argument that violates the entire market value rule

GRANTED BY AGREEMENT as to total revenues and net worth, **DENIED** as to unit prices including products and services.

11. Evidence or argument concerning the parties' Caltech-related discovery letters

GRANTED as to discovery letters from Defendant's counsel.

12. Evidence or argument that Hughes' patents show infringement, validity, or the functionality of Hughes' products

GRANTED BY AGREEMENT that Defendant's patents will not be used to show functionality of Hughes' accused products.

13. Evidence or argument suggesting that the Personal Earth Station was not inventive or first in time because Hughes did not seek its own patent

WITHDRAWN.

14. Evidence or argument relating to indemnification agreements

GRANTED AS MODIFIED BY AGREEMENT.

15. Evidence or argument of discovery deficiencies, violations, or spoliation

GRANTED with the narrow exception that if a party relies on the absence of its own documents to establish a material fact, the opposing party may present evidence or argument about that party's document retention policy.

16. Evidence or argument for the presumption of validity

DENIED.

17. Evidence or argument relating to expert's prior affiliations

GRANTED BY AGREEMENT.

18. Improper argument regarding the burden of proof

GRANTED (modified from ruling at pretrial conference). Before a party presents argument concerning the burden of proof in a different area of law, e.g., the burden of proof required to commit an individual to an institution, revoke parental rights, or terminate life support, the party must first approach the bench. This applies to any analogy to the burden of proof in another area of law anticipated during voir dire.

19. Evidence or argument that the Court has power to dismiss frivolous suits

GRANTED.

20. Evidence or argument relating to irrelevant lawsuits

GRANTED to the extent that the parties will not discuss the terms of a license or agreement that neither party contends is comparable to the hypothetical license.

21. Reference to a priority or reduction to practice date earlier than the date of filing of the '073 Patent

DENIED AS MOOT in light of Court's previous Order. *See* Dkt. 388.

22. Evidence or argument relating to the Gilat Settlement

WITHDRAWN.

SIGNED this 25th day of July, 2017.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

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

| | | |
|----------------------------------|---|------------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | CIVIL ACTION NO. 2:15-CV-00037-RWS |
| Plaintiffs, | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| Defendant. | § | |

ORDER

On June 20, 2017, the Magistrate Judge issued a Memorandum and Opinion and a Report and Recommendation (“Report and Order”) on ruling the following motions:

- (1) Plaintiffs’ Motion to Strike Expert Opinions Regarding Stricken Prior Art References And Undisclosed Invalidity Theories (Docket No. 275) (“Elbit’s Motion to Strike Invalidity Opinions”);
- (2) Defendant Hughes Network Systems, LLC’s Motion to Strike Elbit’s ’874 Patent Infringement Contentions (Docket No. 276) (“Hughes’s Motion to Strike Infringement Contentions”);
- (3) Defendant Hughes’s Motion to Exclude Elbit’s New Priority Date Contentions for the ’073 Patent (Docket No. 277) (“Hughes’s Priority Date Motion”);
- (4) Plaintiffs’ Motion to Exclude the Testimony of Dr. Stephen B. Wicker (Docket No. 312) (“Elbit’s Infringement Expert Motion”);
- (5) Defendant Hughes Network Systems, LLC’s Motion to Exclude Expert Testimony of Stephen G. Kunin (Docket No. 313) (“Hughes’s Motion to Exclude Patent Office Expert Testimony”);
- (6) Defendants’ *Daubert* Motion to Exclude the Opinions Offered by Christopher Martinez (Docket No. 314) (“Defendants’ Motion to Exclude Damages Expert Testimony”);
- (7) Plaintiffs’ Motion to Strike Defendants’ Experts Opinions Regarding Previously-Undisclosed Non-Infringing Alternatives (Docket No. 315) (“Plaintiffs’ Motion to Strike Non-Infringing Alternatives”);

- (8) Hughes's Motion to Strike Portions of Elbit's Expert Reports that Rely on Previously- Unidentified Infringement Theories (Docket No. 316) ("Hughes's Motion to Strike Infringement Opinions"); and
- (9) Plaintiffs' Motion to Exclude Certain Opinions of Defendants' Damages Expert, Mr. W. Christopher Bakewell (Docket No. 319) ("Elbit's Motion to Exclude Damages Expert Testimony").¹

The Magistrate Judge's Report also recommended dispositions for the following motions:

- (1) Defendants' Motion for Summary Judgment of Noninfringement of the Switching Means of United States Patent No. 6,240,073 (Docket No. 291) ("Defendants' 'Switching Means' Motion");
- (2) Defendants Motion for Summary Judgment of Non-Infringement of Claim 28 of the '073 Patent for Lack of a "Means For Generating A Request" (Docket No. 292) ("Defendants' 'Means for Generating Request' Motion");
- (3) Defendants' Motion for Partial Summary Judgment of Non-Infringement for Hughes's GMR-1 Products (Docket No. 293) ("Defendants' GMR-1 Products Motion");
- (4) Defendants' Motion for Partial Summary Judgment of No Damages With Respect to the '874 Patent (Docket No. 294) ("Defendants' Damages Motion");
- (5) Defendant Hughes Network Systems, LLC's Motion for Summary Judgment of No Copying of U.S. Patent No. 6,240,073 (Docket No. 295) ("Hughes's Copying Motion");
- (6) Defendant Hughes Network Systems, LLC's Motion for Summary Judgment of No Willfulness (Docket No. 296) ("Hughes's Willfulness Motion");
- (7) Defendant Hughes Network Systems, LLC's Motion for Summary Judgment of No Pre- Suit Damages Based on Plaintiffs' Failure to Comply with 35 U.S.C. § 287 (Docket No. 297) ("Hughes's Marking Motion"); and
- (8) Defendant Hughes Network Systems, LLC's Motion for Partial Summary Judgment of Non-Infringement of Claims 2-5, 7-9, 11, and 12 of U.S. Patent No. 7,245,874 (Docket No. 298) ("Motion for Summary Judgment of Noninfringement of the '874 Patent").

Both Plaintiff Elbit Systems Land and C4i Ltd and Elbit Systems of America, LLC (collectively, "Elbit") and Defendant Hughes Network Systems, LLC ("Hughes") have filed objections to various portions of the Magistrate Judge's Report and Order, and the Court considers the parties'

¹ The Magistrate Judge also ruled on two venue motions, and the Court overruled objections to the Magistrate Judge's Order on July 19, 2017. Docket No. 430.

objections to each set of rulings in turn. For the reasons detailed below, each objection is **OVERRULED** and the Magistrate Judge's Report and Order is adopted as the opinion of the Court.

I. OBJECTIONS TO DISPOSITIVE MOTIONS

Hughes filed objections to the Magistrate Judge's Report and Recommendation recommending denial of Hughes's motion for summary judgment of no pre-suit damages based on Plaintiffs' failure to comply with 35 U.S.C. § 287. Hughes argues that the Magistrate Judge erred in finding that "if Elbit's third-party patent broker, iLeverage, was considered an effective patentee, a reasonable juror could conclude that iLeverage gave actual notice of infringement to Hughes under the marking statute." Docket No. 414 at 2. According to Hughes, there is no evidence in the record to support the finding that iLeverage was an effective patentee. *Id.* Additionally, Hughes claims that the Magistrate Judge improperly shifted the burden on the marking question to Hughes. *Id.*

Elbit responds that the marking requirement did not exist in this case because "Hughes failed to show that Shiron (or its successor, Elbit) sold or offered for sale in the U.S. a single patent-practicing InterSKY system that would trigger the marking statute." Docket No. 438 at 2. But, Elbit argues, even if a marking requirement did exist, Judge Payne correctly found that a factual dispute exists concerning iLeverage's Notice to Hughes of its infringement. *Id.* at 3. Elbit points to deposition testimony of Uzi Aloush in the record from which, it argues, a juror could conclude that iLeverage provided actual notice to satisfy the marking statute. *Id.* Additionally, Elbit contends that iLeverage could provide notice because it "had the right to act as the exclusive worldwide agent to commercialize the '073 patent." *Id.*

The Court reviews objected-to portions of the Magistrate Judge's Report and Recommendation *de novo*. Fed. R. Civ. P. 72(b)(3). Having considered the record, the parties' arguments in the underlying motions, and the parties' objections, the Court agrees with the Magistrate Judge that the evidence in the record creates a genuine issue of material fact as to whether Hughes had actual notice of the '073 patent and the charge of infringement. As the Magistrate Judge correctly noted, a juror could conclude from the evidence that Aloush provided actual notice sufficient to satisfy the marking statute. Hughes has not met its burden on summary judgment to establish that iLeverage could not have been an effective patentee, and the scope and extent of iLeverage's relationship with Shiron is a question for the jury. Hughes's objection to the Magistrate Judge's Report on its pre-suit damages summary-judgment motion is **OVERRULED**.

II. OBJECTIONS TO MOTIONS TO STRIKE AND MOTIONS TO EXCLUDE

Both Elbit and Hughes have filed objections to the Magistrate Judge's rulings in its Report and Order (Docket Nos. 404, 413). The Court reviews objected-to portions of the Magistrate Judge's Orders for clear error. *See* 28 U.S.C. § 636; Fed. R. Civ. P. 72(a).

A. Elbit's Objection to the Magistrate Judge's Ruling on Elbit's Infringement Expert Motion

Elbit argues that Dr. Wicker's testimony has been inconsistent and that the Magistrate Judge should have granted its motion: According to Elbit, after concluding that PES does not anticipate the '073 patent under his understanding of the asserted claims, Dr. Wicker nonetheless explained at his deposition that he intended to testify that PES anticipates the asserted claims because the accused products practice the alleged prior art. Docket No. 413 at 3. Elbit offers two reasons for why this is improper: (1) anticipation cannot be proven by establishing that one practices the prior art and (2) if an expert disagrees with an adverse party's infringement theory, that expert is not permitted under Rule 702 to apply the adverse party's infringement theory to

affirmatively conclude that the patent is invalid. *Id.* at 3–4. According to Elbit, the Court should have excluded Dr. Wicker’s opinions as improper. *Id.*

Elbit also argues that Dr. Wicker should not be permitted to testify to the construction of the “regenerator” element of the ’874 patent because Dr. Wicker incorrectly applied the broadest reasonable interpretation claim construction standard. According to Elbit, the Magistrate Judge’s ruling will “presumably allow[] him to substitute the correct standard at trial, . . . violat[ing] the disclosure requirements of FRCP 26(a)(2) because Wicker’s report never disclosed the correct standard.” Docket No. 413 at 4–5.

Finally, Elbit argues that Dr. Wicker offered a conclusory opinion that there are non-infringing alternatives. According to Elbit, the Court denied Elbit’s motion to exclude that opinion based on Hughes’s representation that Wicker will point to testimony from live fact witnesses at trial, but “[t]his constitutes clear error by allowing Wicker to conceal the basis of his opinions until trial.” Docket No. 413 at 5.

In response, Hughes contends that the Court did not err in finding that Dr. Wicker’s anticipation opinions properly rest on a factual analysis of the PES system as opposed to the asserted claims. Docket No. 431 at 2. According to Hughes, the Court found that Dr. Wicker did not advance a practicing the prior art defense and that there was enough standalone factual basis for Dr. Wicker’s opinions to withstand exclusion under Rule 702. *Id.*

With respect to the “regenerator” element, Hughes contends that Dr. Wicker applied the correct standard: “Dr. Wicker’s report states that “one of ordinary skill in the art would understand Arimilli to disclose a time slot regenerator” under the Court’s construction of that term.” *Id.* at 3. According to Hughes, there has been no Rule 26 violation because Dr. Wicker applied the Court’s construction. *Id.*

With respect to non-infringing alternatives, Hughes claims that the Court did not err in declining to strike Dr. Wicker's opinions because Dr. Wicker cites relevant deposition testimony in his report that he is permitted to rely on at trial. *Id.* at 4.

The Court agrees with the Magistrate Judge's conclusion that Elbit's Infringement Expert Motion should be denied. The Court finds that, putting aside Dr. Wicker's comparisons between the PES system and the accused products, there is enough factual basis for Dr. Wicker's opinions to withstand exclusion on the basis of Rule 702. Moreover, the Court is not convinced that Dr. Wicker has applied a claim construction inconsistent with *Phillips*, but, to the extent that Dr. Wicker has proffered an opinion under such a construction, it will not be admissible at trial. Finally, the Court also agrees that Dr. Wicker has cited relevant deposition testimony in his report and is permitted to rely on fact testimony presented at trial. Accordingly, Elbit's objections are **OVERRULED.**

B. Elbit's Objection to the Magistrate Judge's Ruling on Elbit's Motion to Exclude Damages Expert Testimony

Elbit argues that Mr. Bakewell should not be permitted to opine on standard essential patents (SEPs) and fair, reasonable, and nondiscriminatory (FRAND) terms because he did not determine that the '073 is a SEP; instead, according to Elbit, Bakewell "erroneously believed that the law concerning SEPs would apply nonetheless." Docket No. 413 at 5. Elbit also argues that Bakewell's baseline royalty should be excluded because he did not explain his methodology. *Id.* at 6. Additionally, Elbit contends that the Court "failed to rule" on Elbit's request to exclude the Bakewell opinions concerning a purported DVB-S2 license and an "effective royalty rate" from a Caltech license offered as an "alternative" to the actual rate. *Id.* at 6. Finally, Elbit argues that Bakewell did not disclose the basis for his opinion on when his alleged non-infringing alternative

became available and that Bakewell improperly relied on the iLeverage “valuation” as it constituted a “manifestly unreasonable source of data.” *Id.* at 7.

In response, Hughes argues that the Court did not err in finding that Elbit’s objections are more relevant to the weight of Mr. Bakewell’s opinions and not their admissibility. Hughes notes that the evidence supports the conclusion that the ’073 patent is necessarily infringed by products practicing the IPoS standard. Docket No. 431 at 4. With respect to Mr. Bakewell’s economic analysis, Hughes argues that the Court correctly found that Mr. Bakewell’s range of royalties could be tested via cross-examination. *Id.* Hughes also contends that Elbit’s concerns about Mr. Bakewell’s reliance on the iLeverage valuation focus more on the reasonableness of Mr. Bakewell’s valuation and not its potential exclusion. *Id.* at 5.

The Court agrees with the Magistrate Judge that Elbit’s objections to Mr. Bakewell’s opinions are more relevant to the weight of his testimony than to its admissibility. The parties dispute whether the patents-in-suit are SEPs, and Mr. Bakewell opines that at least the ’073 patent is a SEP because it would be necessarily infringed by technology using the IPoS standard. *See* Docket No. 346-1 at ¶ 20. Moreover, the Court agrees that Mr. Bakewell’s economic analysis, including relating to the Caltech license, is sufficiently detailed to avoid exclusion under *Daubert*. The Court agrees that cross-examination could address Elbit’s concerns about Mr. Bakewell’s opinions. Accordingly, Elbit’s objection is **OVERRULED**.

C. Elbit’s Objection to the Magistrate Judge’s Ruling on Hughes’s Priority Date Motion

Elbit argues that the Court erred in excluding Elbit’s priority-date contentions because the Court relied on Hughes’s misstatements and “ignored that Hughes did not include these other references in its 1405-page invalidity expert report.” Docket No. 413 at 7.

In response, Hughes argues that Magistrate Judge correctly found that Elbit knew of the facts supporting its priority-date arguments at least by September 2016. Docket No. 431 at 6. According to Hughes, Elbit had represented that it was only relying on the filing date of the '073 patent for priority, and Hughes was justified in developing invalidity positions based on that statement. *Id.*

The Court agrees with the Magistrate Judge that Elbit knew of the facts supporting its priority-date arguments at least as early as September 2016 and that Hughes was justified in developing its invalidity positions based on the filing date. Accordingly, Elbit's objection is **OVERRULED.**

D. Hughes's Objection to the Magistrate Judge's Ruling on Defendants' Motion to Exclude Damages Expert Testimony (Docket No. 404)

Hughes argues that the Magistrate Judge clearly erred in permitting the jury to consider Mr. Martinez's damages opinions relating to the Gilat Agreement, the '874 Patent, and lost profits. According to Hughes, the Gilat Agreement is not reliable and contains economic differences from a hypothetical negotiation that Mr. Martinez does not account for. Docket No. 404 at 8–9. Hughes also contends that the Court should have excluded Mr. Martinez's opinion because Mr. Martinez improperly considers both the '874 patent and the '073 patent in his calculation. *Id.* at 9. Finally, Hughes faults Mr. Martinez's market-share approach to lost profits and contends that it is distinguishable from that in *Mor-Flo* and subsequent cases. *Id.*

In response, Elbit argues that the Magistrate Judge did not clearly err in allowing Mr. Martinez to provide opinions on the Gilat Agreement, the '874 patent, and lost profits. Elbit claims that Mr. Martinez did account for the Gilat Agreement's tiered rate structure or limit to existing inventory. Docket No. 423 at 5. According to Elbit, Mr. Martinez accounted for the Gilat Agreement's 60-month period by "explaining that the limited temporal relevance of the Gilat

Agreement technology was not applicable to the 2001 hypothetical negotiation here (as Elbit’s technology remains relevant).” *Id.* Elbit also claims that Mr. Martinez “reasonably assumed that there would have been only one hypothetical negotiation for both patents—a consideration Hughes’s damages expert says would not change his opinions.” *Id.* at 6. Elbit finally contends that Mr. Martinez’s opinions follow *Mor-Flo*.

The Court agrees with the Magistrate Judge Mr. Martinez’s reliance on the Gilat Agreement is not a basis for excluding his opinion, as Mr. Martinez accounts for the differences in technologies and economic circumstances of the contracting parties. Additionally, Hughes has not established that Mr. Martinez’s opinion that the parties would have engaged in a single hypothetical negotiation is unreliable. Mr. Martinez’s lost-profits opinion also accounts for the existence and effect of noninfringing alternatives by conducting a market-share apportionment analysis. Moreover, the Court agrees that Mr. Martinez’s opinion is consistent with Federal Circuit case law, including *Mor-Flo*. Accordingly, Hughes’s Objection is **OVERRULED**.

E. Hughes’s Objection to the Magistrate Judge’s Order on Hughes’s Motion to Strike Infringement Contentions (Docket No. 404)

Hughes argues that the Magistrate Judge erred in applying P.R. 3-1(g) by finding that Elbit had no obligation to identify corresponding source code. Docket No. 404 at 9. According to Hughes, Plaintiffs have an obligation to serve amended infringement contentions. *Id.* (citing *Zix Corp. v. Echoworx Corp.*, 2016 WL 3410367 at *4 (E.D. Tex. May 13, 2016)).

In response, Elbit argues that *Zix Corp.* is irrelevant here because in that case, the contentions were “ ‘ vague and conclusory’ or ‘merely recited claim language without providing notice.’ ” *Id.* Elbit contends that P.R.3-1(g) was designed to “delay compliance with P.R. 3-1 where source code is required, not heighten the contention standard to require disclosure of any source


code.” *Id.* (citing *Am. Video Graphics v. Elec. Arts*, 359 F. Supp. 2d 558 (E.D. Tex. 2005); *Xerox Corp. v. Sharp Corp.*, No. 2:06-CV-187-TJW, Dkt. 62, at 9-10 (E.D. Tex. Mar. 14, 2007)).

The Court agrees with the Magistrate Judge that P.R. 3.1(g) does not create an obligation to identify corresponding source code and that Elbit did not violate this local rule. Accordingly, Hughes’s Objection is **OVERRULED**.

* * *

Having considered each of the parties’ objections to the Magistrate Judge’s Report and Order and overruled each objection, the Magistrate Judge’s Report and Order is adopted as the Order of this Court.

SIGNED this 31st day of July, 2017.


ROBERT W. SCHROEDER III
UNITED STATES DISTRICT JUDGE

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

ELBIT SYSTEMS LAND AND C4I LTD.,
ELBIT SYSTEMS OF AMERICA, LLC,

Plaintiffs,

v.

HUGHES NETWORK SYSTEMS, LLC,

Defendant.

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CIVIL ACTION NO. 2:15-CV-00037-RWS

VERDICT FORM

In answering these questions, you are to follow all of the instructions I have given you in the Final Jury Instructions. Your answers to each question must be unanimous. In this verdict form, "Elbit" and "Plaintiffs" refer collectively to Elbit Systems Land and C4I Ltd and Elbit Systems of America. "Hughes" or "Defendant" refers to Hughes Network Systems, LLC. In this verdict form, "the '073 Patent" refers to U.S. Patent Number 6,240,073. "The '874 Patent" refers to U.S. Patent Number 7,245,874.

QUESTION 1 -- INFRINGEMENT:

Did Elbit prove by a preponderance of the evidence that Defendant Hughes infringes the following claims of the following patents:

Write "Yes" or "No" for each claim.

A "Yes" is a finding for Elbit, and a "No" is a finding for Hughes.

'073 Patent

Claim 2 Yes

Claim 3 Yes

Claim 4 Yes

'874 Patent

Claim 1 NO

Claim 8 NO

Claim 9 NO

QUESTION 2 -- INVALIDITY:

ANSWER THIS QUESTION ONLY AS TO THOSE CLAIMS YOU ANSWERED "YES" TO IN QUESTION 1. **OTHERWISE, DO NOT ANSWER THIS QUESTION.**

Did Defendant Hughes prove by clear and convincing evidence that any of the following claims of the following patents are invalid:

Write "Yes" or "No" for each claim.

