

2013 WL 4456161

Only the Westlaw citation is currently available.
United States District Court, N.D. California.

U.S. ETHERNET INNOVATIONS, LLC,
Plaintiff,

v.

ACER, INC.; Acer America Corporation;
Apple, Inc.; Asus Computer
International; Asustek Computer, Inc.;
Dell, Inc.; Fujitsu, Ltd.; Fujitsu America,
Inc.; Gateway, Inc.; Hewlett Packard Co.;
Sony Corporation; Sony Corporation of
America; Sony Electronics Inc.; Toshiba
Corporation; Toshiba America, Inc.; and
Toshiba America Information Systems,
Inc., Defendants.

Intel Corporation; Nvidia Corporation;
Marvell Semiconductor, Inc.; Atheros
Communications, Inc.; and Broadcom
Corporation, Intervenors.

U.S. Ethernet Innovations, LLC,,
Plaintiff,

v.

AT & T Mobility LLC; Barnes & Noble,
Inc.; Claire's Boutiques, Inc.; J.C. Penney
Company, Inc.; Sally Beauty Holdings,
Inc.; Ann Taylor Stores Corporation; Ann
Taylor Retail, Inc.; Harley-Davidson,
Inc.; Harley-Davidson Motor Company,
Inc.; Kirkland's Inc.; Kirkland's Stores,
Inc.; Macy's, Inc.; Macy's Retail
Holdings, Inc.; Macy's West Stores, Inc.;
New York & Company, Inc.; Lerner New
York, Inc.; Radioshack Corporation;
Rent-A-Center, Inc.; and The Dress
Barn, Inc., Defendants.

And All Related Claims and
Counterclaims

No. C 10-3724 CW

Filed August 16, 2013

John Christopher Herman, Coughlin Stoia Geller Rudman & Robbins LLP, Atlanta, GA, Bruce A. Smith, Jack Wesley Hill, Thomas John Ward, Jr., Ward & Smith Law Firm, Longview, TX, David Lee Gann, Jessica M. Kattula, Peter M. Jones, Ryan K. Walsh, Robbins Geller Rudman Dowd LLP, Atlanta, GA, John K. Grant, Robbins Geller Rudman & Dowd LLP, San Francisco, CA, for Plaintiff.

Danny Lloyd Williams, Christopher Needham Cravey, Danny L. Williams, George Walton Webb, III, Kyung Tai Kim, Matthew Richard Rodgers, Ruben Singh Bains, Williams Morgan & Amerson PC, Houston, TX, David L. Alberti, Margaret Elizabeth Day, Yakov M. Zolotorev, Feinberg Day Alberti & Thompson LLP, Menlo Park, CA, Matthew Clay Harris, Albritton Law Firm, Longview, TX, Michael L. Brody, Kimball Richard Anderson, Eric Mersmann, Winston & Strawn LLP, Kathleen Bridget Barry, Chicago, IL, Eric H. Findlay, Findlay Craft, LLP, Deron R. Dacus, Ramey & Flock, Andy Tindel, Provost Umphrey Law Firm, Tyler, TX, James Patrick Brogan, Cooley Godward Kronish LLP, Broomfield, CO, Kyle Dakai Chen, Matthew J. Brigham, Lam Khanh Nguyen, Cooley, Godward, Cronish LLP, Hsiang James H. Lin, Techknowledge Law Group LLP, Thomas J. Friel, Jr., Cooley Godward Kronish LLP, Douglas R. Young, James W. Morando, Farella Braun & Martel LLP, Laura Katherine Carter, Winston & Strawn LLP, John K. Grant, Robbins Geller Rudman & Dowd LLP, Michael J. Bettinger, Timothy Paar Walker, K & L Gates LLP, San Francisco, CA, Hiep Huu Nguyen, Winston & Strawn LLP, New York, NY, Michael John Newton, Alston & Bird, Dallas, TX, Yasin Mohammad, Attorney at Law, Derritos, CA, Pro Hac, Vice, Christopher Frederick Jeu, Daniel Clayton Hubin, Karl J. Kramer, Morrison & Foerster LLP, Scott Richard Mosko, Finnegan, Henderson, Farabow, Garrett & Dunner LLP, Palo Alto, CA, David T. McDonald, K & L Gates, Seattle, WA, Patricia Kane Schmidt, K & L Gates LLP, Chicago, IL, Lionel Marks Lavenue, Michael Vincent Young, Sr., Nicholas James Nugent, Finnegan Henderson Farabow Garrett & Dunner, Reston, VA, Brian Christopher Claassen, Craig Steven Summers, Irfan Ahmed Lateef, Marko R. Zoretic, Knobbe, Martens, Olson and Bear LLP, Irvine, CA, Charlene Marie Morrow, Adam Michael Lewin, Hector J. Ribera, Justin Grant Hulse, Fenwick & West LLP, Mountain View, CA, Jeffrey K. Joyner, Greenberg Traurig, LLP, Los Angeles, CA, Peter M. Jones, Robbins Geller Rudman and Dowd LLP, Atlanta, GA, for Defendants.

Jennifer Parker Ainsworth, Wilson Robertson & Cornelius PC, Charles Ainsworth, Robert Christopher Bunt, Robert M. Parker, Parker Bunt & Ainsworth, Roger

Brian Craft, Findlay Craft, Tyler, TX, Jordan Ross Jaffe, Ray R. Zado, Sean Sang-Chul Pak, Quinn Emanuel et al, Kevin P.B. Johnson, Redwood Shores, CA, Garland T. Stephens, Weil, Gotshal & Manges LLP, Benjamin Charles Elacqua, David J. Healey, John Philip Brinkmann, Fish & Richardson PC, Houston, TX, Aamir Abdulqader Kazi, Atlanta, GA, Pro Hac, Vice, Constant Lile Justin, Weil, Gotshal & Manges LLP, Houston, TX, Pro Hac, Vice, Lauren A. Degnan, Ruffin B. Cordell, Fish & Richardson PC, Washington, DC, Seth M. Sproul, Fish & Richardson, San Diego, CA, David T. Pollock, Jonah D. Mitchell, Scott D. Baker, Reed Smith LLP, Darryl Michael Woo, Fenwick & West LLP, San Francisco, CA, Richard T. Ting, Reed Smith, Pittsburgh, PA, Mark Daniel Selwyn, Wilmer Cutler Pickering Hale and Dorr LLP, Palo Alto, CA, Christopher Ronald Noyes, Wilmer Cutler Pickering Hale and Dorr LLP, New York, NY, Dominic E. Massa, Jason H. Liss, William F. Lee, Wilmer Cutler Pickering Hale and Dorr LLP, Boston, MA, Adam Michael Lewin, Justin Grant Hulse, Fenwick and West LLP, Todd Richard Gregorian, Mountain View, CA, for Intervenor

ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR PARTIAL SUMMARY JUDGMENT ADDRESSING MARKING AND NOMINAL DAMAGES (Docket Nos. 766 in 10–3724, 450 in 10–5254), GRANTING USEI’S RULE 56(D) MOTION (Docket No. 793 in 10–3724) AND GRANTING IN PART AND DENYING IN PART USEI’S MOTION FOR LEAVE TO FILE A NOTICE OF NEWLY DISCOVERED EVIDENCE AND A SURREPLY (Docket No. 823 in 10–3724)

CLAUDIA WILKEN, United States District Judge

*1 Intervenor Intel Corporation, Broadcom Corporation, Marvell Semiconductor Inc., Nvidia Corporation, Atheros Communications Inc. and Sigma Designs, Inc., and Defendants Acer, Inc., Acer America Corporation, Apple, Inc., Asustek Computer Inc., AT & T Services, Inc., Dell Inc., Fujitsu Ltd., Fujitsu America, Inc., Gateway, Inc., Hewlett Packard Co., Sony Corporation, Sony Corporation of America, Sony Electronics Inc., Toshiba Corporation, Toshiba America, Inc., and Toshiba America Information Systems, Inc. (collectively, with Defendant ASUS Computer International, Movants) move for partial summary judgment against Plaintiff U.S. Ethernet Innovations, LLC (USEI), seeking a determination that