A "Yes" is a finding for Hughes, and a "No" is a finding for Elbit.

'073 Patent

Claim 2 NO

Claim 3 NO

Claim 4 NO

QUESTION 3 – DAMAGES FOR THE '073 PATENT:

ANSWER THIS QUESTION ONLY IF YOU FOUND ONE OR MORE OF THE ASSERTED CLAIMS OF THE '073 PATENT TO BE INFRINGED IN QUESTION 1, AND YOU DID NOT FIND THE INFRINGED CLAIM(S) TO BE INVALID IN QUESTION 2.

What sum of money, if any, if paid now in cash, do you find by a preponderance of the evidence would fairly and reasonably compensate Elbit for any past infringement by Hughes of the '073 Patent?

Answer in Dollars and Cents:

\$ 21,075,750.00

QUESTION 4 – DAMAGES FOR THE '874 PATENT:

ANSWER THIS QUESTION ONLY IF YOU FOUND ONE OR MORE OF THE ASSERTED CLAIMS OF '874 PATENT TO BE INFRINGED IN QUESTION 1.

What sum of money, if any, if paid now in cash, do you find by a preponderance of the evidence would fairly and reasonably compensate Elbit for any past infringement by Hughes of the '874 Patent?

Answer in Dollars and Cents:

\$ *D*

QUESTION 5 – WILLFULNESS:

ANSWER THIS QUESTION ONLY IF YOU PROVIDED AN ANSWER TO QUESTIONS 3 AND 4. OTHERWISE, DO NOT ANSWER THIS QUESTION.

A. Did Elbit prove by a preponderance of the evidence that Hughes' infringement of the '073 Patent was willful?

Write "Yes" or "No."

A "Yes" is a finding for Elbit, and a "No" is a finding for Hughes.

No

B. Did Elbit prove by a preponderance of the evidence that Hughes' infringement of the '874 Patent was willful?

Write "Yes" or "No."

A "Yes" is a finding for Elbit, and a "No" is a finding for Hughes.

No

You have now reached the end of the verdict form and should review it to ensure it accurately reflects your unanimous determinations. The jury foreperson should then sign and date the verdict form in the spaces below and notify the Court Security Officer that you have reached a verdict. The jury foreperson should retain possession of the verdict form and bring it when the jury is brought back into the courtroom.

Signed this 7 day of August, 2017.



Jury Foreperson

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

| | | |
|----------------------------------|---|------------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | CIVIL ACTION NO. 2:15-CV-00037-RWS |
| Plaintiffs, | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| Defendant. | § | |

FINAL JURY INSTRUCTIONS

1. Introduction

MEMBERS OF THE JURY:

You have now heard the evidence in this case, and I will instruct you now on the law that you must apply. It is your duty to follow the law as I give it to you. On the other hand, you, the jury, are the sole judges of the facts. Do not consider any statement that I may have made during the trial or make in these instructions as an indication that I have any opinion about the facts of the case.

After I instruct you on the law, the attorneys will have an opportunity to make their closing arguments. Statements and argument of the attorneys are not evidence and are not instructions on the law. They are intended only to assist you in understanding the evidence and what the parties' contentions are.

2. General Instructions

2.1 Verdict Form

A verdict form has been prepared for you. You will take this form with you to the jury room and when you have reached a unanimous agreement as to your verdict, you will have your

foreperson fill in, date it and sign the form. Answer each question on the verdict form from the facts as you find them. Do not decide who you think should win and then answer the questions accordingly. Your answers and your verdict must be unanimous.

2.2 Considering Witness Testimony

In determining whether any fact has been proven in this case, you may, unless otherwise instructed, consider the testimony of all witnesses, regardless of who may have called them, and all exhibits received into evidence, regardless of who may have produced or introduced them. You the jurors are the sole judges of the credibility of all the witnesses and the weight and effect of all evidence. By the Court allowing testimony or other evidence to be introduced over the objection of an attorney, the Court did not indicate any opinion as to the weight or effect of such evidence.

In determining the weight to give to the testimony of a witness, you should ask yourself whether there was evidence tending to prove that the witness testified falsely concerning some important fact or whether there was evidence that some other time the witness said or did something or failed to say or do something that was different from the testimony the witness gave before you during trial.

You should keep in mind, of course, that a simple mistake by a witness does not necessarily mean that the witness was not telling the truth as he or she remembers it because people may forget some things or remember other things inaccurately. So if a witness has made a misstatement, you need to consider whether that misstatement was an intentional falsehood or simply an innocent lapse of memory. And the significance of that may depend on whether it has to do with an important fact or with only an unimportant detail. In deciding whether to accept or rely upon the testimony of any witness, you may also consider any bias of the witness.

2.3 How to Examine the Evidence

Certain testimony in this case has been presented to you through a deposition. A deposition is the sworn, recorded answers to questions asked to a witness in advance of the trial. Under some circumstances, if a witness cannot be present to testify from the witness stand, the witness testimony may be presented, under oath, in the form of a deposition. Before this trial, the attorneys representing the parties in this case questioned these deposition witnesses under oath. A court reporter was present and recorded the testimony. Deposition testimony is entitled to the same consideration as testimony given by a witness in person from the witness stand. You should judge the credibility of and weigh the importance of deposition testimony to the best of your ability just as if the witness had testified in court in person.

While you should consider only the evidence in this case, you are permitted to draw such reasonable inferences from the testimony and exhibits as you feel are justified in the light of common experience. In other words, you may make deductions and reach conclusions that reason and common sense lead you to draw from the facts that have been established by the testimony and evidence in the case. The testimony of a single witness may be sufficient to prove any fact, even if a greater number of witnesses may have testified to the contrary, if after considering all the other evidence you believe that single witness.

2.4 Direct and Circumstantial Evidence

Some of you may have heard the terms “direct evidence” and “circumstantial evidence.” Direct evidence is simply evidence like the testimony of an eyewitness which, if you believe it, directly proves a fact. Circumstantial evidence is simply a chain of circumstances that indirectly proves a fact. If someone walked into the courtroom wearing a raincoat covered with drops of

water and carrying a wet umbrella, that would be circumstantial evidence from which you could conclude that it was raining.

It is your job to decide how much weight to give the direct and circumstantial evidence. As a general rule, the law makes no distinction between the weights that you should give to direct and circumstantial evidence, nor does it say that one is any better evidence than the other, but simply requires that you find the facts from all the evidence, both direct and circumstantial, and give it the weight you believe it deserves.

2.5 Objections to Evidence

Attorneys representing clients in courts such as this one have an obligation to assert objections when they believe testimony or evidence is being offered that is contrary to the rules of evidence. The essence of a fair trial is that it be conducted pursuant to the rules of evidence and that your verdict be based only on legally admissible evidence. So, you should not be influenced by the objection or by the Court's ruling on it. If the objection is sustained, then ignore the question. If the objection is overruled, then you may treat the answer to that question just as you would treat the answer to any other question.

During the trial, I may not have let you hear the answers to some of the questions the lawyers asked. I also may have ruled that you could not see some of the exhibits the lawyers wanted you to see. And sometimes I may have ordered you to disregard things that you saw or heard. You must completely ignore all of these things as I have instructed. Do not speculate about what a witness might have said or what an exhibit might have shown. These things are not evidence, and you are bound by your oath not to let them influence your decision in any way.

At times during the trial it was necessary for the Court to talk with the lawyers here at the bench out of your hearing, or by calling a recess and talking to them when you were out of the

courtroom. This happened because often during a trial, something comes up that does not involve the jury. You should not speculate on what was said during such discussions that took place outside of your presence.

2.6 Demonstrative Exhibits

Certain exhibits shown to you are illustrations of the evidence, but are not themselves evidence. We call these types of exhibits “demonstrative exhibits.” Demonstrative exhibits are a party’s description, picture, or model to describe something involved in this trial. If your recollection of the evidence differs from the demonstrative exhibit, rely on your recollection.

2.7 Expert Witnesses

When knowledge of a technical subject matter may be helpful to the jury, a person who has special training or experience in that technical field, he or she is called an expert witness, and is permitted to state his or her opinion on technical matters. However, you are not required to accept that opinion. As with any other witness, it is up to you to decide whether the witness’s testimony is believable or not, whether it is supported by the evidence, and whether to rely upon it.

3. Contentions of the Parties

As I did at the start of the case, I will first give you a summary of each side’s contentions in this case. I will then provide you with detailed instructions on what each side must prove to win on each of its contentions.

Plaintiffs, Elbit Systems Land and C4I and Elbit Systems of America (collectively, “Elbit”), seek money damages from Defendant Hughes Network Systems (“Hughes”) for allegedly infringing certain claims of U.S. Patent No. 6,240,073 (referred to as the “’073 Patent”) and U.S. Patent No. 7,245,874 (referred to as the “’874 Patent”). Plaintiffs contend that the Hughes HN,

HX, and HT (sometimes also referred to as Jupiter) satellite systems infringe claims 2, 3, and 4 of the '073 Patent and that the Hughes Cellular Backhaul Solution infringes claims 1, 8 and 9 of the '874 Patent. Collectively, these patents are referred to as the “patents- in-suit” and these claims are referred to as the “asserted claims.”

Elbit contends that Hughes has directly infringed the asserted claims of the '073 Patent by making, using, selling, or offering for sale the Hughes HN, HX, and HT satellite systems in the United States. Elbit also contends that Hughes has directly infringed the asserted claims of the '874 Patent by making, using, selling, or offering for sale the Hughes Cellular Backhaul Solution. Elbit further contends that Hughes has induced infringement of the asserted claims of the patents-in-suit by others, such as its customers, and contributed to the infringement of the asserted claims of the patents-in-suit by its customers. Elbit further contends that Hughes' infringement of the patents-in-suit has been willful.

In response to Elbit's contentions, Hughes denies that it has infringed the asserted claims of the patents-in-suit either directly or by induced or contributory infringement. Hughes denies that any infringement has been willful. Hughes further denies that the Plaintiffs are entitled to any damages. Hughes also contends the asserted claims of the '073 patent are invalid because they are anticipated or rendered obvious by the prior art. Hughes contends that at the time of the alleged invention, prior art existed that disclosed every element of the asserted claims. Hughes also contends that the '073 Patent is invalid because, before the patentee's conception of the claimed invention, the invention was made in this country by another (by Hughes), who did not abandon, suppress, or conceal it. Finally, Hughes contends the asserted claims of the '073 Patent are invalid for lack of written description.

Your job is to decide whether Hughes has infringed the asserted claims of the patents-in-suit, and whether the asserted claims of the '073 patent are invalid. If you decide that any asserted claim has been infringed and is not invalid, you will then need to decide the amount of money damages to be awarded to Elbit compensate them for the infringement, if any.

You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damages award you make. I will take willfulness into account later.

4. Burdens of Proof

Facts must be proved by a required standard of evidence known as the burden of proof.

You've heard about it, I'm sure, from television in criminal cases. There's a reference to proof beyond a reasonable doubt. That does not apply in a civil case like this. In a patent case like this one, there are two burdens of proof that you will apply: The preponderance of the evidence standard and the clear and convincing evidence standard.

The Plaintiff, Elbit, must prove its claims of patent infringement and damages by a preponderance of the evidence.

When a party has the burden of proof by a preponderance of the evidence, it means that you must be persuaded that what the party seeks to prove is more probably true than not true.

If you put the evidence for and against the party who must prove the fact on opposite sides of the scale, the preponderance of the evidence requires that the scale tip somewhat toward the party who has the burden of proof.

Now, Hughes has the burden of proving invalidity by clear and convincing evidence. That means evidence that produces in your mind a firm conviction or belief as to the matter at issue.

Although proof to a certainty is not required, the clear and convincing standard requires a greater degree of persuasion than is necessary for the preponderance of the evidence standard.

If the proof establishes in your mind in a firm belief or conviction, then the clear and convincing evidence standard has been met.

4.1 No Inference from Filing Suit

The fact that a plaintiff brought a lawsuit in this Court seeking damages creates no inference that the plaintiff is entitled to a judgment. The act of making a claim in a lawsuit, by itself, does not in any way tend to establish that claim and is not evidence.

5. [Intentionally Left Blank]

6. Patent Claims

6.1 Role of Patent Claims

Before you can decide many of the issues in this case, you'll need to understand the role of the patent "claims."

Patent claims are the numbered sentences at the end of each patent. The claims are important because it is the words of the claims themselves that define what a patent covers. The figures and text in the rest of the patent provide a description and/or examples of the invention and provide a context for the claims, but it is the claims that define the breadth of the patent's coverage. Each claim is effectively treated as if it were a separate patent, and each claim may cover more or less than another claim. Therefore, what a patent covers depends upon what each of its claims cover.

You will first need to understand what each claim covers in order to decide whether or not there is infringement of the claim and to decide whether or not the claim is invalid. The law says

that it's my role to define the terms of the claims, and it's your role to apply these definitions to the issues that you are asked to decide in this case.

Therefore, as I explained to you at the start of the case, I have determined the meaning of certain claim terms at issue in this case and I have provided you those definitions in Appendix A. You must accept the definitions of these words in the claims as being correct. It is your job to take these definitions and apply them to the issues that you are deciding, including infringement and validity. The claim language I have not interpreted for you is to be given its ordinary and accustomed meaning as understood by one of ordinary skill in the art.

6.2 What a Claim Covers

I will now explain how a patent claim defines what it covers. A claim sets forth, in words, a set of requirements. Each claim sets forth its requirements in a single sentence. If a device or system satisfies each of these requirements, then it is covered by the claim. In patent law, the requirements of a claim are often referred to as "claim elements" or "claim limitations." There can be several claims in a patent. Each claim may be narrower or broader than another claim by setting forth more or fewer requirements. The coverage of a patent is assessed claim-by-claim. In patent law, the requirements of a claim are often referred to as "claim elements" or "claim limitations."

When a thing, such as a device, product, or system, meets all of the requirements of a claim, the claim is said to "cover" that thing, and that thing is said to "fall" within the scope of that claim. In other words, a claim covers a feature, product, or system where each of the claim elements or limitations is present in that device, product, or system. Conversely, if the device, product, or system meets only some, but not all, of the claim elements or limitations, then that device, product, or system is not covered by the claim.

By understanding the meaning of the words in a claim and by understanding that the words in a claim set forth the requirements that a product must meet in order to be covered by that claim, you will be able to understand the scope of coverage for each claim. Once you understand what each claim covers, then you are prepared to decide the issues that you will be asked to decide, such as infringement and invalidity.

6.3 Claim Interpretation

I will now explain to you the meaning of some of the words of the claims in this case. In doing so, I will explain some of the requirements of the claims. As I have previously instructed you, you must accept my definition of these words in the claims as correct. For any words in the claim for which I have not provided you with a definition, you should apply their common meaning. You should not take my definition of the language of the claims as an indication that I have a view regarding how you should decide the issues that you are being asked to decide, such as infringement and validity. These issues are yours to decide.

Now, in some constructions I will refer to the structure required by the term as being described in a portion of the patent identified by column and line number, and/or in a Figure of the patent. In your notebook, you have a copy of the patent that has the same column and line number, as well as the Figures, to which I am referring. You will also find another copy of my definitions as Appendix A to this charge. I will now turn to Appendix A and read the claim terms and the Court's constructions. You can follow along from your juror notebook if you would like.

6.4 {Intentionally Left Blank}

6.5 Independent and Dependent Claims

This case involves two types of patent claims: Independent claims and dependent claims. An "independent claim" sets forth all of the requirements that must be met in order to be covered

by that claim. Thus, it is not necessary to look at any other claim to determine what an independent claim covers. In this case, for example, claim 1 of the '874 Patent is an independent claim.

Other claims in the case are “dependent claims.” A dependent claim does not itself recite all of the requirements of the claim but refers to another claim for some of its requirements. In this case, for example, claim 8 of the '874 Patent depends from claim 1. In this way, the claim “depends” on another claim. A dependent claim incorporates all the requirements or parts of the claim to which it refers. The dependent claim then adds its own additional requirements. To determine what a dependent claim covers, it is necessary to look at both the dependent claim and any other claims to which it refers. A product that meets all of the requirements of both the dependent claim and the claims to which it refers is covered by that dependent claim.

6.6 Open-Ended or “Comprising” Claims

The beginning portion, or preamble, to some of the claims uses the word “comprising.” “Comprising” and “comprises” mean “including or containing but not limited to.” Thus, if you decide that an accused product includes all the requirements in that claim, the claim is infringed.

6.7 “Means-plus-function” Claims

The asserted claims of the '073 Patent have several limitations phrased as a “means for” performing a function. This “means for” phrase has a special meaning in patent law. It is called a “means-plus-function” requirement. These limitations do not cover all of the structures that could perform the functions set forth in the claim. Instead, each limitation covers a structure or a set of structures that performs that function and that is either identical or “equivalent” to the structure(s) described in the patent for performing that function. The issue of whether two structures are identical or equivalent is for you to decide. I will explain to you later how to determine whether two structures or two sets of structures are “equivalent” to one another.

For purposes of this case, I have identified for you the structures described in the '073 Patent that perform the various functions recited in the asserted claims. These are listed in Exhibit B, along with the other definitions for the different claim terms. When I read you my definitions for certain claim terms a few moments ago, I identified the structures described in the '073 Patent for performing the relevant functions. You should apply my definition of the function and the structures described in the '073 Patent for performing it as you would apply my definition of any other claim term.

* * *

It was the Court's job to determine what the claims mean. The claims only require what the Court has determined them to require, and you will find those requirements in the claim construction chart provided in your notebooks. You must disregard any argument or evidence presented by either party suggesting that the claims mean anything other than the definitions provided in this chart. Your job is to determine whether Elbit has established by a preponderance of the evidence that the claims, as defined by the Court, have been infringed.

7. Infringement

I will now instruct you how to decide whether or not Hughes has infringed the '073 Patent and/or the '874 Patent. Infringement is assessed on a claim-by-claim basis. Therefore, there may be infringement as to one claim but no infringement as to another.

In this case, there are three possible ways that a claim may be infringed. The three types of infringement are called: (1) direct infringement; (2) active inducement; and (3) contributory infringement. Active inducement and contributory infringement are referred to as indirect infringement. There cannot be indirect infringement without someone else engaging in direct

infringement. To prove indirect infringement, Elbit must also prove that Hughes' indirect infringement caused direct infringement.

In this case, Elbit has alleged that Hughes has directly infringed the '073 Patent and the '874 Patent. In addition, Elbit has alleged that Hughes' customers or clients directly infringe the '073 Patent and the '874 Patent, and that Hughes is liable for actively inducing or contributing to that direct infringement by its customers or clients.

In order to prove infringement, Elbit must prove that the requirements for one or more of these types of infringement are met by a preponderance of the evidence, i.e., that it is more likely than not that all of the requirements of one or more of each of these types of infringement have been proved.

I will now explain each of these types of infringement in more detail.

7.1 Direct Infringement – Literal Infringement

If a person makes, uses, offers to sell, or sells in the United States something that is covered by the claims of a patent without the patent owner's permission, that person is said to directly infringe the patent. To determine direct infringement, you must compare the accused product with each and every one of the requirements of the asserted claims to determine whether all of the requirements of that claim are met. A patent claim is infringed only if an accused product includes each and every element in that patent claim. If the accused product does not contain one or more of the elements recited in the claim, then that product does not infringe the claim.

If you find that the accused product or system includes each element of the claim, then that product or system infringes the claim, even if such product or system contains additional elements that are not recited in the claims.

A person may literally infringe a patent, even though in good faith the person believes that what it is doing is not an infringement of any patent, and even if it did not know of the patent. Literal infringement does not require proof that the person copied a product or the patent.

You must consider each of the asserted claims individually. You must be certain to compare each accused product or system with each claim that such product or system is alleged to infringe. Each accused product or system should be compared to the limitations recited in the asserted claims, not to any preferred or commercial embodiment of the claimed invention. If you find that Elbit has proved by a preponderance of the evidence that each and every limitation of that claim is present in an accused product system, then you must find that such product or system infringes that claim.

7.2 Direct Infringement – Literal Infringement of “Means-plus-function” Claim Limitations

As I have previously explained, the asserted claims of the '073 Patent include several requirements that are in “means-plus-function” form. An accused product meets a means-plus-function requirement of a claim if: (1) it has a structure or a set of structures that performs identical function recited in the claim, and (2) that structure or set of structures is either identical or “equivalent” to one or more of the described structures that I defined earlier as performing the function of each requirement. If the accused product does not perform the specific function recited in the claim, the “means-plus-function” requirement is not met, and the accused product does not literally infringe the claim. Alternatively, even if the accused product has a structure or a set of structures that performs the function recited in the claim but the structure or set of structures is not either the same or “equivalent” to one or more of the structure(s) that I identified as being described in the '073 Patent and performing each of the claimed functions, the accused product does not literally infringe the asserted claim.

A structure or a set of structures may be found to be “equivalent” to the structure(s) I have defined as being described in the ’073 Patent if a person having ordinary skill in the field of technology of the ’073 Patent either would have considered the differences between them to be insubstantial at the time the ’073 Patent issued or if that person would have found the structure(s) performed the claimed function in substantially the same way to accomplish substantially the same result. Your job is to determine whether the accused device has a structure that is identical or equivalent to the overall structure I identified as performing the function of each requirement. In deciding whether the differences would be “insubstantial,” you may consider whether a person having an ordinary level of skill in the field of technology of the patent would have known of the interchangeability of the two structures or sets of structures. Interchangeability itself is not sufficient; in order for the structures to be considered to be interchangeable, the interchangeability of the two structures must have been known to persons of ordinary skill in that art at the time the patent issued. The fact that a structure or set of structures is known now and is “equivalent” is not enough. The structure or set of structures must also have been available at the time the ’073 Patent issued.

In this case, you will have to decide issues regarding field of technology and level of ordinary skill in the art. I will instruct you later how to decide this.

In order to prove direct infringement by literal infringement of the means-plus-function limitations in the asserted claims of the ’073 Patent, Elbit must prove the above requirements are met by the accused products by a preponderance of the evidence.

7.3 Indirect Infringement – Active Inducement

Elbit alleges that Hughes is liable for infringement by actively inducing its customers to directly infringe the '073 and the '874 Patents. As with direct infringement, you must determine whether there has been active inducement on a claim-by-claim basis.

Hughes is liable for active inducement of a claim only if Elbit proves by a preponderance of the evidence:

1. that the acts are actually carried out by Hughes' customers and that Hughes' customers directly infringe that claim;
2. that Hughes took action during the time the patents were in force intending to cause the infringing acts by its customers; and
3. that Hughes was aware of the '073 and the '874 Patents and knew that the acts, if taken, would constitute infringement of those patents.

Active inducement can be activity that occurs outside of the United States. Here, Hughes may be liable for induced infringement of a claim of the '874 Patent, if Elbit proves by a preponderance of the evidence that:

1. Hughes supplies or causes to be supplied components from the United States to a place outside the United States, which make up all or a substantial portion of the invention of any one of the claims of the patents-in-suit;
2. Hughes takes action intentionally to cause its customers outside of the United States to assemble the components;
3. Hughes knows of the patent at issue, and knows that the encouraged acts constitute infringement of that patent; and

4. the encouraged acts would constitute direct infringement of the claim if they had been carried out in the United States.

Although Elbit need not prove that Hughes has directly infringed to prove indirect infringement, Elbit must prove that someone directly infringed. If there is no direct infringement by anyone, Hughes cannot have actively induced infringement of the patent.

If you find that Hughes was aware of the patents, but believed that the acts it encouraged did not infringe those patents, Hughes cannot be liable for inducement. In order to establish inducement of infringement, it is not sufficient that Hughes' customers themselves directly infringe the claims. Nor is it sufficient that Hughes was aware of the act(s) by its customers that allegedly constitute the direct infringement. Rather, in order to find inducement of infringement, you must find that Hughes specifically intended its customers to infringe the '073 or the '874 Patents. The mere fact, if true, that Hughes knew or should have known that there was a substantial risk that its customers' acts would infringe the patents-in-suit would not be sufficient for active inducement of infringement.

7.4 Indirect Infringement – Contributory Infringement

Elbit argues that Hughes is liable for contributory infringement by contributing to the direct infringement of the '073 Patent by its customers. As with direct infringement, you must determine contributory infringement on a claim-by-claim basis.

Hughes is liable for contributory infringement of a claim if Elbit proves by a preponderance of the evidence:

1. Hughes sells, offers to sell, or imports within the United States a component of a product, during the time the patent is in force;
2. the component or apparatus has no substantial, non-infringing use;

3. the component or apparatus constitutes a material part of the invention;
4. Hughes is aware of the '073 Patent and knows that the products for which the accused component has no other substantial use for may be covered by a claim of the '073 Patent; and
5. that use directly infringes the claim.

In order to prove contributory infringement, Elbit must prove that each of the above requirements is met.

7.5 Willful Infringement

In this case, Elbit argues both that Hughes infringed the patents-in-suit and, further, that Hughes willfully infringed the patents-in-suit. If you have decided that Hughes has infringed either of the patents-in-suit, you must go on and address the additional issue of whether or not this infringement was willful.

If you have decided that Hughes has infringed, you must then to on to address the additional issue of whether or not this infringement was willful. You may not determine that infringement was willful just because Hughes knew of the asserted patents and infringed them. In order to show that infringement was willful, Elbit must persuade you that it is more likely than not that Hughes had knowledge of the patents and that its conduct was wanton, malicious, bad-faith, deliberate, consciously wrong, or flagrant.

Your determination of willfulness should incorporate the totality of the circumstances based on the evidence presented during this trial. If you decide that any infringement was willful, that decision should not affect any damage award you give. I will take willfulness into account later.

8. Invalidity

I will now instruct you on the rules you must follow in deciding whether or not Hughes has proven that the claims of the '073 Patent is invalid. Patent invalidity is a defense to patent infringement. For a patent to be valid, the invention claimed must be new, useful, and not obvious. A patent cannot take away from people their right to use what was known or what would have been obvious when the invention was made.

That which precedes the filing date of the patent invalidates, and that which comes after infringes. Claims are given the same meaning for purposes of both validity and infringement.

Hughes must prove that a patent claim is invalid by clear and convincing evidence. However, you may consider the fact of whether any of the evidence of invalidity is new, meaning that it was not considered by the Patent Office. If evidence of invalidity is new, then you may find it is easier for Hughes to convince you that the evidence is clear and convincing proof of invalidity.

An issued patent is accorded a presumption of validity based on the presumption that the Patent Office acted correctly in issuing a patent. Each claim of a patent is presumed valid independently of the validity of the other claims.

The presumption of validity remains intact. In other words, the burden never shifts to Elbit to prove that its patents are valid.

Even though the Patent Office has allowed the claims of a patent, you have the ultimate responsibility for deciding whether the claims of the patent are valid.

The presumption of validity is not an additional hurdle to be cleared for finding invalidity. By applying the clear and convincing standard, you are already accounting for the presumption of validity.

8.1 Prior Art

That which came before a patent is generally referred to as the “prior art.” Prior art may include items that were publicly known such as patents and printed publications as well as products that have been used or offered for sale, developed, that disclose the claimed invention or elements of the claimed invention. To be prior art, the item or reference must have been made, known, used, published, or patented before the filing date of the patent application.

8.2 Priority Date

The parties agree that the priority date for the '073 Patent is November 14, 1997 and the priority date for the '874 Patent is August 1, 2001. You should not consider argument or evidence as supporting an earlier priority date for Plaintiffs' '073 Patent.

8.3 Anticipation / Prior Art

In order for someone to be entitled to a patent, the invention must actually be “new.” In general, inventions are new when the identical product or system has not been made, used, or disclosed before. Anticipation must be determined on a claim-by-claim basis.

Hughes contends that all asserted claims of the '073 patent are invalid because the claimed invention is anticipated.

There are many ways that Hughes can show that a patent claim was not new.

(1) An invention is not new if it was known to or used by others in the United States before the date of the invention.

(2) An invention is not new if it was already patented or described in a printed publication, anywhere in the world before the date of the invention.

(3) Elbit has lost its rights if the claimed invention was already patented or described in a printed publication, anywhere in the world by anyone else, more than a year before the

effective filing date of the application for the patent. An invention was patented by another if the other patent describes the same invention claimed by Elbit to a person having ordinary skill in the technology.

(4) An invention is not new if the claimed invention was described in a patent granted on an application for patent by another filed in the United States, or under the PCT system and designated the United States, and was published in English, and the application was filed before the date of reduction to practice or the filing date for the patent.

(5) An invention is not new if the invention was made by someone else in the United States before the invention was made by Elbit and the other person did not abandon, suppress, or conceal the invention.

(6) Elbit has lost its rights if the claimed invention was publicly used, sold, or offered for sale in the United States more than one year before the effective filing date of the application for the patent. An invention was publicly used when it was either accessible to the public or commercially exploited. An invention was sold or offered for sale when it was offered commercially and what was offered was ready to be patented, i.e., a description to one having ordinary skill in the field of the technology could have made and used the claimed invention, even if it was not yet reduced to practice.

For the claim to be invalid because it is not new, Hughes must show by clear and convincing evidence that all of the requirements of that claim were present in a single previous device or method that was known or, used, or described in a single prior art reference or system. We call these things “anticipating prior art.” To anticipate the invention, the prior art system must disclose all of the requirements of the claim, either expressly or implied to a person having ordinary

skill in the art in the technology of the invention, so that looking at that one prior art system, the person could make and use the claimed invention.

To understand how the prior art system operates, you may rely on multiple pieces of evidence that describe the same prior art system for the purpose of finding anticipation or obviousness. In other words, if you find that a single prior art system existed that meets every element of the claim, then that is enough to find the claim invalid as anticipated or obvious.

In determining whether a prior art reference or system anticipates or renders obvious the claimed invention you may not consider any argument comparing the prior art to the accused product or device.

8.4 Obviousness

Hughes also contends that the asserted claims of the '073 Patent are invalid as obvious. Even though an invention may not have been identically disclosed or described before it was made by an inventor, in order to be patentable, the invention must also not have been obvious to a person of ordinary skill in the relevant field of technology of the patent at the time the invention was made.

Hughes may establish that a patent claim is invalid by showing, by clear and convincing evidence, that the claimed invention would have been obvious to persons having ordinary skill in the art in the field of the invention at the time the invention was made. In determining whether a claimed invention is obvious, you must consider the level of ordinary skill in the field of technology of the patent that someone would have had at the time the claimed invention was made, the scope and content of the prior art, and any differences between the prior art and the claimed invention.

8.5 Written Description

The patent law contains certain requirements for the part of the patent called the specification. Hughes contends that the patents-in-suit are invalid because the specifications do not contain an adequate written description of the invention. To succeed, Hughes must show by clear and convincing evidence that the specification fails to meet the law's requirements for written description of the invention. In the patent application process, the applicant may keep the originally filed claims, or change the claims between the time the patent application is first filed and the time a patent is issued. An applicant may amend the claims or add new claims. These changes may narrow or broaden the scope of the claims. The written description requirement ensures that the issued claims correspond to the scope of the written description that was provided in the original application.

In deciding whether the patent satisfies this written description requirement, you must consider the description from the viewpoint of a person having ordinary skill in the field of technology of the patent when the application was filed. The written description requirement is satisfied if a person having ordinary skill reading the original patent application would have recognized that it describes the full scope of the claimed invention as it is finally claimed in the issued patent and that the inventor actually possessed that full scope by the filing date of the original application.

The written description requirement may be satisfied by any combination of words, structures, figures, diagrams, formulas, etc., contained in the patent application. The full scope of a claim or any particular requirement in a claim need not be expressly disclosed in the original patent application if a person having ordinary skill in the field of technology of the patent at the

time of filing would have understood that the full scope or missing requirement is in the written description in the patent application.

8.5.1 {Intentionally Left Blank}

8.5.2 Level of Ordinary Skill

In deciding what the level of ordinary skill in the field of [invention] is, you should consider all the evidence introduced at trial, including but not limited to: (1) the levels of education and experience of the inventor and other persons actively working in the field; (2) the types of problems encountered in the field; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; and (5) the sophistication of the technology.

8.5.3 Scope and Content of the Prior Art

In considering whether the claimed invention was obvious, you must first determine the scope and content of the prior art. The scope and content of prior art for deciding whether the invention was obvious includes at least prior art in the same field as the claimed invention, regardless of the problem addressed by the item or reference, and prior art from different fields that a person of ordinary skill would have considered when trying to solve the problem that is addressed by the invention.

8.5.4 Differences between the Prior Art and the Claimed Invention

You should analyze whether there are any relevant differences between the prior art and the claimed invention from the view of a person of ordinary skill in the art at the time of the invention. Your analysis must determine the impact, if any, of such differences on the obviousness or non-obviousness of the claimed invention.

8.5.5 Motivation to Combine

Keep in mind that the existence of each and every element of the claimed invention in the prior art does not necessarily prove obviousness. Most, if not all, inventions rely on building blocks of prior art. In considering whether a claimed invention is obvious, you may but are not required to find obviousness if you find that as of the priority date of the patents-in-suit, there was a reason that would have prompted a person of ordinary skill in the field to combine the known elements in a way the claimed invention does, taking into account such factors as:

1. Whether the claimed invention was merely the predictable result of using prior art elements according to their known function(s);
2. Whether the claimed invention provides an obvious solution to a known problem in the relevant field;
3. Whether the prior art teaches or suggests the desirability of combining elements claimed in the invention;
4. Whether the prior art teaches away from combining elements in the claimed invention;
5. Whether it would have been obvious to try the combinations of elements, such as when there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions; and
6. Whether the change resulted more from design incentives or other market forces.

To find it rendered the invention obvious, you must find that the prior art provided a reasonable expectation of success to one of ordinary skill in the art.

In determining whether the claimed invention was obvious, consider each claim separately. Do not use hindsight, i.e., you are to consider only what was known at the time of the invention.

In other words, you should not consider what a person of ordinary skill in the art would know now or what has been learned from the teachings of Elbit's patents themselves.

8.5.6 Objective Indicia of Non-Obviousness

In making these assessments, you should take into account any objective evidence that may shed light on whether the claimed invention is obvious or not., such as:

1. Whether the invention was commercially successful as a result of the merits of the claimed invention (rather than the result of design needs or market-pressure advertising or similar activities);
 2. Whether the invention satisfied a long-felt need;
 3. Whether others had tried and failed to make the invention;
 4. Whether others invented the invention at roughly the same time;
 5. Whether others copied the invention;
 6. Whether there were changes or related technologies or market needs contemporaneous with the invention;
 7. Whether the invention achieved unexpected results;
 8. Whether others in the field praised the invention;
 9. Whether persons having ordinary skill in the field of the invention expressed surprise or disbelief regarding the invention; and
 10. Whether others sought or obtained rights to the patent from the patent holder; and
 11. Whether the inventor proceeded contrary to accepted wisdom in the field.
- 9. {Intentionally Left Blank}**

10. Damages

If you find that Hughes has infringed any valid claim of the patents-in-suit, you must then consider what amount of damages to award to Elbit. If you find that Hughes has not infringed any valid claim of the patent, then Elbit is not entitled to any damages.

I will now instruct you about the measure of damages. By instructing you on damages, I am not suggesting which party should win on any issue. The damages you award must be adequate to compensate Elbit for any infringement you find. Damages are not meant to punish an infringer or to set an example. Your damages award, if you reach this issue, should put Elbit in approximately the same financial position that it would have been in had the infringement not occurred.

Elbit has the burden to establish the amount of their damages by a preponderance of the evidence. Plaintiffs are not required to prove their damages with mathematical precision, [but] must prove them with reasonable certainty. You may not award damages that are speculative, damages that are only possible, or damages that are based on guesswork.

In this case Elbit seeks damages in the form of a reasonable royalty. A reasonable royalty is defined as the money amount Elbit and Hughes would have agreed upon as a fee for Hughes' use of the invention at the time the infringement began. The damages should be no more or no less than the value of the patented invention.

The patent law does not allow you to use the value of an entire product or service, or the value of the entire market, to determine damages unless you find that Elbit's has proven by a preponderance of the evidence that the patented feature of the product drives consumer demand for the entire product or service.

10.1 Reasonable Royalty

If you find that Elbit has established infringement of a valid claim, Elbit is entitled to at least a reasonable royalty to compensate them for that infringement.

10.1.1 Hypothetical Negotiation

A reasonable royalty is the amount of money a willing patent owner and a willing prospective licensee would have agreed upon at the time the infringement began for a license to make, use or sell the invention. It is the royalty that would have resulted from an arm's length negotiation between a willing licensor and a willing licensee—here, Elbit (as the licensor) and Hughes (as the licensee). This is known as the “hypothetical negotiation.” Unlike in a real world negotiation, all parties to the hypothetical negotiation are presumed to believe that the patent is both infringed and valid. In considering this hypothetical negotiation, you should focus on what the expectations of the patent owner and the infringer would have been had they entered into an agreement at that time and had they acted reasonably in their negotiations.

The reasonable royalty you determine must be a royalty that would have resulted from the hypothetical negotiation and not simply a royalty either party would have preferred. The parties agree that the date of the hypothetical negotiation between Elbit and Hughes would have been in May 2001 for the '073 patent. The parties dispute the date of hypothetical negotiation between Elbit and Hughes for the '874 Patent.

In making your determination of the amount of a reasonable royalty, it is important that you focus on the time period when Hughes first infringed the patents-in-suit and the facts that existed at that time. However, evidence of things that happened after the infringement first began may be considered in evaluating the reasonable royalty only to the extent that the evidence aids in assessing what royalty would have resulted from a hypothetical negotiation.

Your determination does not depend on the actual willingness of the parties to the lawsuit to engage in such negotiations. Your focus should be on what the parties' expectations would have been had they entered into negotiations for royalties on the date of the hypothetical negotiation.

10.1.2 Georgia-Pacific Factors

In deciding what is a reasonable royalty that would have resulted from the hypothetical negotiation, you may consider the factors that the patent owner (Elbit) and the alleged infringer (Hughes) would consider in setting the amount the alleged infringer should pay. I will list for you a number of factors you may consider. They are as follows:

(1) The royalties received by the patentee for the licensing of the patent-in-suit, proving or tending to prove an established royalty

(2) The rates paid by the licensee for the use of other patents comparable to the patent-in-suit.

(3) The nature and scope of the license, as exclusive or nonexclusive, or as restricted or nonrestricted in terms of territory or with respect to whom the manufactured product may be sold.

(4) The licensor's established policy and marketing program to maintain his or her patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.

(5) The commercial relationship between the licensor and licensee, such as whether they are competitors in the same territory in the same line of business, or whether they are inventor and promoter.

(6) The effect of selling the patented specialty in promoting sales of other products of the licensee, the existing value of the invention to the licensor as a generator of sales of his nonpatented items, and the extent of such derivative or conveyed sales.

(7) The duration of the patent and the term of the license.

(8) The established profitability of the product made under the patents, its commercial success, and its current popularity.

(9) The utility and advantages of the patented property over the old modes or devices, if any, that had been used for working out similar results.

(10) The nature of the patented invention, the character of the commercial embodiment of it as owned and produced by the licensor, and the benefits to those who have used the invention.

(11) The extent to which the infringer has made use of the invention and any evidence probative of the value of that use.

(12) The portion of the profit or of the selling price that may be customary in the particular business or in comparable business to allow for the use of the invention or analogous inventions.

(13) The portion of the realizable profits that should be credited to the invention as distinguished from nonpatented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.

(14) The opinion and testimony of qualified experts.

(15) The amount that a licensor (such as the patentee) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license.

No one factor is dispositive and you can and should consider the evidence that has been presented to you in this case on each of these factors. You may also consider any other factors which in your mind would have increased or decreased the royalty the alleged infringer would have been willing to pay and the patent holder would have been willing to accept, acting as normally prudent business people. In determining a reasonable royalty, you may also consider whether or not Hughes had a commercially acceptable non-infringing alternative to taking a license from the patent holder that was available at the time of the hypothetical negotiation and whether that would have affected the reasonable royalty the parties would have agreed upon.

10.2 License Comparability

When determining a reasonable royalty, you may consider evidence concerning the amounts that other parties have paid for rights to the patents in question or for rights to similar technologies. A license agreement need not be perfectly comparable to the hypothetical license

that would have been negotiated between Elbit and Hughes in order for you to consider it. However, if you choose to rely upon evidence from any license agreements, you must account for any differences between those licenses and the hypothetically negotiated license between Elbit and Hughes when you make your reasonable royalty determination, including the type of technology licensed, whether the license contained a cross-license and/or similar patent protections, whether the license contained any value related to a release of liability, the date when the license was entered, the financial or economic conditions of the parties at the time the parties entered into the license, the extent of use, if any, of any particular licensed patents, the number of patents involved in the license, whether or not the license covered foreign intellectual property rights, the extent to which litigation may have affected the license and whether contrary to the hypothetical negotiation the licensee in the real world license, at the time of entering the license, believed that the patents were either not infringed or were invalid.

10.3 Use of Non-Infringing Alternatives

In determining a reasonable royalty, you may also consider evidence concerning the availability and cost of non-infringing alternatives to the patented invention. A non-infringing alternative must be an acceptable product that is licensed under the patent or that does not infringe the patent.

10.4 Apportionment for Royalty

Damages for patent infringement must be apportioned to reflect the value the invention contributes to the accused products or features and must not include value from the accused products or features that is not attributable to the patent.

10.5 Consider All Evidence

In considering the evidence of a reasonable royalty, you are not required to accept one specific figure or another for the reasonable royalty. You are entitled to determine what you consider to be a reasonable royalty based upon your consideration of all of the evidence presented by the parties whether that evidence is of a specific figure or a range of figures.

10.6 Lump Sum versus Running Royalty

A royalty may be calculated as a one-time lump sum payment or a running royalty. A one-time lump sum payment that the infringer would have paid at the time of the hypothetical negotiation for a license covers all sales of the licensed product, both past and future. This differs from payment of a running royalty because, with a running royalty, the licensee pays based on the actual licensed products it sells. When a one-time lump sum is paid, the infringer pays a single price for a license covering both past and future infringing sales. It is up to you, based on the evidence, to decide what type of royalty, if any, is appropriate in this case for the life of the patent.