USEI cannot recover pre-suit damages for infringement of three of the patents-in-suit, U.S. Patent Nos. 5,434,872, issued on July 18, 1995 (the ‘872 Patent), 5,307,459, issued on April 26, 1994 (the ‘459 Patent) and 5,299,313, issued on March 29, 1994 (the ‘313 Patent) based on its failure to mark under 35 U.S.C. § 287(a).¹ ASUS Computer International also seeks a determination that USEI cannot recover pre-suit damages for infringement of the ‘313 Patent based on its failure to mark. Intel and Nvidia further move for partial summary judgment precluding USEI from recovering more than nominal damages against them. USEI opposes the motion, moves to continue resolution of Intel and Nvidia’s request under Federal Rule of Civil Procedure 56(d) and moves for leave to file a notice of additional evidence and a surreply. Having considered the papers filed by the parties and their arguments at the hearing on this motion, the Court GRANTS in part the motion for partial summary judgment, DENIES it in part, GRANTS the Rule 56(d) motion and GRANTS IN PART AND DENIES IN PART the motion for leave to file a notice of additional evidence and surreply.

BACKGROUND

On June 1, 1999, 3Com Corporation, the original owner of the patents-in-suit, entered into a license agreement with International Business Machines Corporation (IBM). Constant Decl. ¶ 2, Ex. A.1. Among other things, the license agreement addressed IBM’s use of “3COM Licensed Patents,” which are defined to “mean all patents,” with certain limitations, “issued or issuing on patent applications entitled to an effective filing date prior to June 1, 2005” and for which 3Com had the right to grant licenses. *Id.* at § 1.4. The license agreement provided in relevant part that 3Com

grants to IBM, as Grantee, a nonexclusive and worldwide license under 3COM’s Licensed Patents:

(a) to make (including the right to use any apparatus and practice any method in making), use, import, offer for sale, lease, sell, and/or otherwise transfer or distribute IBM’s Licensed Products, and/or practice any businesses related to such IBM Licensed Products;

*2 (b) to have IBM’s Licensed Products made by another manufacturer for the use, importation, offer for sale, lease, sale and/or other transfer or distribution by IBM only when the conditions set forth in Section 2.2 are met.

...
Id. at § 2.1.2. The phrase “any apparatus” was not defined in the license agreement. However, the agreement did provide definitions for several types of apparatuses, including “Manufacturing Apparatus,” “Data Processing Apparatus” and “Semiconductor Apparatus.” *Id.* at §§ 1.8–1.11.

Section 2.2 provided,

The License granted in [Section 2.1.2(b)] to the respective Grantee to have products made by another manufacturer:

- ...
- (b) shall only apply when the specifications for such Grantee’s Licensed Products were created by or for the Grantee (either solely or jointly with one or more third parties; and
 - (c) shall not apply to (i) any methods used; or (ii) any products in the form manufactured or marketed by said other manufacturer prior to the Grantee’s furnishing of said specifications.

...
Id. at § 2.2.
The agreement defined “IBM Licensed Products” to mean “IHS Products and Peripheral Devices.” *Id.* at § 1.5. In turn, “IHS Products” was defined to mean,

an Information Handling System or any instrumentality or aggregate of instrumentalities (including without limitation, any component, subassembly, computer program or supply) designed for incorporation in an Information Handling System....

Id. at § 1.2. An “Information Handling System” referred to

any instrumentality or aggregate of instrumentalities primarily designed to compute, classify, process, transmit, receive, retrieve, originate, switch, store, display, manifest, measure, detect, record, reproduce, handle or utilize any form of information, intelligence or data for business, scientific, control, entertainment, or other purposes.

Id. at § 1.1. A “Peripheral Device” meant “an ancillary device which is designed to operate in combination with a Grantee’s Licensed Product.” *Id.* at § 1.19. The agreement did not require that IBM Licensed Products be marked with the relevant patents utilized, including the patents-in-suit.