10.7 When Damages Begin

In determining the amount of damages, you must determine when the damages began. The parties do not agree on that date, and it is up to you to determine what that date is. If you find that Elbit sells a patented article that includes the claimed invention in the United States, you must determine whether Elbit has “marked” that product with the patent number. “Marking” is placing either the word “patent” or the abbreviation “pat.” with the patent’s number on substantially all of the products that include the patented invention. Elbit has the burden of establishing that it substantially complied with the marking requirement. This means Elbit must show that it marked substantially all of the products it made, offered for sale, or sold under the patents.

If Elbit has not marked that article with the patent number, you must determine the date that Hughes received actual notice of the '073 and '874 Patents and the specific product alleged to infringe. Actual notice means that patent holder or its agent communicated to alleged infringer a specific charge of infringement of the '073 and '874 Patents by a specific accused product or device or group of products. The filing of the complaint in this case qualified as actual notice, so the damages period begins no later than the date the complaint was filed, January 21, 2015. Elbit has the burden of establishing that it is more probable than not that Hughes received notice of infringement on a date earlier than the filing of the complaint. If you find that Elbit did not sell a patented article that includes the claimed invention in the United States, damages begin without the requirement for actual notice. In any case you should not award damages for any infringement occurring prior to six years before the lawsuit was brought, January 21, 2009.

11. Instructions for Deliberations

You must perform your duties as jurors without bias or prejudice as to any party. The law does not permit you to be controlled by sympathy, prejudice or public opinion. All parties expect that you will carefully and impartially consider all of the evidence, follow the law as it is now being given to you, and reach a just verdict, regardless of the consequences.

It is your sworn duty as jurors to discuss the case with one another in an effort to reach agreement if you can do so. Each of you must decide the case for yourself, but only after full consideration of the evidence with the other members of the jury. While you are discussing the case, do not hesitate to re-examine your own opinion and change your mind if you become convinced that you are wrong. However, do not give up your honest beliefs solely because the others think differently, or merely to finish the case.

Remember that in a very real way you are the judges of the facts. Your only interest is to seek the truth from the evidence in the case. You should consider and decide this case as a dispute between persons of equal standing in the community, of equal worth, and holding the same or similar stations in life. Corporations and businesses are entitled to the same fair trial as a private individual. All persons, including corporations, both foreign and domestic, stand equal before the law, regardless of size or who owns them or where they are located, and they are to be treated as equals.

When you retire to the jury room to deliberate on your verdict, you may take this charge with you, as well as the exhibits which the Court has admitted into evidence. You will select your foreperson and conduct your deliberations. If you recess during your deliberations, please follow all of the instructions that the Court has given you about your conduct during the trial.

After you have reached your verdict, your foreperson is to fill in on the form your answers to the questions. Do not reveal your answers until such time as you are discharged, unless otherwise directed by me.

Any notes that you may have taken during the trial, are only aids to your memory. If your memory should differ from your notes, then you should rely on your memory and not on the notes. Your notes are not evidence. A juror who has not taken notes should rely on his or her independent recollection of the evidence and should not be unduly influenced by the notes of other jurors. Notes are not entitled to any greater weight than the recollection or impression of each juror about the testimony.

If you want to communicate with me at any time during your deliberations, please give a written message or a question to the Court Security Officer, who will bring it to me. I will then respond as promptly as possible, either in writing or by having you brought into the courtroom so

that I can address you orally. I will always first disclose to the attorneys your question and my response before I answer your question.

And then finally, after you have reached a verdict, you are not required to talk with anyone about the case unless the Court orders otherwise.

You may now retire to the jury room to deliberate.

'073 Patent

| Term | Applicable Claims | Court's Construction |
|---|-------------------|---|
| Preamble "A [multiple] access communications system for use in a satellite communication network" | 2, 3, 4 | Preamble is limiting. |
| "first communication means for transmitting short bursty data" | 2, 3, 4 | 35 U.S.C. § 112, ¶ 6 applies. Function: "transmitting short bursty data" Structure: "Random Access Transmitter 70 in Fig. 5, and equivalents thereof" |
| "second communication means for continuous transmission of data" | 2, 3, 4 | 35 U.S.C. § 112, ¶ 6 applies. Function: "continuous transmission of data" Structure: "Channel Assignment Transmitter 110 in Fig. 6, and equivalents thereof" |
| "receiver means within said at least one hub adapted to receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means" | 2, 3, 4 | 35 U.S.C. § 112, ¶ 6 applies. Function: "receive data transmitted by said plurality of terminals utilizing either said first communication means or said second communication means" Structure: "hub receiver 240 depicted in Fig. 10, and equivalents thereof" |
| "transmitter means within each user terminal for receiving data to be transmitted from said user terminal to said hub" | 2, 3, 4 | 35 U.S.C. § 112, ¶ 6 applies. Function: "receiving data to be transmitted from said user terminal to said hub" Structure: "modem 160 and equivalents thereof" |

| Term | Applicable Claims | Court's Construction |
|---|-------------------|---|
| <p>“switching means coupled to said transmitter means for switching transmission between said first communication means and said second communication means in accordance with predefined criteria”</p> | <p>2, 3, 4</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission between said first communication means and said second communication means in accordance with predefined criteria”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithms disclosed in the '073 Patent at 10:30-11:40 or Figure 8, and equivalents thereof”</p> |
| <p>“means for switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold”</p> | <p>2</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching from said first communication means to said second communication means when the length of a message received by said transmitter means exceeds a predetermined threshold”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the '073 Patent at 10:63-67 and 17:37-45, and equivalents thereof”</p> |
| <p>“means for switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on”</p> | <p>3</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said first communication means when a continuation flag in a message received by said transmitter means is turned on”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the '073 Patent at 11:1-8, and equivalents thereof”</p> |

| Term | Applicable Claims | Court's Construction |
|---|-------------------|---|
| <p>“means for switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level”</p> | <p>4</p> | <p>35 U.S.C. § 112, ¶ 6 applies.</p> <p>Function: “switching transmission from said first communication means to said second communication means when a user buffer containing a plurality of messages to be sent via said transmitter means fills beyond a predetermined level”</p> <p>Structure: “modem 160 or PC 150 including driver layer 158 performing the algorithm disclosed in the '073 Patent at 11:9-11, and equivalents thereof”</p> |
| <p>“continuation flag”</p> | <p>3</p> | <p>“a data field that indicates additional messages follow the current message”</p> |

'874 Patent

| Term | Applicable Claims | Court's Construction |
|--|-------------------|---|
| <p>“[wherein said synchronous protocol allows] non-data carrying time slots”</p> | <p>1</p> | <p>“[wherein said synchronous protocol allows] time slots that do not contain data”</p> |
| <p>“first synchronous data communication protocol”</p> | <p>1</p> | <p>“a data communication protocol that relies on the temporal relationship between time slots”</p> |
| <p>“second asynchronous data communication protocol”</p> | <p>1</p> | <p>“a data communication protocol that does not rely on the temporal relationship between time slots”</p> |

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

| | | |
|----------------------------------|---|------------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | CIVIL ACTION NO. 2:15-CV-00037-RWS |
| Plaintiffs, | § | |
| | § | |
| v. | § | SEALED |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| Defendant. | § | |

MEMORANDUM OPINION AND ORDER

Before the Court are the parties’ motions for post-trial relief. Having considered the argument at the February 13, 2018 hearing and the parties’ written submissions and for the reasons detailed below, the Court rules as follows:

- Defendant Hughes Network Systems, LLC’s (“Hughes”) Motion that Plaintiffs are Equitably Estopped from Asserting Infringement Against Hughes Products (Docket No. 506) is **DENIED**;
- Hughes’s Renewed Motion for Judgment as a Matter of Law and for a New Trial (Docket No. 505) is **DENIED**; and
- Plaintiffs Elbit Systems Land and C4i Ltd. and Elbit Systems of America, LLC’s Post-Trial Brief (Docket No. 507) is **GRANTED-IN-PART** and **DENIED-IN-PART**.

BACKGROUND

On January 21, 2015, Elbit Systems Land and C4I Ltd. and Elbit Systems of America, LLC filed this action against Hughes, Black Elk Energy Offshore Operations, LLC, BlueTide Communications, Inc., and Helm Hotels Group, alleging infringement of U.S. Patent Nos.

6,240,073 (“the ’073 Patent”) and 7,245,874 (“the ’874 Patent”), both of which relate generally to satellite communication systems.¹ The patents-in-suit were first assigned to Shiron Satellite Communications (“Shiron”), which Elbit Systems Ltd., the parent to Plaintiffs, purchased in 2009. Docket No. 53 at ¶ 34. By assignment, Elbit Systems Land and C4I Ltd. is the sole owner of the ’073 Patent, and Elbit Systems Land and C4I Ltd. and Elbit Systems of America jointly retain the exclusive right to enforce the ’073 Patent. *Id.*

After a six-day trial, the jury reached a unanimous verdict finding the Hughes’s HN, HX, and HT (also referred to as Jupiter) satellite systems infringe claims 2, 3, and 4 of the ’073 Patent. Docket No. 483. The jury also found the ’073 Patent not invalid and the ’874 Patent not infringed. *Id.* The jury awarded \$21,075,750 in damages for infringement of the ’073 Patent and found that the infringement was not willful. *Id.*

I. HUGHES’S MOTION THAT PLAINTIFFS ARE EQUITABLY ESTOPPED FROM ASSERTING INFRINGEMENT AGAINST HUGHES PRODUCTS (Docket No. 506)

In Hughes’s first motion, it argues that the doctrine of equitable estoppel shields it from liability. Docket No. 506. The test for equitable estoppel has three elements: (1) the patentee, through misleading conduct (or silence), leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer; (2) the alleged infringer relies on that conduct; and (3) the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim. *High Point SARL v. Sprint Nextel Corp.*, 817 F.3d 1325, 1330 (Fed. Cir. 2016) (quoting *Radio Sys. Corp. v. Tom Lalor & Bumper Boy, Inc.*, 709 F.3d 1124, 1130 (Fed. Cir. 2013)). “If the record indicates silence alone, ‘mere silence must be accompanied by some other factor which indicates that the silence was sufficiently misleading as to amount to bad

¹ At the time of trial, Hughes was the only remaining defendant in this action. *See* Docket Nos. 28, 50, 397, 398

faith.’” *Id.* (quoting *Hemstreet v. Comput. Entry Sys. Corp.*, 972 F.2d 1290, 1295 (Fed. Cir. 1992); *Meyers v. Asics Corp.*, 974 F.2d 1304, 1308 (Fed. Cir. 1992)).

For Hughes to prevail on its claim, it must identify misleading conduct or silence that leads the infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer. *Id.* Here, Hughes suggests that Shiron believed Hughes infringed in 2008 by virtue of its inclusion of Hughes on a “List of Infringers” slide from an internal presentation. *Id.* at 2 (citing DX0581 at 0006). Hughes also points to a “Technical Questionnaire” Shiron filled out for iLeverage as evidence of Shiron’s belief. *Id.* at 3 (citing Docket No. 506-4 at ELBIT_0241771) (“b. Which products or systems are likely to utilize the invention? Provide a list of at least the top three: VSAT systems from HNS, GILAT, VIASAT, iDirect, Advantech, Newtech, STM, . . .”). Hughes claims that it was contacted by iLeverage about purchasing the patents but never told of Shiron’s belief that it was an infringer. *Id.* at 7.

As to the second element, Hughes suggests that it relied on iLeverage’s communications that the patents were being offered for sale and communicated iLeverage’s offer to the engineering department. *Id.* at 8 (citing PX227 at 002). Hughes now claims that, had it known of Shiron’s belief that Hughes infringed its patents, it would have conducted an infringement analysis. *Id.* at 9. Hughes also argues that it relied on Shiron’s “misrepresentation” in its decision “not to take alternative actions,” which may have included contacting Shiron to request a claim chart or purchasing the patents outright. *Id.* at 10.

Hughes also claims to have relied on Shiron’s misleading communications in making investments in the Jupiter products. Hughes cites the declaration of Paul Gaske, Hughes’s executive vice president, in which Mr. Gaske claims that, had Hughes known that Shiron believed that the DirecWay and HN products infringed the ’073 Patent, it likely would have designed the

CONFIDENTIAL MATERIAL FILED UNDER SEAL REDACTED

Jupiter products differently to avoid an allegation of infringement. *Id.* at 11 (citing Docket No. 506-18 (“Gaske Decl.”) ¶ 13).

And as to the third requirement, material prejudice, Hughes claims that it was materially prejudiced by investing ██████████ in the Jupiter project, when that “money and effort . . . could have been used to design an inroute that completely avoided Shiron’s allegations of infringement.” *Id.* at 13 (citing Gaske Decl. ¶ 13–15). Hughes also argues that it has been prejudiced because it would have preserved evidence related to the Personal Earth Station (“PES”) system, which Hughes asserted in this litigation to be prior art. *Id.* at 13–14.

As a preliminary matter, the Court questions whether Hughes’s argument is a laches argument by another name, which would be legally improper in light of *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC.*, 137 S.Ct. 954, 967 (2017). Hughes’s complaint appears to be that it relied on Shiron “communicating” that it did not intend to pursue an infringement claim when it invested in the accused products. Docket No. 506 at 2. The Court is persuaded that Hughes’s argument amounts to a complaint that Shiron waited too long to pursue its infringement claim and is legally insufficient as a matter of law.

Even under the rubric of equitable estoppel, however, Hughes’s motion fails on a factual basis. Hughes’s current position that it was “affirmatively misled” by Shiron in 2008 is inconsistent with Mr. Gaske’s testimony from trial, where he stated that Hughes did not become aware of the asserted patents until January 2015, when the present suit was filed. 8/3 AM Tr. at 15:11–16 (“Q. Now, let’s move forward to 2008. It is Hughes’s position, and you testified on behalf of the corporation, that Hughes, as the Defendant, was not aware that it was being accused of infringing the ’073 patent and the ’874 patent until this lawsuit was filed in 2015, correct? A. I

believe that's correct.”). Mr. Gaske similarly testified at his deposition that he was unaware of the patents until the lawsuit was filed. Docket No. 521-4, Tr. at 77:3–8.

Relatedly, Hughes’s reliance on the iLeverage document is also insufficient to support its theory of misleading conduct. At his deposition, Dr. Shaul Laufer, one of the founders of Shiron and a named inventor of the ’073 Patent, testified that he did not ask iLeverage to contact Hughes. Docket No. 513-9 Tr. at 235:14–20 (“Q. Did you ask iLeverage to tell Hughes? A. No. Q. You didn’t ask anyone to tell Hughes you thought they infringed your patent; correct? A. Correct”). In fact, Mr. Laufer was unaware that iLeverage even approached Hughes and offered it a chance to buy the Shiron portfolio. *Id.* at 240:23–241:4.

Mr. Gaske also now claims that Hughes has changed the designs of its products to avoid allegations of infringement in the past. *See* Gaske Decl. ¶ 14. But his current statement is at least undercut by his representations (in both his deposition and at trial) that Hughes has never modified a product to avoid an allegation of infringement. Docket No. 513-8, Tr. at 44:24–45:18 (“Q. Has Hughes ever modified a product as a result of a third party claiming patent infringement in an attempt to avoid an infringement claim? . . . A. Again, not that I’m aware of. Q. So you're not aware of any instances where a third party came to Hughes with an 14 allegation that Hughes infringed on a third party’s patent and Hughes went out and changed one of its products? . . . A. Yeah, I’m not aware of that.”); 8/3 AM Tr. at 16:24–17:7 (“Q. In -- in 40 years of working at Hughes, you don’t know of it ever changing its course based upon someone saying, hey, you're infringing our patents, correct? A. That’s correct. I’m not sure that we’ve had people say that very often.”).

In light of these statements, the Court cannot conclude that Hughes was materially prejudiced by any alleged misrepresentation. Accordingly, because Hughes has not met its burden

to establish the applicability of equitable estoppel, Hughes's equitable estoppel motion is **DENIED**.

II. HUGHES'S RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW AND FOR A NEW TRIAL (Docket No. 505)

In its Renewed Motion for Judgment as a Matter of Law and New Trial, Hughes seeks (1) judgment as a matter of law of noninfringement; (2) judgment as a matter of law of invalidity; (3) a new trial on infringement; (4) a new trial on damages; and (5) remittitur. Docket No. 505.

LEGAL STANDARD

Judgment as a matter of law is only appropriate when “a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue.” FED. R. CIV. P. 50(a). “The grant or denial of a motion for judgment as a matter of law is a procedural issue not unique to patent law, reviewed under the law of the regional circuit in which the appeal from the district court would usually lie.” *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1332 (Fed. Cir. 2008).

Under Fifth Circuit law, a court is to be “especially deferential” to a jury’s verdict and must not reverse the jury’s findings unless they are not supported by substantial evidence. *Baisden v. I’m Ready Prods., Inc.*, 693 F.3d 491, 499 (5th Cir. 2012). “Substantial evidence is defined as evidence of such quality and weight that reasonable and fair-minded men in the exercise of impartial judgment might reach different conclusions.” *Threlkeld v. Total Petroleum, Inc.*, 211 F.3d 887, 891 (5th Cir. 2000). The Court will “uphold a jury verdict unless the facts and inferences point so strongly and so overwhelmingly in favor of one party that reasonable men could not arrive at any verdict to the contrary.” *Cousin v. Trans Union Corp.*, 246 F.3d 359, 366 (5th Cir. 2001); *see also Int’l Ins. Co. v. RSR Corp.*, 426 F.3d 281, 296 (5th Cir. 2005). However, “[t]here must be more than a mere scintilla of evidence in the record to prevent judgment as a matter of law in favor

of the movant.” *Arismendez v. Nightingale Home Health Care, Inc.*, 493 F.3d 602, 606 (5th Cir. 2007) (citing *Laxton v. Gap, Inc.*, 333 F.3d 572, 577 (5th Cir. 2003)).

In evaluating a motion for judgment as a matter of law, a court must “draw all reasonable inferences in the light most favorable to the verdict and cannot substitute other inferences that [the court] might regard as more reasonable.” *E.E.O.C. v. Boh Bros. Const. Co., L.L.C.*, 731 F.3d 444, 451 (5th Cir. 2013). Although the court must review the record as a whole, it must disregard all evidence favorable to the moving party that the jury is not required to believe. *Ellis v. Weasler Eng’g Inc.*, 258 F.3d 326, 337 (5th Cir. 2001). However, a court may not make credibility determinations or weigh the evidence, as those are solely functions of the jury. *See id.* (citing *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150–51 (2000)). The Court gives “credence to evidence supporting the moving party that is uncontradicted and unimpeached if that evidence comes from disinterested witnesses.” *Arismendez*, 493 F.3d at 606.

Under Federal Rule of Civil Procedure 59(a), a new trial may be granted on any or all issues “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Rule 59(a)(1)(A). The Federal Circuit reviews the question of a new trial under the law of the regional circuit. *Z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1347 (Fed. Cir. 2007). The court can grant a new trial “based on its appraisal of the fairness of the trial and the reliability of the jury’s verdict.” *Smith v. Transworld Drilling Co.*, 773 F.2d 610, 612–13 (5th Cir. 1985). “Courts grant a new trial when it is reasonably clear that prejudicial error has crept into the record or that substantial justice has not been done, and the burden of showing harmful error rests on the party seeking the new trial.” *Sibley v. Lemaire*, 184 F.3d 481, 487 (5th Cir. 1999) (quoting *Del Rio Distributing, Inc. v. Adolph Coors Co.*, 589 F.2d 176, 179 n. 3 (5th Cir. 1979)). “A new trial may be granted, for example, if the district court finds the verdict is against the weight of the

evidence, the damages awarded are excessive, the trial was unfair, or prejudicial error was committed in its course.” *Smith*, 773 F.2d at 612–13. The decision to grant or deny a new trial is committed to the sound discretion of the district court. *See Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 36 (1980).

A. Judgment as a Matter of Law on Noninfringement

Hughes moves for judgment as a matter of law that Hughes’s DirecWay, HN, HX, and Jupiter Systems do not infringe the ’073 Patent (1) because Elbit failed to present particularized evidence of infringement by each system; (2) because the systems do not include the first communications means; (3) because the systems do not include the second communications means; (4) because the systems do not include the “switching means;” and (5) because Elbit failed to present legally sufficient evidence that allegedly equivalent structures were available at the time the ’073 Patent issued. The Court addresses each of Hughes’s arguments in turn.

(1) Particularized Evidence of Infringement

According to Hughes, Elbit failed to offer particularized evidence of infringement for each product and each asserted claim of the ’073 Patent. Hughes contends that Elbit instead attempted to prove infringement by virtue of the products’ compliance with the Internet Protocol over Satellite (IPoS) standard (“IPoS”) standard. Docket No. 505 at 3–4.

Hughes argues that Elbit did not provide evidence as to how the HX or Jupiter systems satisfy the corresponding structure of “transmitter means” or “receiver means.” *Id.* at 4. To that end, Hughes argues that the only evidence presented at trial was a document describing the HN System Overview. *Id.* (citing 8/1 PM Tr. at 53:10–55:13, 88:2–22).