On November 8, 2002, Intel and 3Com entered into three agreements to resolve litigation taking place between 3Com and Xircom, Inc., a subsidiary of Intel. Jones Decl., Ex. AA.² These included a settlement agreement, a covenant not to sue and a cross license. The latter two documents were attached to the settlement agreement as exhibits. In the covenant not to sue, Intel and 3Com agreed not to assert “any Patent” that they owned against one another for a two-year time period. *Id.* at Ex. I (Covenant Not to Sue) §§ 3.2.1, 3.2.2. The covenant not to sue did not require Intel to mark any products it made during this time period to qualify for the protection under it. In the cross–license agreement, 3Com granted Xircom and Intel a license to practice five of 3Com’s patents, none of which are at issue in this case. *Id.* at Ex. H (Cross License Agreement) §§ 1.6, 3.3, 3.4.

Between 2003 and 2006, 3Com’s patented product sales totaled about \$200 million. Constant Decl., Ex. A.5, 475:16–23; Constant Decl., Ex. A.6. Between November 2003 and November 2004, Intel sold more than 140 million components that USEI now accuses of infringing the patents-in-suit, for almost \$1.9 billion. Insley Decl. ¶ 3, Ex. B. Between 2004 and 2009, IBM purchased more than twenty-five million Intel components, for more than \$350 million. Insley Decl. ¶ 2, Ex. A. The “vast majority” of the components that IBM purchased from Intel were incorporated into IBM products that it subsequently sold to customers. Constant Decl., Ex. A.3, ¶ 10.³ In the present lawsuit, USEI’s infringement contentions against Intel accuse many of the components that IBM purchased for inclusion in its products. Constant Decl., Ex. A.2, 2–5. Neither IBM nor Intel marked their products with the ‘872, ‘459 or ‘313 Patent numbers. Schiffhauer Decl. ¶ 2; Constant Decl., Ex. A.3 ¶ 11.

*3 Starting in 2003, 3Com was involved in a separate lawsuit in this district with Realtek Semiconductor System and D–Link Systems, Inc. In that case, 3Com alleged that Realtek and D–Link infringed of the ‘872, ‘459 and ‘094 Patents. The ‘313 Patent was not at issue in that case. In 2008, the court denied Realtek’s motion for partial summary judgment based on marking. Jones Decl., Ex. I. In opposing the summary judgment motion, 3Com offered “a spreadsheet showing the sales of products practicing the patents at issue for which marked samples have been located and products for which marked samples could not be found during the period roughly from 1997 until [July 13, 2004] ... According to this spreadsheet, 3Com sold 32,196,864 units practicing the patents at issue during this time, of which 4,803,508 units, or 14.9 percent were of product types for which 3Com could not locate a marked sample.” *Id.* at 1, 7. Although the court noted that “[m]arking 85 percent of products sold is almost certainly

not marking ‘substantially all’ products,” it held that a jury could infer, based on other evidence in the record, that, although 3Com had lost some documentary evidence, it had a practice of marking its products since at least 1997 and thus that the remaining products for which documentary evidence did not exist were in fact marked. *Id.* at 7–8. USEI has offered here the evidence that 3Com submitted in the Realtek case.

At the deposition taken in this matter, USEI’s Rule 30(b)(6) witness testified that he did not know if there were ever any products marked with the ‘313 Patent produced by 3Com or anyone else. Constant Decl., Ex. A.7, 21:6–14. USEI contends that 3Com did practice this patent. Constant Decl., Ex. A.2, 18.

USEI also offers evidence that it has entered into license agreements with Realtek, ADMtek and VIA, to authorize them to use some or all of the ‘459, ‘872 and ‘094 Patents, that these licenses included marking requirements, and that the licenses had complied with their marking obligations or that 3Com took steps to ensure that they did so.

LEGAL STANDARD

Summary judgment is properly granted when no genuine and disputed issues of material fact remain, and when, viewing the evidence most favorably to the non-moving party, the movant is clearly entitled to prevail as a matter of law. *Fed.R.Civ.P.* 56; *Celotex Corp. v. Catrett*, 477 U.S. 317, 322–23 (1986); *Eisenberg v. Ins. Co. of N. Am.*, 815 F.2d 1285, 1288–89 (9th Cir.1987).

The moving party bears the burden of showing that there is no material factual dispute. Therefore, the court must regard as true the opposing party’s evidence, if supported by affidavits or other evidentiary material. *Celotex*, 477 U.S. at 324; *Eisenberg*, 815 F.2d at 1289. The court must draw all reasonable inferences in favor of the party against whom summary judgment is sought. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986); *Intel Corp. v. Hartford Accident & Indem. Co.*, 952 F.2d 1551, 1558 (9th Cir.1991).

Material facts which would preclude entry of summary judgment are those which, under applicable substantive law, may affect the outcome of the case. The substantive law will identify which facts are material. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986).

Where the moving party does not bear the burden of proof

on an issue at trial, the moving party may discharge its burden of production by either of two methods:

The moving party may produce evidence negating an essential element of the nonmoving party’s case, or, after suitable discovery, the moving party may show that the nonmoving party does not have enough evidence of an essential element of its claim or defense to carry its ultimate burden of persuasion at trial.

Nissan Fire & Marine Ins. Co., Ltd., v. Fritz Cos., Inc., 210 F.3d 1099, 1106 (9th Cir.2000).

If the moving party discharges its burden by showing an absence of evidence to support an essential element of a claim or defense, it is not required to produce evidence showing the absence of a material fact on such issues, or to support its motion with evidence negating the non-moving party’s claim. *Id.*; see also *Lujan v. Nat’l Wildlife Fed’n*, 497 U.S. 871, 885 (1990); *Bhan v. NME Hosps., Inc.*, 929 F.2d 1404, 1409 (9th Cir.1991). If the moving party shows an absence of evidence to support the nonmoving party’s case, the burden then shifts to the non-moving party to produce “specific evidence, through affidavits or admissible discovery material, to show that the dispute exists.” *Bhan*, 929 F.2d at 1409.

*4 If the moving party discharges its burden by negating an essential element of the non-moving party’s claim or defense, it must produce affirmative evidence of such negation. *Nissan*, 210 F.3d at 1105. If the moving party produces such evidence, the burden then shifts to the non-moving party to produce specific evidence to show that a dispute of material fact exists. *Id.*

If the moving party does not meet its initial burden of production by either method, the non-moving party is under no obligation to offer any evidence in support of its opposition. *Id.* This is true even though the non-moving party bears the ultimate burden of persuasion at trial. *Id.* at 1107.

DISCUSSION

I. Failure to mark

Movants contend that they are entitled to a summary adjudication that USEI cannot collect pre-suit damages for infringement of the ‘459, ‘872 and ‘313 Patents pursuant to 35 U.S.C. § 287(a) because it cannot show that “substantially all” of the licensed products were

marked during the damages period⁴ or that it provided any or adequate actual notice of alleged infringement to Movants.⁵ They argue that, even assuming that 3Com marked substantially all of the products that it sold itself, this is not sufficient to meet the statutory requirement because 3Com's sales were dwarfed by the sales by Intel and IBM, as licensees, of purportedly infringing products.

USEI responds that 3Com and its authorized licensees did mark "substantially all" patented products that they produced, and it disputes that Intel and IBM were actually licensed.⁶

Title 35 U.S.C. § 287(a) provides,

Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, ... may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.," together with the number of the patent, or by fixing thereon the word "patent" or the abbreviation "pat." together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

*5 "Thus, the statute defines that '[a patentee] is entitled to damages from the time when it either began marking its product in compliance with section 287(a)[, constructive notice,] or when it actually notified [the accused infringer] of its infringement, whichever was earlier.' " *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed.Cir.1996) (quoting *American Medical Sys., Inc. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1537 (Fed.Cir.1993)) (formatting in original). The Federal Circuit has "construed section 287(a) to require that 'once marking has begun, it must be substantially consistent and continuous in order for the party to avail itself of the constructive notice provisions of the statute.' " *Id.* (quoting *American Medical Sys.*, 6 F.3d at 1537).