Hughes suggests that “Elbit will likely argue that the evidence for the HN system applies equally for the HX and Jupiter systems because all of these systems share a ‘common core

technology’ comprising an ‘IPoS based return channel,’ ” but, according to Hughes, that the products have the same basic functionality is not enough to justify grouping without evidence that the relevant features are identical. *Id.* at 4–5 (citing *Fujitsu Ltd. v. Netgear, Inc.*, No. 07-CV-710-BBC, 2009 WL 3047616, at *4 (W.D. Wis. Sept. 18, 2009)). Hughes also notes that Elbit relied solely on HN source code for the switching means claim element to argue that Elbit’s infringement argument for the HX and Jupiter systems lacked evidentiary support. *Id.*

Hughes also claims that Elbit failed to prove infringement by relying on the IPoS standard for three reasons: (1) that Elbit relied on diversity Aloha, an optional portion of the IPoS standard, to show that the Accused Systems must have had a pseudo-random sequence generator and local oscillator for “first communication means;” (2) that the IPoS standard lacks sufficient detail regarding diversity Aloha to show that compliance necessarily results in infringement; and (3) that Elbit did not establish that the accused systems complied with or implemented the accused portions of the IPoS standard for the corresponding structures for the first and second communications means. *Id.* at 5–8.

Elbit first responds that it presented substantial evidence regarding the structure and operation of all accused products. Docket No. 514 at 2. According to Elbit, it presented evidence that the accused products all rely on a “common core” technology and Hughes has not pointed to a single difference between the accused products that would have been relevant to the jury’s infringement finding. *Id.* at 2–3. Elbit argues that Mr. Bruce Elbert, its technical expert, reviewed thousands of pages of Hughes’s technical documentation and walked the jury through each of the accused systems. *Id.* (citing 8/1 PM Tr. at 92:9–13). Elbit contends that Mr. Elbert then explained how each accused product contained “common core technology” including the IPoS based return channel and common IP capabilities, which are common elements in the systems directly related

to infringement. *Id.* at 3–4 (citing PX001-002; 8/1 PM Tr. 39:14–40:2). Elbit then explains that Mr. Elbert showed the jury a listing of model numbers from each of the accused systems, which was admitted as PX853, and confirmed that the DirecWay, HN, HX, and HT/Jupiter product lines all fit within the common core technologies and all employed the two communications and switching means. *Id.* (citing PX863, 8/1 PM Tr. at 48:13–19). According to Elbit, Mr. Elbert then walked through a detailed infringement analysis relying primarily on the HN system and the IPoS standard but also referring to documentation for the HX and Jupiter systems, before concluding that his analysis was equally applicable to all of the accused products. *Id.* (citing PX276, PX264; PX015, PX099, PX102, 8/1 PM Tr. at 92:14–93:3; 37:21–38:4; 47:17–48:23; 71:4–13).

Elbit argues that this evidence easily meets the “substantial evidence” standard for the jury’s verdict and that the law allows for infringement analysis based on a representative product on an element-by-element basis, followed by a summary opinion that all the other accused products infringe based on the same analysis. *Id.* at 5–6 (citing *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, No. 4:14-CV-00371, 2017 WL 1716400, at *5 (E.D. Tex. Apr. 27, 2017)).

Elbit also responds that Hughes never presented its arguments to the jury that certain portions of the IPoS standard are optional or that the standard lacked sufficient detail. Docket No. 514 at 6. But even if the Court was to consider Hughes’s argument, Elbit suggests that Hughes’s documentation that it presented to the jury admitted that the Hughes HN System was compliant with the IPoS standard. *Id.* at 7 (citing PX274-114; PX298-007, PX262-116, PX295-001, PX105-108, PX276-118, PX264-083). Elbit also contends that nothing in the IPoS standard suggests that the portions Mr. Elbert relied on and presented to the jury are “optional.” *Id.* (citing 8/1 PM Tr. at 52:3–93:3 (discussing PX234-60, -77, -78, -133, -135, -162, -163)). Elbit further argues that since

this case involved an accused system, it was distinguishable from *Fujitsu*, which involved direct infringement of a method claim. *Id.* at 8.

In its reply, Hughes argues that the parties did not stipulate to representative products, the Court did not deem any accused system as representative of the others, and Mr. Elbert never testified that the HN system was a representative product. Docket No. 518 at 1. Hughes reprises its argument that the only evidence presented for the transmitter and receiver means was about the HN system. *Id.* at 2. Hughes also suggests that Mr. Elbert's statements about common capabilities do not address the structure required for the switching means and, because the Jupiter systems have a different switching structure than the HN system, Elbit cannot use the HN system as a representative product for the Jupiter system. *Id.* at 2–3.

In its surreply, Elbit responds that Mr. Elbert's element-by-element analysis and summary opinion at trial is more than substantial evidence to support the infringement verdict. Docket No. 523 at 1. As to Hughes's arguments about the different switching means between the HN and Jupiter products, Elbit argues that Hughes waived this argument by failing to present any evidence at trial that the accused devices were different as related to the claims. *Id.*

The jury's infringement verdict is supported by substantial evidence. Generally, a patentee can show infringement with detailed expert testimony with respect to only one type of device and then a summary opinion explaining that the analysis applies to other allegedly infringing devices that operate similarly, without discussing each type of device in particular. *TiVo, Inc. v. EchoStar Commc'ns Corp.*, 516 F.3d 1290, 1308 (Fed. Cir. 2008); *see also Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 259 F. Supp. 3d 530, 538 (E.D. Tex. 2017). The trial record makes clear that Mr. Elbert's testimony satisfies this standard. Particularly, Mr. Elbert explained Hughes's development trajectory, relying on documentation relating to each product and

explaining that all of the accused products contained a “common core” technology including an IPoS return channel and common IP capabilities. *See* 8/1 PM Tr. at 36:25–39:2; 92:9–93:3; PTX 180-003. Mr. Elbert presented the jury with a chart listing the infringing products and confirmed that each fit within the common core technologies, employing “the two communications means and switching means.” *Id.* at 48:13–19. Mr. Elbert then conducted a detailed infringement analysis based on documentation for the HN system and the IPoS standard, confirming that his analysis was equally applicable to the accused products. *Id.* at 92:14–93:3; *see also id.* at 37:21–38:4, 47:17–48:23, 71:4–13.

The Court is also not persuaded by Hughes’s argument that Mr. Elbert’s testimony regarding the common core technology does not apply to the transmitter and receiver means limitations. Mr. Elbert did not limit common core technology to certain limitations at trial, and, instead, confirmed that all of the accused products shared a common functionality as it relates to the claims. 8/1 PM Tr. at 92:14–93:3. To the extent Hughes now argues that the HN, HX, and Jupiter systems offer “many new features and capabilities,” it offered no evidence to the jury as to how these differences would affect the infringement analysis.

Substantial evidence supports the jury’s finding of infringement based on the IPoS standard, as nothing in the IPoS standard suggests that the portions that Mr. Elbert relied on and presented to the jury are “optional.” *See generally* 8/1 PM Tr. at 52:3–93:3 (discussing PX234-60, -77, -78, -133, -135, -162, -163). With respect to Hughes’s arguments about Elbit’s reliance on a standard, Elbit has pointed to substantial evidence at trial suggesting that the accused products practice the standard. *See, e.g.,* PX274-114, PX262-116, PX295-001, PX105-108; *see also Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1327 (Fed. Cir. 2010).

Accordingly, Hughes’s motion is **DENIED** on this basis.

(2) “first communication means”

The Court construed the “first communications means” as a means-plus-function term with the function of “transmitting short bursty data” and the structure of the “Random Access Transmitter 70 in Figure 5 in the ’073 Patent and equivalents thereof.” Docket No. 208 at 15.

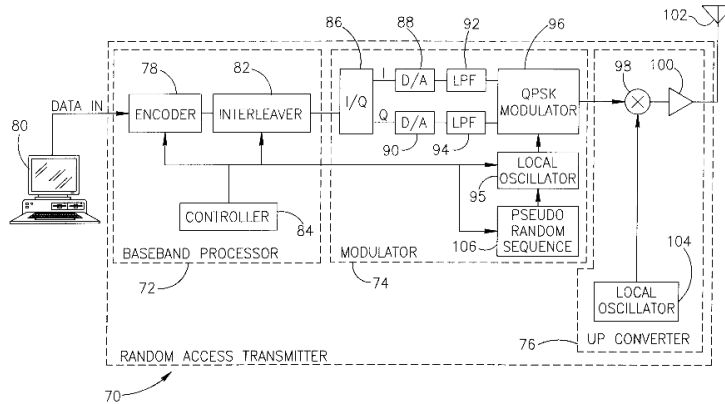


FIG. 5

'073 Patent, Fig. 5.

Hughes now argues that Elbit failed to establish that a pseudo-random sequence generator (“PRSG”) was directly connected to and driving a local oscillator in the accused systems. Docket No. 505 at 8. Instead, according to Hughes, Mr. Elbert treated the PRSG 106 connected to the local oscillator 95 of Figure 5 as a purely functional limitation—to be able to choose frequencies randomly. *Id.* at 9 (citing 8/1 PM Tr. at 62:16–18). From there, Hughes contends, Mr. Elbert stated that Diversity Aloha uses random frequency selection, so there must be a PRSG. *Id.* Hughes suggests that Mr. Elbert only “assumed that there must be a local oscillator, without any explanation or evidence,” and that there is no evidence in the record establishing that the accused systems include the PRSG 106 and local oscillator 95. According to Hughes, Mr. Elbert assumed that all structures that could be used to randomly select or change the frequency are statutory

equivalents to the corresponding structure. *Id.* (citing *Wenger Mfg., Inc. v. Coating Mach. Sys., Inc.*, 239 F.3d 1225, 1233 (Fed. Cir. 2001)).

Hughes also contends that the statutory equivalents analysis requires one to look at whether the assertedly equivalent structure performs the claimed function in substantially the same way to achieve substantially the same result as the corresponding structure described in the specification. *Id.* at 9–10 (citing *Odetics, Inc. v. Storage Tech. Corp.*, 195 F.3d 1259, 1267 (Fed. Cir. 1999)). Hughes suggests that Mr. Elbert “never actually identified the allegedly equivalent structure in the HN, HX, or Jupiter systems” and instead identified diversity Aloha as a purportedly equivalent function. *Id.*

In response, Elbit claims the jury credited Mr. Elbert’s testimony on the factual issue of whether the accused products have a “first communications means.” Docket No. 514 at 8. Elbit points to Mr. Elbert’s opinion that the accused products performed the claimed function of “transmitting short bursty data” and contained a structure that was identical and/or equivalent to the corresponding structure identified by the Court, Random Access Transmitter 70 in Figure 5 in its entirety. *Id.* (citing 8/1 PM Tr. at 55:15–69:22). Elbit argues that Mr. Elbert walked through every component of Figure 5 and identified where that component could be found in the accused products. *Id.* (citing 8/1 PM Tr. at 58:6–65:2). Elbit also claims that Mr. Elbert identified the differences between the transmitter in Figure 5 and the transmitter in the accused products, explaining that they were “minor” and “not significant.” *Id.* at 8–9 (citing 8/1 PM Tr. at 58:24–59:8, 60:13–61:5, 62:6–65:2).

With respect to Hughes’s argument about proof of structure, Elbit claims (1) that Hughes waived this argument by failing to argue during claim construction that a “direct connection” was required between the PRSG and the local oscillator; (2) that Hughes misunderstands the legal test

for statutory equivalents as requiring that the patentee show that every component of a multicomponent structure is present in the accused device and arranged exactly as in the patent; and (3) that Hughes mischaracterizes the record in arguing that Mr. Elbert glossed over his analysis of Figure 5. *Id.* at 9–10 (citing *Odetics*, 185 F.3d 1268). Elbit also argues that Mr. Elbert did not reduce Figure 5 to a functional limitation, explaining how the rand() source code in the accused products, in conjunction with the time and frequency block, causes the transmitter to randomly change frequencies in the same manner as the PRSG and local oscillator Figure 5. *Id.* at 10–11 (citing 8/1 PM Tr. at 62:1–65:3).

In its response, Elbit also argues that Dr. Stephen Wicker, Hughes’s expert, treated the first communications means as a purely functional limitation, testifying that the PRSG, local oscillator, and modulator structures in Figure 5 “generate[] codes” and that the accused products did not infringe because they did not use “code-based spreading.” *Id.* at 11 (citing 8/4 AM Tr. at 22:9–14 (“That’s right. Code-based spreading modulator is not a time division multiple access modulator. They’re different things.”)).

Elbit has adduced substantial evidence that the accused systems meet the “first communications means” limitation. At trial, Elbit’s expert Mr. Elbert first reviewed the claim construction with the jury. 8/1 PM Tr. at 55:22–56:12. He then reviewed Hughes’s documentation for the HN system,² explaining that the Hughes product uses Diversity Aloha, which he opined met the function for the “first communications means” limitation. *Id.* at 57:4–2. Mr. Elbert then explained how the HN product contained a structure that was identical and/or equivalent to Random Access Transmitter 70 in Figure 5, walking through each component in Figure 5 and identifying where it could be found in the accused products. 8/1 PM Tr. at 55:15–69:22. To the

² Mr. Elbert explained that the accused products share a “common core technology” as it relates to his infringement analysis with a common return channel and common IP capabilities. 8/1 PM Tr. at 92:14–93:3.

extent Mr. Elbert identified differences between the transmitter in Figure 5 and the transmitter in the accused products, he characterized those differences to be minor or insignificant. *Id.* at 58:24–59:8, 60:13–61:5, 62:6–65:2. On this record, the Court is not persuaded that Mr. Elbert’s analysis was purely speculative, nor is the Court convinced that Mr. Elbert reduced Figure 5 to a functional limitation.

Similarly, Hughes’s argument that Mr. Elbert only “assumed that there must be a local oscillator, without any explanation or evidence” is without merit. Mr. Elbert identified the “Time and Frequency Sync” block in PX234 as corresponding to the local oscillator and explained that the products contain a “rand” function in the source code, corresponding to the PRSG. 8/1 PM Tr. at 61:13–21, 63:18–65:3.

Accordingly, because substantial evidence supports the jury’s finding that the accused systems meet the “first communications means” limitation, Hughes’s motion for judgment as a matter of law is **DENIED** on this basis.

(3) “*second communication means*”

The Court construed the “second communications means” as a means-plus-function term with the function of “continuous transmission of data” and the structure of the “Channel Assignment Transmitter 110 in Figure 6 and equivalents thereof.” Docket No. 208 at 15.

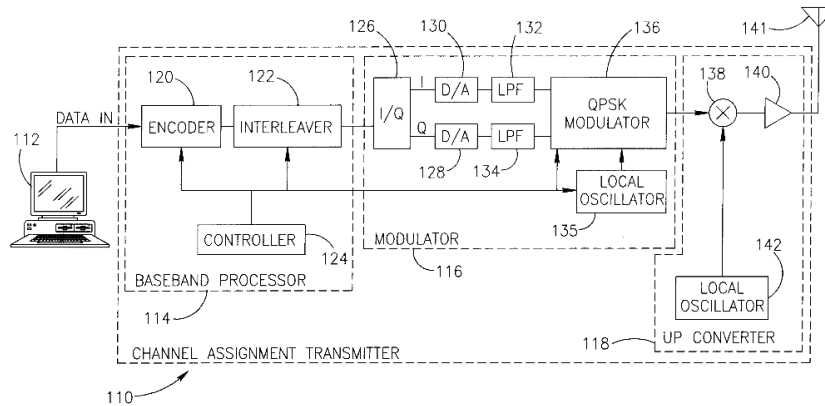


FIG.6

'073 Patent, Fig. 6.

Hughes now argues that Elbit failed to show that the accused systems performed the function of “continuous transmission of data.” Docket No. 505 at 10. According to Hughes, Mr. Elbert’s opinion that a discrete long burst transmission could be understood as a continuous transmission of data is insufficient because, for statutory equivalence under 35 U.S.C. § 112, ¶ 6, function must be identical. *Id.* at 11 (citing *Odetics*, 185 F.3d at 1267).

In response, Elbit identifies portions of Mr. Elbert’s report explaining how the accused products’ “stream” mode with variable burst lengths performs “continuous transmission of data.” Docket No. 514 at 12. 8/1 PM Tr. at 72:2–75:24.

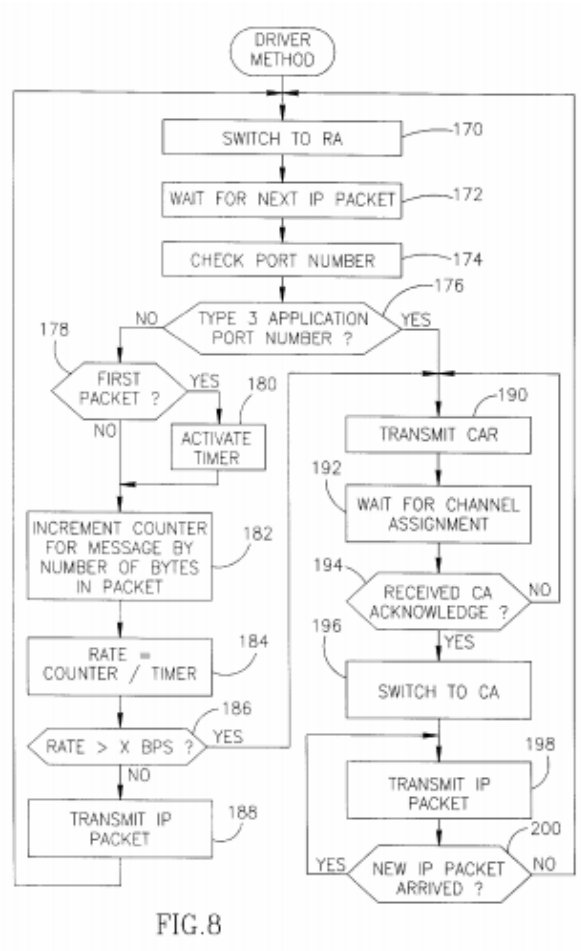
At trial, Hughes’s expert, Dr. Wicker, testified that the accused systems were “bursty” and “not continuous.” 8/3 PM Tr. at 129:7–17. Mr. Elbert did not agree, and the jury could have credited Mr. Elbert’s analysis; the Court may not “effectively supplant the jury’s assignment of credibility or weight attributed as between the experts, as those are sole functions of the jury.” *Hitachi Consumer Elecs. Co. v. Top Victory Elecs. (Taiwan) Co.*, No. 2:10-CV-260-JRG, 2013 WL 5273326, at *4 (E.D. Tex. Sept. 18, 2013), *aff’d sub nom.*, 577 F.App’x 998 (Fed. Cir. 2014)

(citing *Perkins-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 893 (Fed.Cir.1984)).

Accordingly, Hughes's motion is **DENIED** on this basis.

(4) "switching means"

The Court construed the "switching means" as a means-plus-function term with the function of "switching transmission between said first communication means and said second communication means in accordance with predefined criteria" and the structure of the "modem 160 or PC 150 including driver layer 158 performing the algorithms disclosed in the '073 Patent at 10:30–11:40 or Figure 8." Docket No. 208 at 30.



'073 Patent, Fig. 8.

Hughes moves for judgment as a matter of law because “Elbit failed to address how the accused systems satisfied a substantial portion of the corresponding structure for the ‘switching means’ limitation.” Docket No. 505 at 11. According to Hughes, Mr. Elbert’s testimony focused on only the first part of the algorithm disclosed at 10:30–11:40 of the ’073 Patent (the decision to switch from low to high). *Id.* at 12 (citing 8/1 PM Tr. 80:9–13). Hughes also claims that Mr. Elbert failed to address how the Hughes HN, HX or Jupiter terminals perform the requesting “a specific data rate” portion of the switching means algorithm. *Id.* (citing PX-1 at 11:14–15). Hughes argues that it was only after Mr. Wicker testified that Mr. Elbert provided a conclusory rebuttal that he considered the entire corresponding structure to be met in the accused products without substantial differences. *Id.* at 13 (citing 8/4 PM Tr. at 47:17–48:1).

In response, Elbit claims that Mr. Elbert testified that the accused products perform the claimed function of “switching transmission between said first communication means and said second communication means in accordance with predefined criteria” and explained how the accused products contain a structure that is identical and/or equivalent to the corresponding structure identified by the Court (modem 160 or PC 150 including driver layer 158 performing the algorithms disclosed in the ’073 Patent at 10:30–11:40 or Figure 8). Docket No. 514 at 13 (citing 8/1 PM Tr. 4 at 78:24–88:1, 122:15–124:16; 8/4 PM Tr. at 37:25–48:1).