"In addition to governing patent owners, the provisions of 35 U.S.C. § 287(a) extend to licensees." *Tulip Computers Int'l B.V. v. Dell Computer Corp.*, 262 F.Supp.2d 358,

362 (D.Del.2003) (citing 35 U.S.C. § 287(a); *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062 (Fed.Cir.1987)); see also *Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed.Cir.1994) ("A licensee who makes or sells a patented article does so 'for or under' the patentee, thereby limiting the patentee's damage recovery when the patented article is not marked."); *Maxwell*, 86 F.3d at 1111 ("licensees, such as Target, and other authorized parties, such as Target's manufacturers, must also comply" with the marking requirement). "Thus, while an infringer's failure to mark does not implicate Section 287(a), ... a licensee's failure to mark does bear consequences for a patent owner seeking damages for infringement." *Id.* (internal citation omitted). "A patent owner bears responsibility to ensure that 'licensees ... and other authorized parties ... comply' with Section 287(a)." *Id.* (quoting *Maxwell*, 86 F.3d at 1111-12). This requirement applies to both express licensees and implied licensees. *Amsted Indus.*, 24 F.3d at 185.

"However, with third parties unrelated to the patentee, it is often more difficult for a patentee to ensure compliance with the marking provisions." *Maxwell*, 86 F.3d at 1111. "A 'rule of reason' approach is justified in such a case and substantial compliance may be found to satisfy the statute." *Id.* "When the failure to mark is caused by someone other than the patentee, the court may consider whether the patentee made reasonable efforts to ensure compliance with the marking requirements." *Id.* at 1111-12.

As the patentee, USEI bears the burden of pleading and proving compliance with the marking statute. *Id.* at 1111.

As previously noted, the parties dispute whether Intel or IBM was either explicitly or implicitly licensed to practice the patents at issue. If Intel and IBM were not acting in accordance with a license or with their obligations under a license when they sold the products in question, then the sales may not be imputed to 3Com or its successor, USEI. See *Maxwell*, 86 F.3d at 1111-12; *Tulip*, 262 F.Supp.2d at 362.

Regarding IBM, USEI argues that the 1999 license agreement between 3Com and IBM did not permit IBM to purchase infringing Intel components and then resell them, absent compliance with the requirements of section 2.2 of the agreement that IBM create the specifications for the products and not purchase premade items. Movants contend that the evidence shows that IBM did not simply sell the premade components but instead used them to make its Licensed Products and then sold the completed item. Movants argue that this was authorized by section 2.1.2(a) of the license agreement, which permits IBM to

“use any apparatus ... in making” its Licensed Products.

*6 USEI’s interpretation of the 3Com–IBM license agreement is not persuasive. The sections on which it relies govern the terms under which IBM can use 3Com’s patents “to have *IBM’s Licensed Products* made by another manufacturer.” Constant Decl., Ex. A.1, §§ 2.1.2(b), 2.2. Thus, these sections do not address the terms under which IBM can obtain parts for use when it makes its own Licensed Products. Here, there is no dispute that IBM made its own products; the issue is instead whether it was permitted to obtain purportedly infringing, premade components and to use those components when it made its products.

As Movants contend, pursuant to section 2.1.2(a) of the license agreement, the answer is that IBM was allowed to do this. In that provision, 3Com gave IBM the right to make its own Licensed Products and to “use any apparatus” in doing so. The agreement placed no restriction that IBM was permitted to use only particular types of components—for example, those obtained from licensed chip suppliers—and instead unambiguously provided that “any apparatus” could be used. USEI provides no argument that the relevant components accused here do not qualify as “any apparatus” under the terms of section 2.1.2(a). Although USEI argues that the reference in section 2.1.2(a) to “any apparatus” should be construed to mean only “manufacturing apparatus,” it provides no reason that this phrase should be so construed. Notably, the parties to the agreement specifically defined and used the term “manufacturing apparatus” elsewhere in the agreement where they intended to do so and distinguished it from other apparatus types. Thus, to define apparatus to mean “manufacturing apparatus” here would render other parts of the agreement surplusage or contradictory. Further, the Court notes that the term “apparatus” is frequently used in the patents at issue themselves to refer to the claimed inventions.