Elbit also responds that Hughes’s switching means algorithm argument is both legally and factually erroneous. *Id.* at 14. Elbit first argues that the structure (as construed by the Court) is an algorithm and that it was sufficient for Elbit to show that the overall structure of the accused algorithm is equivalent to the claimed algorithm, even if the accused algorithm has a different number of steps and parts. *Id.* (citing *Odetics*, 185 F.3d at 1268–69). Factually, Elbit claims that

Hughes's argument fails because Elbit presented substantial evidence that the accused products meet the "switching means" limitation. *Id.*

The Court questions whether Hughes's argument improperly whittles the corresponding structure for switching means down to its smallest sub-components to argue that the sub-components or their equivalents are not present in the accused product. *See Odetics*, 185 F.3d at 1268–69; *Raytheon Co. v. McData Corp.*, No. 2:03-cv-13, 2004 WL 952284, at *6 (E.D. Tex. Feb. 10, 2004). Hughes's argument appears to treat each step of the algorithm as a limitation to be met, but Hughes cites no case for the proposition that an accused device must include every step in an algorithm. However, even if Hughes is correct that Elbit must show each piece of the claimed algorithm in the accused products, substantial evidence supports the jury's finding.

At trial, Mr. Elbert explained how the accused products switched from "Diversity Aloha" transmission (corresponding to the first communication means) to "Stream" transmission (corresponding to the second communication means) based on the terminal determining that it has additional data to send beyond what will fit in the Aloha transmission (a predefined criteria). 8/1 PM Tr. at 78:24–81:22. Mr. Elbert also explained that the accused modems contain a driver layer that makes the decision to switch based on "predefined criteria," particularly, when the length of a message exceeds the "certain amount of data" that the Aloha packet can carry. *Id.* at 80:20–81:3, 81:25–88:1. With respect to the algorithm at 11:20–40, Mr. Elbert opined that, when the accused satellite terminals send a message with a backlog of zero to the hub (when the terminal has no additional data to send), the hub will not assign the terminal a stream (or switch it to stream mode), corresponding to portion of the algorithm in Column 11 that states the terminal will request a switch back to the first communication means when a "user output buffer becomes empty." *Id.* at 82:19–83:1, 84:5–8; PX 1, 11:21–25, 11:32–33.

The Court is not persuaded that Mr. Elbert failed to account for the part of the algorithm regarding a “requested data rate.” Mr. Elbert explained that the accused products send a flag and the amount of data it has to send to the hub, an “indication of what data they need to send,” amounting to the data rate described in the claimed algorithm. 8/1 PM Tr. at 123:22–124:12.

Even if Hughes is correct that Elbit was required to identify each step of the algorithm in the corresponding structure of the accused products, substantial evidence supports the jury’s finding, and Hughes’s motion on this basis is **DENIED**.

(5) Availability of equivalent structures

Hughes argues that the Court should grant judgment as a matter of law as to “switching means” because Elbit failed to introduce evidence that the allegedly equivalent structure in the accused systems was available at the time the ’073 Patent issued. Docket No. 505 at 14 (*citing Al-Site Corp. v. VSI Intern., Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999)). According to Hughes, Mr. Elbert only provided evidence of the equivalent feature from 2003, two years after the patent issued. *Id.*

Elbit argues that Hughes’s argument is unsupported by the trial record and waived because Hughes did not argue this theory to the jury. Docket No. 514 at 17. Elbit suggests that it did present evidence that the DirecWay system, launched in early 2001 and before the ’073 Patent issued, included the accused infringing return channel. *Id.* (citing 8/1 PM Tr. at 36:10–14, 57:25–58:2, 92:14–93:3; 8/3 PM Tr. at 121:14–25; 8/1 PM Tr. at 48:20–22).

Substantial evidence supports the jury’s finding that equivalent structures were available when the ’073 Patent issued—particularly, that the DirecWay system was available at the relevant time period and that it included the IPoS return channel. *See* PX180; 8/1 PM Tr. at 36:9–38:14, 57:25–58:2, 92:9–93:3; 8/2 PM Tr. at 38:1–15; 8/3 PM Tr. at 121:14–121:5. Hughes’s witnesses

confirmed this. 8/3 AM Tr. at 43:6–7, 44:14–16, 76:21–24, 108:1–3. Hughes’s suggestion that “the timeline Elbit relies on is from May 12, 2011 [and] is not representative of or evidence of DirecWay’s structures or components as they existed in 2011” is an attack on the credibility of the evidence, which is a decision squarely within the province of the jury. Accordingly, Hughes’s motion on this basis is **DENIED**.

B. Judgment as a Matter of Law on Invalidity

Hughes also moves for judgment as a matter of law that the ’073 Patent is invalid as anticipated by the Personal Earth Station (PES) or obvious in light of the PES and Tejima, Heath or Feldman.³ Docket No. 505 at 15.

(1) Anticipation by PES

First, Hughes contends that the evidence at trial clearly and convincingly demonstrated that the PES system (Release 7.6A with Flexroute and LANAdvantage) was on sale, known or used by others in the United States more than a year before the November 14, 1997 priority date of the ’073 Patent. *Id.* at 15. Elbit does not appear to contest the availability of the PES.

According to Hughes, Dr. Wicker compared the features of claims 2, 3, and 4 to the PES system. Docket No. 505 at 16. Hughes claims that Elbit accused the same TDMA and TDMA Aloha communication techniques of infringement that existed in the PES system. *Id.* at 17. Hughes claims that “a prior art reference which would literally infringe a properly construed claim of the ’073 Patent invalidates that claim.” *Id.*

Regardless of whether Hughes is correct that the accused functionalities existed in the PES system, anticipation cannot be proved by merely establishing that “one practices the prior art.”

³ “Tejima” is U.S. Patent No. 4,736,371 (DX0489); “Heath” is U.S. Patent No. 5,638,374 (DX0545); and “Feldman” is a RAND publication titled “An Overview and Comparison of Demand Assignment Multiple Access (DAMA) Concepts for Satellite Communications Networks” (DX0483).

Zenith Elecs. Corp. v. PDI Commc'n Sys., Inc., 522 F.3d 1348, 1363 (Fed. Cir. 2008). “[M]ere proof that the prior art is identical, in all material respects, to an allegedly infringing product cannot constitute clear and convincing evidence of invalidity.” *Id.* “Anticipation requires a showing that each element of the claim at issue, properly construed, is found in a single prior art reference,” and that “[i]t is the presence of the prior art and its relationship to the claim language that matters for invalidity.” *Id.* (citing *Tate Access Floors, Inc. v. Interface Architectural Resources, Inc.*, 279 F.3d 1357 (Fed. Cir. 2002)). Accordingly, Hughes’s argument that claims of the ’073 Patent are invalid because Hughes practices the PES fails as a matter of law.

Regardless, as a factual matter, the jury’s finding that the ’073 Patent was not anticipated by the PES is supported by substantial evidence. Mr. Elbert testified that PES lacked the Figure 5 structure necessary for the “first communication means.” 8/4 PM Tr. at 21:5–19. He also explained that the required “switching means . . . was not in the PES product.” 8/1 PM Tr. at 89:14–18; 8/4 PM Tr. at 30:6–31:25. Relatedly, the jury was also entitled to rely on Dr. Wicker’s statement that the PES did not anticipate the ’073 Patent. *See* 8/4 AM Tr. at 31:16–21 (“Q. What are the different ways whereby an earlier invention can invalidate a later-filed patent? A. Okay. As I understand it, there’s something called anticipation. Anticipation means you can find everything that’s in the claim in a piece of prior art. That’s – that’s not what I found.”). Accordingly, substantial evidence supports the jury’s finding that the claims of the ’073 Patent were not anticipated by the PES, and Hughes’s motion on that basis is **DENIED**.

(2) *Obviousness*

Hughes also claims that the PES system in combination with (1) Tejima renders obvious claims 2 and 4 of the ’073 Patent, (2) Heath renders obvious claim 3, and (3) Feldman renders obvious claims 2–4. Docket No. 505 at 18.

Particularly, Hughes identifies Dr. Wicker's testimony that a person of skill in the art ("POSA") could modify the transmission techniques of the PES to be code-based as to render the asserted claims obvious. *Id.* (citing 8/4 AM Tr. at 43:23–44:20, 48:25–52:4, 52:24–56:25). Hughes claims that a POSA could take the PES system and combine it with other well-known techniques for the combination of short bursty data and continuous transmission of data. *Id.* at 19 (citing 8/4 AM Tr. at 48:25–52:4, 52:24–56:25; DX0483 (Feldman); DX0489 (Tejima); DX0545 (Heath)). Hughes also points to Dr. Wicker's testimony that it would have been obvious to a POSA to switch the TDMA Aloha in the PES for structure disclosed in the patent. *Id.* (citing 8/4 AM Tr. at 50:6–12). Hughes identifies Mr. Wicker and Mr. Elbert's testimony that Figure 5, the structure for the first communications means, could be implemented by CDMA, a technique disclosed in the Feldman reference. *Id.* (citing 8/1 PM Tr. at 121:6–23 ("Q. Now, one example of what's in Figure 5 is the CDMA transmitter; is that correct? . . . A. Yes, that's one example."); 8/4 AM Tr. at 115:19–116:8). According to Hughes, Dr. Wicker provided an obviousness analysis to modify the transmission techniques of the prior art PES system to be code-based, in accordance with the Court's claim construction. *Id.* (citing 8/4 AM Tr. at 43:23–44:20, 48:25–52:4, 52:24–56:25). As a motivation to combine, Hughes points to Dr. Wicker's testimony that "[i]t was well-known at the time that there were other technologies that could be used that would have involved the continuous transmission of data." *Id.* (quoting 8/4 AM Tr. at 32:19–33:11, 54:7–13).

With respect to the "means for switching" element in claim 2, Dr. Wicker testified that the PES system would switch, upon receiving a message that exceeds a certain size. *Id.* (citing 8/4 AM Tr. at 68:2–70:7; DX0323-0010). Hughes's expert relies on Tejima to supply this term. *Id.* (citing 8/4 AM Tr. at 68:2–70:7; DX0489-0014). For claim 3, Dr. Wicker suggests that, when the flag is set to true, the PES system will switch to the other inroute access method and that the Heath

Patent also discussed the idea of a continuation flag. *Id.* (citing 8/4 AM Tr. at 70:8–73:16; DX0323-0019; DX0545). And for the “means for switching” element in claim 4, Dr. Wicker relied on Tejima to disclose buffers being over a predetermined level in the 1980s. *Id.* (citing 8/4 AM Tr. at 73:17–74:24).

Finally, Hughes argues that Elbit failed to show a nexus between its secondary considerations evidence and the claimed features of the invention. *Id.* at 22.

Elbit responds that Dr. Wicker’s testimony was conclusory and that he failed to identify any teaching, suggestion, or motivation for a POSA to combine the PES with Hughes’s references. Docket No. 514 at 20. According to Elbit, Dr. Wicker’s combination of PES and Heath relied on hindsight and the jury was entitled to reject it. Elbit specifically points to Dr. Wicker’s testimony on cross examination, where he stated that a POSA would not have been motivated to combine PES and Heath because “[PES] worked quite well just as it was.” *Id.* at 21 (citing 8/4 AM Tr. at 129:4–5 and 129:11–12 (“There was no motivation [to modify] presented by the–the product’s functionality itself.”)).

With respect to Feldman, Elbit points to Dr. Wicker’s statement that a POSA would likely continue to rely on TDMA, as opposed to using the “code-based transmissions” disclosed in the patent. *Id.* (citing 8/4 AM Tr. 55:16–21 (“Q: So once you’ve started down a path of choosing time based, you’re probably going to stick with that unless there’s a real good reason to change? A: Well, exactly. And that’s what we see here on the board. Back in the ‘90s, Hughes was using TDMA, and they’re using it today.”)). And with respect to Tejima, Elbit notes that Dr. Wicker offered no opinion for why a POSA would combine it with the PES. *Id.* at 22 (citing *Id.* at 68:21–69:7.)

Even if Hughes had shown that a POSA would have combined PES with Heath, Feldman, or Tejima, Elbit maintains that it offered sufficient rebuttal evidence at trial to support the jury's finding that the claims were not obvious. *Id.* And, in response to Hughes's secondary considerations argument, Elbit claims that it offered evidence of long-felt need, skepticism, and commercial success. *Id.* at 22.

Substantial evidence supports the jury's conclusion that the '073 Patent was not invalid for obviousness. The jury was entitled to reject Hughes's obviousness combinations in light of Dr. Wicker's statements that a POSA would not have been motivated to combine PES and Heath because PES worked well "just as it was," his statements that a POSA may have continued relying on TDMA in the PES, as opposed to combining it with the code-based techniques in Feldman. Because Dr. Wicker did not provide a motivation to combine the PES with Tejima, the jury was entitled to reject that combination as well. 8/4 AM Tr. at 129:4–5 and 129:11–12, 55:2–21, 68:21–69:7.

Relatedly, in its motion, Hughes does not point to clear and convincing evidence that Tejima, Feldman, and Heath would satisfy the requisite elements not disclosed by PES. *See* Docket No. 505 at 18–21. For example, Hughes discusses Feldman as providing the "code-based transmissions such as CDMA" that could be implemented in the PES system, but Hughes does not indicate how the transmissions supplied in Feldman meet the structure in Figure 5. *See id.* (citing 8/4 AM Tr. 50:13–52:4 ("Q. So in your opinion, would it have been obvious to one of ordinary skill in the art to modify Personal Earth Station's time-based structure and potentially use codes? A. Yes, there are documents like this that say it's something that a person would try.")).

Elbit also presented the jury with evidence of objective indicia of nonobviousness. An article that appeared in the McKinsey Quarterly is in the record, which indicated that those in the

industry felt a pressing need to address high bandwidth needs but did not believe that a two-way satellite with a return link over satellite could be a viable solution. *See* PX594. Mr. Elbert testified at trial to this industry need and opined that Hughes introduced the DirecWay product as a new way to address this need. *See* 8/1 PM Tr. at 36:6–21. Even if Hughes’s witness, Mr. Gaske, disagreed with Mr. Elbert and attributed the long-felt need for two-way Internet over satellite to the cost of components, the jury was entitled to weigh Mr. Gaske’s testimony against that given by Mr. Elbert; it is not the Court’s role to reweigh the evidence or consider what the record might have otherwise supported. *See Apple Inc. v. Samsung Electronics Co., Ltd.*, 839 F.3d 1034, 1056 (Fed. Cir. 2016).

Additionally, Elbit linked the commercial success of the accused product to the claimed invention with PX449, illustrating the increased sales for Hughes’s infringing two-way solution compared to its previous one-way system. This evidence was tied to Hughes’s transition from non-infringing products to infringing products, which incorporated the patented features of the ’073 Patent. *See* 8/2 PM Tr. at 16:18–23; 39:1–40:1; 41:15–21; PX449. On this record, the jury was presented with substantial evidence of a nexus between the ’073 Patent and commercial success supporting the jury’s verdict that the ’073 Patent would not have been obvious.

Accordingly, substantial evidence supported the jury’s finding that the ’073 Patent was not invalid as obvious and Hughes’s motion for judgment as a matter of law on this basis is **DENIED**.

C. New Trial on Infringement and Invalidity

GE also moves for a new trial because “Elbit’s conduct at trial, together with its inaccurate representations to the Court during and leading up to trial, resulted in a jury verdict based on irrelevant, highly prejudicial emotional issues and devoid of certain critical facts.” Docket No. 505 at 22. According to Hughes, the jury’s verdict with respect to the ’073 Patent is against the

great weight of the evidence. *Id.* Specifically, Hughes moves for a new trial on five bases: (1) because of the Court’s limiting instruction, (2) because Elbit presented irrelevant evidence related to a pre-priority date meeting to inject confusion and prejudice, (3) because the Court improperly rejected Hughes’s claim construction positions, (4) because the case was tried in an improper venue, and (5) on the same grounds raised in its renewed motion for judgment as a matter of law. The Court addresses each of Hughes’s arguments in turn.

(1) Limiting instruction

During trial the Court determined that Hughes’s argument and questioning “had crossed over into the territory of claim construction” and ruled that a limiting instruction was necessary. 8/3 AM Tr. at 13:18–14:7. Hughes now challenges that limiting instruction.

First, Hughes argues that the Court erred in finding a limiting instruction appropriate because its arguments and evidence did not run afoul of the claim construction. Docket No. 505 at 23. Specifically, Hughes argues that the Court improperly relied on statements made outside of the jury’s presence to determine that a limiting instruction was necessary. *Id.* at 24. Hughes also argues that the Court’s limiting instruction improperly applied a new negative limitation to the claims. *Id.* at 24. According to Hughes, the limiting instruction improperly excluded the phrase “in its entirety.” *Id.* at 26. Hughes claims that this “new negative limitation” improperly suggested to the jury that the Court rejected Hughes’s noninfringement position: “Stating in the middle of Hughes’ case in chief that ‘[t]he Court also determined that the claims do not require the random access transmitter in Figure 5 to be configured solely to perform non-synchronous frequency hopping code division multiple access, NS-FH-CDMA’ is easily conflated in the jury’s mind with a statement directly from the bench expressly doubting Hughes’ non-infringement theory.” *Id.* at 27.

In response, Elbit states that Hughes repeatedly contradicted the Court’s claim construction (prior to the limiting instruction) by arguing to the jury that the ’073 Patent was limited to CDMA and FDMA techniques. Docket No. 514 at 23. Elbit points to Hughes’s opening statement, in which it repeatedly made reference to transmission techniques as the reason why Hughes did not infringe: “We’re -- we’re—we’ve got a big ranch called TDMA. That’s what we do. We don’t do FDMA, we don’t do CDMA.” *Id.* at 24 (quoting 7/31 PM Tr. at 59:15–16).

Elbit argues that Hughes repeatedly violated the Court’s claim construction over the course of the trial and suggested to the jury that the first and second communication means meant CDMA and FDMA. *Id.* (citing 7/31 AM Tr. at 59:15–16). With respect to Hughes’s argument that the Court improperly injected a “negative limitation” into the claims, Elbit responds that Hughes was foreclosed from presenting its argued “distinction” to the jury “because the phrase ‘in its entirety’ was not presented to the jury as part of the claim construction.” *Id.* Elbit also argues that the Court’s instruction did not prejudice Hughes because it was clear that the jury was to determine whether the accused structure is the same or equivalent to the structure in Figure 5 and that the jury “may consider” evidence that “the accused system is not configured to perform CDMA” in making its determination. *Id.* at 26 (citing 8/3 AM Tr. at 27:23–28:9, 28:22–29:5).

The Court’s limiting instruction is not a basis for a new trial. In its *Markman* Order, the Court construed “first communication means” as a means-plus-function term with the function of “transmitting short bursty data” and the structure of the “Random Access Transmitter 70 in Figure 5 in the ’073 Patent and equivalents thereof.” Docket No. 208 at 15. The Order further states that “the Court rejects Defendants’ proposal to include a specific technique as part of the corresponding structure.” *Id.* at 14. In Hughes’s opening statement, it asked the jurors to turn to the ’073 Patent abstract and told the jury that “first communication scheme uses random access method based on

a nonsynchronous frequency hopping code division multiple access technique. CDMA.” 7/31 PM Tr. at 58:6–8. In the same opening statement, Hughes explained that the claims required a “first communication means, second communication means, [and] the decision to switch in the remote.” *Id.* at 59:11–14. Hughes then stated that “[i]f you don’t do those, then you’re off on your own property.” *Id.* Next, Hughes explained that the accused products were on “a big ranch called TDMA” and that Hughes didn’t “do FDMA . . . [or] CDMA.” *Id.* at 59:15–16. Based on these statements, the Court determined that Hughes’s arguments had clearly violated the Court’s claim construction, arguing to the jury that the claim limitations could be boiled down to specific techniques. Relatedly, when the Court explained that it was considering issuing a limiting instruction, it noted that Hughes’s proposed slides, to which Elbit objected, included a slide titled “First Communication Means Structure CDMA.” 8/3 AM Tr. at 13:8–7.

The Court is not persuaded that the limiting instruction should have included the phrase “in its entirety” or that Hughes suffered prejudice from its exclusion. Again, as stated above., the Court construed “first communications means” as a means-plus-function term with the function of “transmitting short bursty data” and the structure of the “Random Access Transmitter 70 in Figure 5 in the ’073 Patent and equivalents thereof.” Docket No. 208 at 15. The construction *does not include* the phrase “in its entirety,” and the Court is not persuaded that Hughes was entitled to a modification of the claim construction thereto mid-trial. It is not “reasonably clear that prejudicial error has crept into the record or that substantial justice has not been done,” and, accordingly, Hughes’s motion for a new trial on this basis is **DENIED**. *See Sibley v. Lemaire*, 184 F.3d 481, 487 (5th Cir. 1999) (*citing Del Rio Distributing, Inc. v. Adolph Coors Co.*, 589 F.2d 176, 179 n. 3 (5th Cir. 1979)); *Perret v. Nationwide Mutual Ins. Co.*, Case Nos. 4:10- cv-522, 4:10-cv-523, 2013 WL 12099400, at *1 (E.D. Tex. July 19, 2013).

(2) Evidence related to a pre-priority date meeting (PX-385)

Next, Hughes moves for a new trial based on the admission of evidence related to a 1997 meeting between Shiron and Hughes (PX-385). Particularly, Hughes suggests that the Court admitted the slide deck as relevant to willfulness and copying for the '073 Patent but that Elbit did not rely on it for willfulness at trial, using it instead to “confuse the jury about the infringement and scope of the '073 Patent. Docket No. 505 at 28.