The sole case upon which USEI relies is not to the contrary. In that case, *Tulip Computers*, IBM had entered into a license agreement with Tulip very similar to the one at issue here. In that case, the court held that IBM’s purchase and sale of the allegedly infringing products from Dell was not imputable to Tulip because IBM had not complied with the specific restrictions on its “have made” rights under section 2.2 of the agreement and was thus not acting within its license granted by Tulip. *Tulip Computers*, 262 F.Supp.2d at 366. However, there, IBM had entered into a remarketing agreement with Dell Computer Corporation, pursuant to which “IBM made off-the-shelf purchases of products manufactured by Dell

and resold them to its customers.” *Id.* at 360. Thus, there, IBM did not make the products at issue and rather purchased them premade. In contrast, here, IBM made its own licensed products, using chips purchased from Intel. USEI’s argument that Movants’ interpretation would render the restrictions in section 2.2 of the agreement “virtually meaningless” is also unavailing. IBM was not allowed to have its own licensed products made by another manufacturer practicing 3Com’s patents, except in compliance with those restrictions.

Thus, because the license agreement allowed IBM to make and sell its own licensed products, using any apparatus to do so, it acted pursuant to its license rights when it made and sold products that included purportedly infringing components that it purchased from Intel.⁷ Accordingly, those products—the “vast majority” of twenty-five million between 2004 and 2009—can be imputed to 3Com and USEI. There is no dispute that neither Intel nor IBM marked these products or components with the patent numbers. USEI has not offered evidence that the products sold by IBM constitute a de minimis number of the licensed products or that the marked products sold by 3Com or the licensees whose agreement required marking constituted substantially all of the relevant products sold.

*7 USEI contends that summary judgment is nevertheless inappropriate because “3Com made reasonable efforts to ensure compliance with the marking requirements.” *Opp.* at 13–16. It argues that, because the IBM–3Com cross-licensing agreement was “broad” and encompassed the entirety of each company’s portfolio of patents, it would have been unreasonable for 3Com to monitor IBM’s large number of products to determine which infringed the patents-in-suit. It contends that IBM–3Com agreement did not have “any relationship to the patents at issue” here and that there is no evidence that 3Com suspected that IBM was selling products that infringed any of these patents.

However, here, the evidence does not support that 3Com made reasonable efforts to ensure that IBM marked any licensed products with the patents-in-suit. In fact, the evidence offered shows that 3Com took no steps whatsoever to do so. Even if it would have been burdensome for 3Com to monitor whether IBM was in fact marking all products practicing the patents, 3Com failed even to include in the licensing agreement an obligation that IBM itself make efforts to mark any products that it reasonably believed practiced 3Com’s patents.⁸ It instead authorized IBM to practice the patents-in-suit without any requirement that IBM even make a minimal effort to mark them. 3Com could

reasonably have taken such a step without first knowing itself that IBM was making products that practiced its patents, given that 3Com was authorizing IBM to do so.⁹ USEI's argument that the licensing agreement had no relationship to the patents-in-suit is unavailing. Although the agreement did not specifically identify certain patents by number, and the parties did not discuss in their negotiations particular products that would be licensed under the agreement, the license encompassed 3Com's patents with an effective filing date prior to June 5, 2005, which includes all of the patents at issue here.