Hughes particularly complains that Elbit relied on the exhibit in its opening to argue that Hughes’s DirecWay product was a “copy” of Shiron’s invention as disclosed in the slide deck. *Id.* at 30 (citing 7/31 PM Tr. at 32:8–17, 34:18–20, 37:19–20). According to Hughes, Elbit’s substantial focus on the 1997 meeting in its trial theme tainted the verdict and led the jury to find the '073 Patent valid and infringed against the weight of the evidence. *Id.* at 31.

Elbit claims that the exhibit was relevant to Elbit’s overall invention story and the relationship between the parties. Docket No. 514 at 27. Elbit suggests that Shiron’s meeting with Hughes in February 1997 plays a role in Elbit’s invention story for the '073 Patent by shedding light on what the inventors thought their invention was capable of and how the invention would impact the industry. *Id.* According to Elbit, the exhibit provided important background and casted Shiron as an impressive startup that was able to beat a much larger, established competitor to the punch. *Id.* Elbit further maintains that it was not required to argue every basis for relevance to the Court when seeking to admit the document. *Id.*

The Court is not persuaded that admission of PX-385 was error—let alone prejudicial error—supporting the grant of a new trial. As a preliminary matter, Hughes has not shown that the jury’s finding that the '073 Patent was infringed and was not invalid is against the weight of the evidence. Likewise, Hughes has not met its burden to show that the admission of the slide

deck was erroneous and resulted in an unfair trial. Hughes claims that the slides “tainted the jury with an improper pre-priority date disclosure and an improper story of copying and willfulness, which prejudiced the jury’s evaluation of infringement and validity.” Docket No. 518 at 12–13. Notably, the jury did not find willful infringement of the ’073 Patent. Docket No. 482 at 6.

To the extent Hughes argues that an improper copying story was put before the jury, Hughes cannot identify any statement by Elbit that Hughes “copied” Shiron. Additionally, Hughes suggests that Elbit “tainted the jury with an improper pre-priority date disclosure” but points to no specific statements so infecting the jury. *See* Docket No. 505 at 30–31; Docket No. 518 at 11–12 (noting that Elbit never used the word “copy”). Having reviewed the trial record, the Court finds that a new trial is not warranted based on the admission of PX-385. *See Johnson v. Ford Motor Co.*, 988 F.2d 573, 582 (5th Cir. 1993) (“a new trial will not be granted unless, after considering counsel’s trial tactics as a whole, the evidence presented, and the ultimate verdict, the court concludes that ‘manifest injustice’ would result by allowing the verdict to stand”). Accordingly, Hughes’s motion thereto is **DENIED**.

(3) Claim Construction

Hughes also seeks a new trial because, according to Hughes, “for the purpose of preserving the issue for appeal, trial should have gone forward—and the jury should have been instructed—based on Hughes’ proposed claim constructions for the reasons identified in its claim construction briefing.” Docket No. 505 and 31–32. For the reasons that are detailed in the Court’s *Markman* Order (Docket No. 208), Hughes’s motion for a new trial on this basis is **DENIED**.

(4) Improper Venue

Likewise, Hughes seeks a new trial because, according to Hughes, this case was tried in an improper venue. For the reasons detailed in the Court’s order on Hughes’s motion to dismiss for

improper venue (Docket No. 430; *see also* Docket No. 388), Hughes's motion for a new trial on this basis is **DENIED**.

(5) Hughes's Motion for Judgment as a Matter of Law

Finally, Hughes provides no basis for a new trial on any of these issues. Having denied each of its requests in its Renewed Motion for Judgment as a Matter of Law, *supra* Section II. A.–B., Hughes's motion for a new trial on this basis is **DENIED**.

D. New Trial on Damages

Hughes also moves for a new trial on damages because, according to Hughes, the jury's damages award is not supported by legally sufficient evidence of a reasonable royalty. Docket No. 505 at 33. Hughes cites four reasons it believes justify a new trial on damages: (1) the Gilat agreement was not a comparable settlement agreement; (2) Elbit's royalty rate does not reflect the value of the patented invention; (3) the jury's damages award was inflated by Hughes's entire revenues, and (4) Elbit's error in the iLeverage valuation irreparably prejudiced the jury's damages award.

(1) Gilat agreement

According to Hughes, Mr. Christopher Martinez, Elbit's damages expert, failed to establish that the economic circumstances surrounding the Gilat agreement (PX-215) were economically comparable to the circumstances at the hypothetical negotiation. Docket No. 505 at 34. Particularly, Hughes complains that the Gilat agreement was directed to existing products that Gilat did not have the right to sell and payments negotiated by a party in this situation are "in no shape or form a royalty that would be appropriate for a party seeking to license patents before even making covered products or incurring any costs." *Id.* at 34–35. Hughes also argues that the Gilat

agreement was “effectively an injunction” and not comparable to the economic reality of the hypothetical negotiation. *Id.*

To the extent Hughes re-argues its *Daubert* motion regarding Mr. Martinez, the Court incorporates by reference its *Daubert* order. *See* Docket No. 388 at 31–34. At trial, Mr. Martinez testified to the comparability of the Gilat agreement, noting its temporal comparability, technological comparability, and comparability with respect to the relationship between the parties in the hypothetical negotiation. *See, e.g.*, 8/2 PM Tr. at 28:12–16 (“Q. So let’s talk about some of those points. So number one, is the Hughes/Gilat agreement from the right time? A. Yes, it is. The Hughes/Gilat agreement was in September of 2001. The hypothetical negotiation was May of 2001. So we’re – we’re pretty close in time.”); 28:21–29:2 (“In talking with Mr. Elbert and giving him the patents related to all the agreements that I looked at, and I asked him to look at those patents and tell me which were most -- which was closest, it's one of the patents in this Hughes/Gilat litigation that Mr. Elbert deemed to be most comparable. So, yes, it -- it seems to be technologically comparable.”); 29:3–16 (“Q. Okay. And did you also -- were you also able to review any testimony from Hughes’ own witnesses, in particular Mr. Gaske, where he discussed this litigation and what it concerned? A. Yes, I did. Q. And what did you learn from that? A. I learned from Mr. -- Mr. Gaske – Gaske’s testimony, excuse me, that the reason Hughes filed the lawsuit against Gilat -- this lawsuit against Gilat was because it believed that Gilat was -- was using Hughes’ patents in its one-way product. We’ve all heard about the one-way and the two-way. This is the old one-way product.”); 31:17–32:10 (“[Q.] What about the relationship between the parties? Is there any difference between Gilat and Hughes versus Shiron and Hughes? A. Yes, there is. Gilat and Hughes were the two biggest players in the market. They -- they were the -- they were a big chunk of the market together, the two of them. Shiron, on the other hand, was a startup.

Shiron wasn't in the same position that either Gilat and Hughes were as a big market player that could influence the market -- market. And so what you have to consider here is that a negotiation between competitors is probably a more fierce negotiation and -- in a hypothetical or a real-world situation, and so you have to understand that's why we're looking at this issue. Gilat and Hughes were -- were big competitors. Now, you can't completely discount Shiron. Shiron wanted to play in this space, but Shiron was a smaller player. That's for sure.”).

Here, the jury relied on the testimony of the only damages expert to testify at trial, Mr. Martinez, and a comparable license in the record to award a reasonable royalty rate of \$18 per unit. Hughes has not met its burden to establish that the jury's verdict was not supported by the evidence at trial and is not entitled to a new trial on damages because of Mr. Martinez's reliance on the Gilat agreement. Accordingly, Hughes's motion for a new trial on damages on this basis is **DENIED**.

(2) *Royalty Rate*

Next, Hughes argues that Elbit's damages expert did not perform proper apportionment. Docket No. 505 at 36–37. Hughes contends that Mr. Martinez's reliance on “built-in” apportionment was inappropriate as unsupported by the record and Federal Circuit law. *Id.* at 37 (citing *Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys., Inc.*, 809 F.3d 1295, 1303 (Fed. Cir. 2015) (“*CSIRO*”). According to Hughes, reliance on the built-in approach to apportionment is only appropriate in narrow circumstances that do not apply here because the Gilat agreement is not a comparable license. *Id.* at 38. Hughes further argues that the Court's rejection of its built-in apportionment instruction “compounded the problem.” *Id.*

Again, to the extent Hughes re-argues its *Daubert* motion on Mr. Martinez, the Court incorporates by reference its *Daubert* order. *See* Docket No. 388 at 31–34. In *CSIRO*, the Federal Circuit explained that valuations of patents based on comparable license are appropriate where the

“model begins with rates from comparable licenses and then accounts for differences in the technologies and economic circumstances of the contracting parties.” *CSIRO*, 809 F.3d 1303 (internal quotation marks omitted). *CSIRO* does not require that an apportionment analysis with comparable licenses rely on licenses by the very same parties negotiating over the value of the same asserted patent, and Mr. Martinez’s explanation of the differences between the accused technology and the technology subject to the Gilat license adequately accounts for his apportionment of the value of the patents-in-suit. *See* Docket No. 388 at 32.

Additionally, to the extent Hughes summarily argues that the Court’s jury instruction “[c]ompond[ed] the problem,” the jury was instructed to apportion damages, *see* Docket No. 485 at 31, and the Court is not persuaded—and Hughes does not argue—that the Court’s apportionment instruction was legally incorrect. Accordingly, Hughes’s motion for a new trial on this basis is **DENIED**.

(3) *Entire Market Value Rule*

Hughes also argues that the entire jury damages award was improperly inflated by introduction of evidence of Hughes’s entire revenues. Docket No. 505 at 38–39. Particularly, Hughes objects to Mr. Martinez’s comparison of his proposed \$18 per unit royalty to Hughes’s \$2,500 total lifetime subscriber revenue value. *Id.* at 39. Hughes claims that this violates the entire market value rule. *Id.* (citing *Uniloc USA Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011)). According to Hughes, if Mr. Martinez used the difference in price between a non-infringing system and an infringing system as part of a check, “he would have compared the \$18 royalty with \$385 in incremental revenue.” Docket No. 518 at 18.

As the Federal Circuit explained in *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014), the entire market value rule has two parts: a substantive legal rule and a separate,

evidentiary principle. The substantive legal rule mandates that an ultimate reasonable royalty award be based on the incremental value that the patented invention adds to the end product. *Id.* The evidentiary principle, applicable specifically to the choice of a royalty base, is that where a multi-component product is at issue and the patented feature is not the item which imbues the combination of the other features with value, care must be taken to avoid misleading the jury by placing undue emphasis on the value of the entire product. *Id.* The point of the evidentiary principle is to help our jury system reliably implement the substantive statutory requirement of apportionment of royalty damages to the invention's value. *Id.*

In *Uniloc*, the Federal Circuit found that Uniloc's reference to Microsoft's entire market value for Office and Windows, \$19 billion, was an improper check under the entire market value rule. 632 F.3d at 1319. The court noted that "[t]he disclosure that a company has made \$19 billion dollars in revenue from an infringing product cannot help but skew the damages horizon for the jury, regardless of the contribution of the patented component to this revenue." *Id.* at 1320. The record in *Uniloc* indicates that Uniloc emphasized Microsoft's total revenue value in a pie chart, in comparing Uniloc's proposed royalty to the total revenue Microsoft earns through the accused products, and by Uniloc's belittlement of Microsoft's expert's royalty figure as representing only .0003% of total revenue. *Id.* at 1318–1319.

Here, however, Mr. Martinez's consideration of \$2,500 lifetime subscriber revenue value does not amount to the violation that occurred in *Uniloc*. A review of the record suggests that Mr. Martinez only refers to the \$2,500 in two instances, both with respect to his \$18 royalty rate being "reasonable." See 8/2 PM Tr. at 44:16–46:13, 51:12–19. This does not amount to the significant prejudicial use described in *Uniloc*. To the extent Hughes takes issue with the value Mr. Martinez used in his royalty check, Hughes was entitled to cross-examine him. But Hughes's disagreement

with Mr. Martinez is not a sufficient basis to warrant a new trial on damages. Accordingly, Hughes's motion for a new trial on this basis is **DENIED**.

(4) iLeverage valuation

During closing argument, counsel for Elbit presented the jury with a document that was in evidence, a valuation of the asserted patents conducted by iLeverage. *See* 8/7 AM Tr. at 134:19–20. Elbit's counsel proceeded to check the calculations of certain numbers on the document, *Id.* at 135:22–135:21, and posited to the jury that the document contained mathematical errors. *Id.*

Hughes now claims that it is entitled to a new trial based on this attorney argument. Docket No. 505 at 41. Particularly, Hughes claims that Elbit's counsel's argument that the document contained a mistake was “[w]ithout any basis in the trial record beyond his own personal conjecture.” *Id.* Hughes appears to suggest that Elbit's counsel's argument amounted to a damages opinion “beyond the bounds of acceptable advocacy” and that it irreparably prejudiced the jury to disregard the iLeverage valuation as a proper basis for damages.” *Id.* According to Hughes, the calculation was without any basis in the record because Mr. Uzi Aloush, the author of the document, testified that he believed the document to be credible and because Mr. Shaul Laufer, the inventor of the '073 Patent, never testified to any error in the document. *Id.* at 42–43. Hughes also faults Elbit's counsel's calculation for beginning with the entire domestic market value. *Id.* at 43–44.

In response, Elbit claims that the jury is entitled to compute its own damages without being “required to accept one specific figure or another.” Docket No. 514 at 41 (citing Docket No. 485 at 32). Elbit contends that it was not required to present a witness to testify that “100 discounted by 20% results not in 20, but 80.” *Id.* Elbit also points to a statement from the author of the document, Mr. Aloush, where he states that the iLeverage document was unreliable. *Id.* at 42 n.19

(citing 8/2 AM Tr. at 51:10–18, 52:13–24, 53:3–11, 53:23, 55:23, 57:7–19, 59:5–8). Elbit further suggests that its argument was proper rebuttal to Hughes’s closing statement, during which it stated that Mr. Aloush’s valuation was “thorough work,” and that Aloush had “talked to hundreds of people in the industry and came to a valuation for these patents.” *Id.* at 43 (citing 8/7 Tr. at 128:17–129:5). Elbit also claims that any objection Hughes has to Elbit’s closing is waived because Hughes did not object during Elbit’s rebuttal or at a sidebar conference immediately thereafter. *Id.*

As the Court noted in response to Hughes’s objection—lodged three hours after the jury began its deliberations—Hughes’s argument was not presented in time for the Court to act on it. 8/7 AM Tr. at 143:22–143:3. At the time, the Court questioned Hughes as to why its objection had not been waived, to which Hughes responded that “it was a complete surprise to us” and that counsel “went back and checked the entire record” in the interim. *Id.* at 143:4–19. Neither of these reasons excuses Hughes’s three-hour delay in its objection, and because Hughes failed to object to Elbit’s counsel’s closing argument at the time of the argument or at a sidebar conference immediately thereafter, Hughes’s argument is waived. *See Nissho-Iwai Co. v. Occidental Crude Sales, Inc.*, 848 F.2d 613, 619 (5th Cir. 1988).

Even if Hughes’s argument is not waived, however, it has not demonstrated that Elbit’s counsel’s argument extended beyond the bounds of acceptable advocacy. Although Hughes argues there was no basis in the record to question the calculations in the iLeverage document, the trial record suggests otherwise. For example, testimony from the document’s author, Mr. Aloush, suggested that the document was “not [a] valuation” and that percentages in the document were “based on no research almost whatsoever.” 8/2 AM Tr. at 52:10–24; *see also id.* at 51:11–53:11 (“That’s a – that’s a document that I wrote, which in an answer to Aharon Shech, the CEO of Shiron. He asked me to value the patents during the process, toward -- towards the end. And I

refused. I said I know how to do that. That's not my job. My job -- I was hired to sell the patents, not to value them. QUESTION: Now, let me be clear. Did you ever -- is there anything in this document in which you lied to Mr. Shech? . . . ANSWER: No, I'm not a liar. I didn't -- I didn't lie. . . . But it's not no, period. It's I didn't lie, but this is not valuation. It's not a lie the same way when I say to my son that he's the most clever boy in -- in -- in -- in the world. Is that a lie, that he's the most clever boy in the world? No, it's not a lie. Is it -- is it based on thorough research? Also no.").

Importantly, Elbit's counsel's rebuttal argument responded to Hughes's closing statement, in which counsel for Hughes argued that Mr. Aloush's document was "thorough work" and that Aloush "had talked to hundreds of people in the industry and came to a valuation for these patents." 8/7 Tr. at 128:17–129:5. Mr. Aloush's testimony about the lack of reliability of the iLeverage valuation provides at least the necessary factual predicate for Elbit's counsel to question the reliability of the calculations contained therein in closing argument. While "[a] closing statement may implicate the interest of substantial justice when counsel's assertions are either false or without basis in the record," here, the iLeverage document itself and testimony from its drafter were both in the record. *See In re Isbell*, 774 F.3d 859, 872 (5th Cir. 2014). Counsel's statements merely asked the jury to look critically at DX-307.

Hughes also seems to suggest that the closing argument was improper because Elbit did not depose Mr. Aloush on the accuracy of the math in the iLeverage document and because Elbit did not depose Mr. Christopher Bakewell, Hughes's damages expert, on the same, but it is unclear that Elbit should have been required to do those things. Mr. Bakewell did not testify at trial, so whether he was deposed on the iLeverage math is somewhat irrelevant to the evidence presented at trial. Moreover, Elbit was not required to depose Hughes's witnesses about documents on Hughes's exhibit list.

Accordingly, Hughes is not entitled to a new trial on this basis, and its motion on this basis is **DENIED**.

E. Remittitur

Hughes also asks for a remittitur. Docket No. 505 at 44. Because the Court has not determined that the jury’s damages award is against the weight of the evidence, *see supra* Section II.D., Hughes’s motion for a remittitur is **DENIED**.

III. ELBIT’S POST-TRIAL MOTION (Docket No. 507)

In Elbit’s Post Trial Brief, it moves for costs, supplemental damages from ongoing royalties on infringing sales not accounted for in the verdict, pre- and post-judgment interest, and attorneys’ fees. Docket No. 507. The Court discusses each request in turn.

A. Costs

Elbit seeks, and Hughes does not object to, \$174,326 in costs associated with deposition transcripts and videos, trial and hearing transcripts, fees for witnesses, the complaint filing fee, and fees for exemplification and copies. Docket No. 507 at 2. As these costs are unopposed, Elbit’s motion with respect to these costs is **GRANTED** and Elbit is awarded \$174,326 in costs.

Elbit also seeks \$99,903.52 in disputed costs for its audio/visual and graphics service expenses incurred directly before and after trial. *Id.* “Consistent with the ‘strict construction’ given to [28 U.S.C. §] 1920 by the Supreme Court and the Fifth Circuit, the Federal Circuit has construed the term ‘exemplification’ narrowly to be limited to “an official transcript of a public record, authenticated as a true copy for use as evidence.” *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, No. 2:15-CV-1202-WCB, 2017 WL 3044594, at *2 (E.D. Tex. July 18, 2017) (collecting cases). Elbit’s costs for audio/visual and graphics services are not exemplification costs taxable under § 1920(4), and Elbit’s request for these costs is **DENIED**.

B. Supplemental Damages and Ongoing Royalties

Elbit seeks supplemental damages at the jury's implied royalty rate of \$18 per unit for the infringing units shipped from July 19, 2017 through August 7, 2017. Docket No. 507 at 3–4. In light of the Court's finding that the jury's infringement verdict is supported by the record, Hughes does not dispute Elbit's request. Docket No. 515 at 4. The parties have stipulated that 59,653 units were sold during this period that were not reflected in the jury's damages award. Docket No. 539. Accordingly, Elbit is entitled to and is **AWARDED** \$1,073,754 in damages for pre-verdict infringement not accounted for in the jury's verdict.

Elbit also seeks an enhanced royalty rate for post-verdict infringing sales. The Federal Circuit has interpreted 35 U.S.C. § 283 to permit a court to award an ongoing royalty for patent infringement in lieu of an injunction. *Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360, 1377 (Fed. Cir. 2017). Ongoing royalties may be based on a post-judgment hypothetical negotiation using the Georgia–Pacific factors. *Arctic Cat Inc. v. Bombardier Recreational Prod. Inc.*, 876 F.3d 1350, 1370 (Fed. Cir. 2017). The amount of the ongoing royalty is “committed to the sound discretion of the district court” to be determined in accordance with principles of equity. *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1364 n.2 (Fed. Cir. 2008).

At the outset, the Court determines that imposition of an ongoing royalty is an appropriate exercise of the Court's discretion in this case. *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 35 (Fed. Cir. 2012). In this case, it is clear from the verdict form that the jury awarded damages for past infringement. *See* Docket No. 482 at 4 (“What sum of money . . . do you find by a preponderance of the evidence would fairly and reasonably compensate Elbit for any past infringement . . . ”); *see also* *Whitserve*, 694 F.3d at 35 (“The jury was instructed to award “damages,” which by definition covers only past harm.”). Because the jury's verdict does not

compensate Elbit for future infringement, the Court will award an ongoing royalty. *Telcordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365, 1379 (Fed. Cir. 2010).

The parties agree that the jury's implied royalty rate is \$18 per unit. *See* Docket No. 507 at 3–4; Docket No. 515 at 5. As discussed *supra* Section II.D., the jury's royalty rate was supported by substantial evidence. From this starting point, the Court conducts a renewed analysis of a reasonable royalty based on a post-verdict hypothetical negotiation. The jury's damages award is a starting point for evaluating ongoing royalties. *See Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, No. 2:15-cv-1202-WCB, 2017 WL 3034655, at *7 (E.D. Tex. July 18, 2017) (“*Uropep*”). The burden is on Elbit to show that it is entitled to a royalty rate in excess of the rate initially determined by the jury. *Creative Internet Advertising Corp. v. Yahoo! Inc.*, 674 F. Supp. 2d 847, 855 (E.D. Tex. 2009).

“There is a fundamental difference . . . between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement.” *Amado*, 517 F.3d. at 1361. “Prior to judgment, liability for infringement, as well as the validity of the patent, is uncertain, and damages are determined in the context of that uncertainty.” *Id.* at 1362. Once a judgment of validity and infringement has been entered, however, the calculus is markedly different because different economic factors are involved. *Id.* (citing *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1315 (Fed. Cir. 2007)).

Courts have questioned whether *Amado* applies to cases where Plaintiffs are not seeking an injunction. *See Uropep*, 2017 WL 3034655, at *5; *Cioffi v. Google, Inc.*, No. 2:13-CV-103, 2017 WL 4011143, at *4 (E.D. Tex. Sept. 12, 2017); *EMC Corp. v. Zerto, Inc.*, No. CV 12-956 (GMS), 2017 WL 3434212, at *3 (D. Del. Aug. 10, 2017) (reviewing *Amado* and *Paice* and concluding that, “[w]hen an injunction is found to be improper, however, there appears to be no

material difference between the parties' current situation and the one it was in at the time of the hypothetical negotiation."); *but see Arctic Cat*, 876 F.3d 1370.

The Court agrees with Hughes that an enhancement of the ongoing royalty rate would be inappropriate, especially when Elbit did not seek a permanent injunction from the Court. *See Amado*, 517 F.3d at 1362 ("When a district court concludes that an *injunction* is warranted, but is persuaded to stay the injunction pending an appeal, the assessment of damages for infringements taking place *after the injunction* should take into account the change in the parties' bargaining positions, and the resulting change in economic circumstances, resulting from the determination of liability . . . as well as the evidence and arguments found material to the granting of the injunction and the stay.") (emphasis added). But, the Court also recognizes that there are "some indications in Federal Circuit law that *Amado* is not limited to that context." *Uropep*, 2017 WL 3034655, at *5 (collecting cases). Regardless of whether *Amado* applies to a case that does not involve a request for injunctive relief, the Court determines that, under its framework, enhancement is inappropriate here.

In considering the enhancement of the ongoing royalty, the Court considers the factors outlined in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). The Court focuses on any evidence that was not before the jury and any changed circumstances between the hypothetical negotiation, as determined by the jury, and the hypothetical negotiation that would occur after the judgment. *Bianco v. Globus Med., Inc.*, 53 F. Supp. 3d 929, 933 (E.D. Tex. 2014).

Here, Elbit seeks (1) an enhancement of between 25 percent and 50 percent because of the parties' changed bargaining positions in the post-verdict hypothetical negotiation, (2) an

enhancement of 29 to 63 percent because of an increase in Hughes’s profit margins, and (3) an enhancement of 50 percent for willfulness. Docket No. 507 at 5.

First, with respect to bargaining positions, Elbit states that it now has “significantly greater bargaining power than what Hughes faced in the May 2001 hypothetical negotiation,” as evaluated by the jury, because Shiron was the owner of the patent at the original hypothetical negotiation and was a struggling startup with no financial means of enforcing its patent rights. *Id.* Shiron’s revenues at the time of the 2001 negotiation were less than \$5 million, whereas Elbit’s post-verdict annual revenues exceed \$3 billion with approximately \$239 million in annual net profit. *Id.* at 5–6 (citing Docket No. 507-2 (“Martinez Decl.”) at ¶¶ 18–19). Elbit also suggests that the patented technology has enjoyed more commercial success today than it had at the time of the jury’s hypothetical negotiation, strengthening Elbit’s bargaining position as well. *Id.* at 6 (citing Martinez Decl. at ¶¶ 21–22). According to Elbit, that the ’073 Patent expired in November of 2017 suggests that Hughes would not attempt to design around the patent, further strengthening Elbit’s bargaining position. *Id.*

Second, Elbit argues that Hughes’s increased profitability would provide an additional basis for enhancement, independent of the higher bargaining power commanded by post-verdict Elbit compared to 2001 Shiron. *Id.* at 7 (citing Martinez Decl. at ¶¶ 25–28).

And third, Elbit argues that Hughes’s post-verdict infringement warrants an enhancement from willfulness. Elbit asks the Court to evaluate the factors outlined in *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992), particularly focusing on the infringer’s investigation and good-faith belief of invalidity and noninfringement factor (factor 2) and the closeness of the case factor (factor 5). *Id.* at 8.

Hughes responds that the ongoing royalty should be no higher than the jury's implied royalty and suggests that post-verdict royalty enhancement is only appropriate in cases where a permanent injunction was found to be appropriate. Docket No. 515 at 5 (citing *Cioffi*, 2017 WL 4011143, at *4).

In response to Elbit's argument for enhancement based on bargaining positions, Hughes contends that the purported changes in the parties' bargaining positions are unrelated to the invention. *Id.* at 6. Hughes also impugns Mr. Martinez's commercial success theory, suggesting that he did not consider other reasons for the increased commercial success of Hughes's products. *Id.* at 7 (citing Docket No. 515-2 ("Bakewell Decl.") ¶¶ 19–23). Hughes suggest that it has available non-infringing alternatives now that it would not have had access to at the 2011 hypothetical negotiation. *Id.* at 8 (citing Bakewell Decl. ¶¶ 17–18). Hughes also claims that Elbit's enhancement request for 25 to 50 percent is arbitrary. *Id.* at 9.

In response to Elbit's argument that the royalty rate should be enhanced because of Hughes's profitability, Hughes counters that Elbit failed to present evidence of a nexus between the '073 Patent and Hughes's increased profitability. *Id.* at 10.

Finally, Hughes responds to Elbit's request for a willfulness enhancement, arguing that willfulness should be rejected as a basis for enhancement where future infringement was authorized indefinitely as a result of Elbit's choice to forego seeking an injunction. *Id.* at 10–11 (citing *Cioffi*, 2017 WL 4011143, at *8).

It is unclear that Elbit would have a bolstered position in a hypothetical negotiation because of its considerable resources (as compared to Shiron in 2001). Although Mr. Martinez, Elbit's damages expert, now states that Elbit's bargaining position has improved as compared to Shiron's, he also testified at trial that Shiron and Gilat, a Hughes competitor and one of the "biggest players

in the market,” were similar parties. 8/2 PM Tr. at 31:17–32:18, 35:1–4. The Court is not persuaded that evidence of Elbit’s size reflects a “changed” bargaining positions between Shiron and Elbit, especially when the jury has already heard and considered it in its verdict. *See Cioffi*, 2017 WL 4011143, at *6.

Elbit also suggests that its bargaining position has improved because of the commercial success of the accused products, pointing specifically to Hughes’s subscriber growth. *See* Docket No. 507-2, Martinez Decl. at ¶ 22. But Elbit has not demonstrated that that subscriber growth can be attributed to the success of the accused products.

Mr. Martinez also opines that, as of the date of the verdict, the ’073 Patent only had 99 days of life before its expiration, suggesting that it would not make economic sense for Hughes to design and implement a non-infringing alternative. *Id.* at ¶ 20. But Mr. Martinez does not account for the increased number of non-infringing alternatives in the market in 2017 as compared to 2001. *See* Bakewell Decl. at ¶ 17.

The Court also does not agree with Elbit that Hughes’s increased profitability necessarily warrants an enhancement in this case, especially when Elbit has not connected Hughes’s increased profitability to the accused systems. *See* Martinez Decl. at ¶¶ 24–28.

Finally, the Court concludes that an enhancement for willfulness is inappropriate. *See Cioffi*, 2017 WL 4011143, at *8 (explaining that enhancement of an ongoing royalty based on willfulness is less persuasive in a case where patentee is not seeking a permanent injunction because “any future infringement is authorized indefinitely,” subject to an ongoing royalty rate).

Accordingly, the Court applies the jury’s implied royalty rate, \$18 per unit, to each unit sold after the verdict and until the expiration of the patent. The parties have stipulated that 260,004

units were sold during the relevant time period. Docket No. 539. Thus, Elbit is entitled to and **AWARDED** an additional \$4,680,072 in damages for post-verdict infringement.

C. Pre- and Post-Judgment Interest

Elbit also seeks pre- and post-judgment interest. For pre-judgment interest, Elbit argues that the prime rate is appropriate, Docket No. 535 at 90:18–20, while Hughes argues for the 5-year T-Bill rate, Docket No. 515 at 3. In keeping with the standard practice of this District, the Court **ORDERS** Hughes to pay Elbit pre-judgment interest at the prime rate compounded quarterly from January 2015 through the date on which the Court enters final judgment. *See Georgetown Rail Equipment Company v. Holland L.P.*, No. 6:13-cv-366, Docket No. 363 at 22 (E.D. Tex. Jun. 16, 2016); *Soverain Software LLC v. J.C. Penney Corp.*, No. 6:09-cv-272, 2012 U.S. Dist. LEXIS 151102, *33 (E.D. Tex. Aug. 9, 2012); *Clear With Computers, LLC v. Hyundai Motor Am., Inc.*, No. 6:09-cv-479, slip op. at 14 (E.D. Tex. Jan. 9, 2012); *Fractus, S.A. v. Samsung Elecs. Co.*, 876 F. Supp. 2d 802, 2012 U.S. Dist. LEXIS 80284, *143 (E.D. Tex. 2012); *Tele-Cons, et al. v. General Electric Co, et al.*, No. 6:10-cv-451, slip op. at 2 (E.D. Tex. Sept. 29, 2011); *ACQIS LLC v. IBM Corp. et al.*, No. 6:09-cv-148, slip op. at 1 (E.D. Tex. June 8, 2011).

Elbit also seeks post-judgment interest under 28 U.S.C. § 1961, which Hughes does not dispute. The calculation of post-judgment interest is deferred until after the Court has entered final judgment.

D. Exceptional Case

Finally, Elbit argues that it is entitled to attorneys' fees as the prevailing party in an exceptional case. Docket No. 507 at 11. "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. Prior to the Supreme Court's recent decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), Federal

Circuit precedent required that the prevailing party produce clear and convincing evidence that the opposing party's claims were objectively baseless and brought with subjective bad faith in order to declare a case exceptional. *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381–82 (Fed. Cir. 2005). Rejecting both the clear and convincing evidence standard and the two-part test, the Supreme Court has since held that an exceptional case under § 285 is “simply one that stands out from others with respect to the substantive strength of a party’s litigating position (concerning both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane Fitness*, 134 S. Ct. at 1756.

District courts “may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* at 1757. “[A] case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award.” *Id.* at 1756. “The predominant factors to be considered, though not exclusive, are those identified in *Brooks Furniture*: bad faith litigation, objectively unreasonable positions, inequitable conduct before the PTO, litigation misconduct, and (in the case of an accused infringer) willful infringement.” *Stragent, LLC v. Intel Corp.*, No. 6:11-cv-421, 2014 WL 6756304, at *3 (E.D. Tex. Aug. 6, 2014) (Dyk, J.); *see also Octane Fitness*, 134 S. Ct. at 1756 n.6 (“[I]n determining whether to award fees under a similar provision in the Copyright Act, district courts could consider a ‘nonexclusive’ list of ‘factors,’ including ‘frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.’”) (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 535 n.19 (1994)). “Ultimately, a party’s entitlement to attorney fees need only be proved by a preponderance of the evidence.” *DietGoal*

Innovations LLC v. Chipotle Mexican Grill, Inc., No. 2:12-cv-764, 2015 WL 1284826, at *1 (E.D. Tex. March 20, 2015) (Bryson, J.) (citing *Octane Fitness*, 134 S. Ct. at 1758).

While the Court does not find Hughes’s litigation positions lacked “substantive strength” warranting an exceptional case finding, *see Octane Fitness*, 134 S. Ct. at 1756, the record in this matter is littered with examples of Hughes’s litigation misconduct. After reviewing the totality of the conduct in this case, there cannot be serious doubt that Hughes’s litigation strategies unnecessarily complicated the proceedings and needlessly increased costs. The Court summarizes only a few examples of Hughes’s egregious conduct below.

At trial, Hughes repeatedly argued claim construction positions—that the Court had rejected—to the jury, despite the Court’s admonitions not to do so. *See supra* Section II.C.(1). Hughes argued to the jury that infringement of the “first communications means” depended solely on whether Hughes did TDMA, FDMA, CDMA—an argument divorced from the claim language and from the Court’s claim construction. *See, e.g.*, 7/31 PM Tr. at 59:11–16. Hughes’s conduct was so egregious that the Court gave the jury a limiting instruction to clarify that the jury’s infringement analysis must be based on the claims as construed by the Court. Tellingly, in the moments before the Court informed Hughes of its intent to read a limiting instruction, the Court reviewed a Hughes slide (to which Elbit objected). That slide contained the heading, “First Communication Means Structure CDMA.” 8/3 AM Tr. at 13:8–7. Hughes’s actions at trial suggest that it both intended to and did try to argue claim construction before the jury in bad faith.

Hughes responds to this allegation of bad faith only by stating that it did not argue claim scope before the jury and that Elbit raised “baseless allegations that Hughes copied and willfully infringed a pre-priority date 1997 presentation at trial.” Docket No. 515 at 19. The Court has rejected Hughes’s characterization of the 1997 presentation and notes that no argument that

Hughes “copied” the presentation was made at trial. *See supra* Section II.C.(2). Hughes’s argument that it was justified in its treatment of claim construction at trial is unconvincing.

Hughes also acted in bad faith with respect to its listing of a PES-related video on its exhibit list. The Court allowed Hughes to present a video demonstration of the PES system as trial evidence so long as Elbit was able to take the deposition of Mr. Anthony Messineo, Hughes’s technician who prepared the demo. Docket No. 411 at 61:10–13. At Mr. Messineo’s deposition, Hughes presented new videos, which it then added to its exhibit list. Elbit objected, and, before the July 21 pretrial conference, Hughes removed the videos from its exhibit list. Docket No. 507-20; Docket No. 452 at 62:2–4.

At trial, however, these videos resurfaced, now labeled as “demonstratives.” Docket No. 507-21. When the Court asked counsel for Hughes whether the Magistrate Judge had ruled on these videos at pretrial, Hughes represented that at the July 21 pretrial conference “at 116:21 to 25, we made clear to the Court that we intended to play the videos as demonstratives.” *Id.* at 20:8–10. But a review of the July 21 pretrial conference transcript reveals that Hughes only discussed the videos in the context of whether they constituted a live demonstration. Docket No. 452, Tr. at 116:21–25. Relatedly, at the July 20 pretrial conference, Hughes suggested that the video produced in expert discovery and the “one used during the deposition” were “identical.” Docket No. 444 at 3–6. This was not the case, and, at trial, the Court determined that the PES videos were substantive evidence and not timely disclosed. 8/2 AM Tr. at 62:2–4; *see also* Docket No. 507-21 (stating that Hughes “re-shot new versions of the video,” submitting both a newly narrated and unnarrated version).

Hughes responds that it genuinely intended its statements at the July 21 pretrial to “cover the ‘new’ PES videos” and that Elbit’s different interpretation should not amount to exceptional

or bad-faith conduct. Docket No. 515 at 25. But, after considering Hughes’s statements, the Court is not so convinced. Indeed, if Hughes believed the long-lived issue of the PES videos to be a misunderstanding, it could have clearly apprised the Court and Elbit—during trial—of that fact. Instead, Hughes ran both the Court and Elbit through its exercise regarding these videos in seemingly bad faith, forcing both the Court and Elbit to expend time and effort during trial to parse out the various ways Hughes had misrepresented the nature of the evidence.

Hughes also seemed to purposefully ignore the Court’s orders in discovery: For example, its invalidity expert report contained not only numerous obviousness combinations and invalidity theories not disclosed in its invalidity contentions, but even combinations based on the Sprague and Hamalainen references, which the Court had already excluded. *See* Docket No. 242; Docket No. 249 at 66:12–19. Now, Hughes’s explanation for this behavior is that it responded promptly to Elbit’s objection to the report, stating that “Hughes will not *require* Elbit to present an expert rebuttal on those combinations,” but the Court does not issue advisory opinions to the parties. Docket No. 515 at 34 (citing Docket No. 507-23 at 3) (emphasis added). Hughes appears to have ignored the Court’s Order for the sole purpose of complicating Elbit’s task of providing a rebuttal expert report.

Relatedly, Hughes’s January 15 invalidity contentions—as originally served—presented an essentially limitless number of possible obviousness combinations in clear contravention of the Local Rules. *See* Docket No. 201 at 4 (noting that the contentions included approximately 550 billion possible obviousness combinations, a “literally astronomical number”). After Elbit both objected via email and filed a motion to strike, Hughes served a “Supplemental Appendix” to its contentions on February 8, 2018, three weeks after the Court’s deadline for contentions. But even the supplement purported to “reserve” the January 15 contentions, which the Court rejected in its

Order on the motion to strike. Docket No. 91-4 at 1 (“Defendants do not concede that any of Elbit’s alleged deficiencies required ‘remedy,’” and “[a]ll reservations from Defendants Invalidity Contentions of January 15, 2016 are incorporated herein.”); Docket No. 201 at 5 (“Defendants will be limited to only those combinations specifically disclosed in their contentions—specific items of prior art, listed in specific combinations, and associated with specific claims of the asserted patents.”). Disclosing a completely unreasonable number of obviousness combinations in your contentions, waiting until opposing counsel objects, then supplementing them three weeks *after* the deadline with a reservation that you may still rely on the originally disclosed number of combinations serves no purpose other than to increase the litigation costs for both sides and the burden on the Court.

It should be noted that none of Defendants’ conduct in isolation makes this case exceptional. Considering Hughes’s litigation misconduct in sum, however, the Court finds that this case is exceptional and stands out in comparison to the mine-run of cases. Accordingly, Elbit’s motion for attorneys’ fees pursuant to 35 U.S.C. § 285 is **GRANTED**. The parties are **ORDERED** to meet and confer and to file a notice detailing the agreed amount of fees or any disputes within **fourteen (14) days** of this Order.

CONCLUSION


As set forth above, the Court has ruled as follows:

- Hughes’s Motion that Plaintiffs are Equitably Estopped from Asserting Infringement Against Hughes’s Products (Docket No. 506) is **DENIED** and
- Hughes’s Renewed Motion for Judgment as a Matter of Law and for a New Trial (Docket No. 505) is **DENIED** on all bases.

In light of the above, Hughes's Motion for Judgment as a Matter of Law Pursuant to Rule 50(a) (Docket No. 480) is **DENIED AS MOOT**. With respect to Elbit's Post-Trial Brief (Docket No. 507), the Court has ruled as follows:

- Elbit's motion for \$174,326 in unopposed costs is **GRANTED**; Elbit's request for additional costs is **DENIED**;
- Elbit's request for \$1,073,754 in damages for pre-verdict infringement not accounted for in the jury's verdict is **GRANTED**;
- Elbit's request for damages for post-verdict infringement is **GRANTED-IN-PART** and **DENIED-IN-PART**, and Elbit is **AWARDED** \$4,680,072 in damages for post-verdict infringement;
- Elbit's request for pre- and post-judgment interest is **GRANTED** and Hughes is **ORDERED** to pay Elbit pre-judgment interest at the prime rate compounded quarterly from January 2015 through the date on which the Court enters final judgment;
- Hughes is further **ORDERED** to pay post-judgment interest, the calculation of which is deferred until after the Court has entered final judgment; and
- Elbit's motion for attorneys' fees pursuant to 35 U.S.C. § 285 is **GRANTED**.

So ORDERED and SIGNED this 30th day of March, 2018.


ROBERT W. SCHROEDER III
UNITED STATES DISTRICT JUDGE

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

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|----------------------------------|---|------------------------------------|
| ELBIT SYSTEMS LAND AND C4I LTD., | § | |
| ELBIT SYSTEMS OF AMERICA, LLC, | § | |
| | § | CIVIL ACTION NO. 2:15-CV-00037-RWS |
| Plaintiffs, | § | |
| | § | |
| v. | § | |
| | § | |
| HUGHES NETWORK SYSTEMS, LLC, | § | |
| | § | |
| Defendant. | § | |

FINAL JUDGMENT

The above-entitled civil action has come before the Court for consideration, and a decision has been duly rendered as to all claims. Consistent with the Court’s Memorandum Opinion and Order entered this date, the Court hereby enters **FINAL JUDGMENT**.

The Clerk of the Court is directed to close the case.

So ORDERED and SIGNED this 30th day of March, 2018.

Robert W. Schroeder III

 ROBERT W. SCHROEDER III
 UNITED STATES DISTRICT JUDGE