In addition, USEI provides no authority that supports its contention that the sale of products under a broad portfolio license cannot be imputed to the patent holder.¹⁰ The terms of § 287(a) do not contain any such express exemption and instead apply to any "persons making, offering for sale or selling within the United States any patented article" under a patentee. 35 U.S.C. § 287(a); see also *In re Yarn Processing Patent Validity Litig.*, 602 F.Supp. 159, 169 (W.D.N.C.1984) (this section "applies to authorizations by patentee of other persons to make and sell patented articles regardless of the particular form these authorizations may take"), cited with approval by *Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 n.2 (Fed.Cir.1994). Here, 3Com, as the patentee, granted IBM the right to make and sell products that practice its patents. Other courts have applied marking requirements in the context of a portfolio license. See, e.g., *WiAV Solutions LLC v. Motorola, Inc.*, 732 F.Supp.2d 634, 636, 641–43 (E.D.Va.2010). Further, to hold otherwise would be inconsistent with the "three related purposes" of the marking statute: "1) helping to avoid innocent infringement ...; 2) encouraging patentees to give notice to the public that the article is patented ...; and 3) aiding the public to identify whether an article is patented ..." *Nike Inc. v. WalMart Stores*, 138 F.3d 1437, 1443 (Fed.Cir.1998). Section 287(a) penalizes patentees who put into the marketplace—either directly or indirectly, through their failure to take reasonable efforts to police their licensees—unmarked products that do not inform the public that the intellectual property embodied in those products is protected.

*8 The parties also dispute whether the products sold by Intel were subject to the marking requirement due to the 2002 covenant not to sue between Intel and 3Com. Although USEI contends that the purpose of the covenant not to sue was to obtain "patent peace" and not to grant a license or authorization to make products, courts have previously found that § 287's marking requirement applies to a patentee's authorization of other persons to make and sell patented items in whatever form the authorization was given, "regardless of whether the

authorizations are 'settlement agreements,' 'covenants not to sue' or 'licenses.'" *In re Yarn Processing Patent Validity Litig.*, 602 F.Supp. at 169; see also *De Forest Radio Tel. Co. v. United States*, 273 U.S. 236 (1927) ("As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee") (internal quotation marks and citation omitted); *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1275 (Fed.Cir.2009) (stating that "this court and its predecessors have on numerous occasions explained that a nonexclusive patent license is equivalent to a covenant not to sue" and collecting cases).

USEI also argues that the covenant not to sue should not be read as such an authorization because 3Com did not grant Intel the rights to practice the patents-in-suit under the restrictive cross-license that they entered at the same time as the covenant not to sue. In support of its argument, USEI relies on *Phillip M. Adams & Assocs., LLC v. Winbond Elecs. Corp.*, 2010 U.S. Dist. LEXIS 93799 (D.Utah), in which the district court considered a licensing agreement that contained a covenant not to sue and addressed whether it authorized the sale of particular products, which were not encompassed in the express license, as "for or under the" patentee pursuant to § 287. The court found that, to read the covenant not to sue as granting an implied license as to all matters covered in that covenant would render all of the limitations in the express license "surplusage, an impermissible result under California law." *Id.* at 29–30. Thus, the court concluded that the products sales could not be imputed to the patentee for the purposes of the marking statute. *Id.* at 30.

However, USEI fails to demonstrate that the separate cross license and covenant not to sue at issue here are the equivalent of those analyzed by in the *Adams* case or that reading of the covenant not to sue as an implied license in this case would render any part of the cross license as surplusage. Unlike in *Adams*, the documents here are separate contracts that involve different parties. As explained above, to resolve the Xircom litigation, Xircom, 3Com and Intel contemporaneously entered into a series of contracts. The settlement agreement was signed by all three and had the other two contracts attached to it. The cross license was also executed by all three and involved only Xircom and 3Com patents, among other things, granting Xircom and Intel the right to use five specific 3Com patents that are not at issue in this litigation. Cross License Agreement §§ 1.6, 3.3, 3.4. In contrast, the covenant not to sue was executed only by Intel and 3Com. In that document, each of these companies agreed not to assert any of their patents against each other alleging infringement of the subject matter covered by the agreement. Covenant Not to Sue § 3.2. The covered

subject matter is defined broadly and encompasses all products made by the respective companies, with limited exclusions. *Id.* at §§ 1.9, 1.10, 1.20, 1.21. Particularly in light of the differing time periods, scope and parties to the agreements, it is not clear that interpreting the covenant not to sue as an authorization to practice the patented technology would have any effect whatsoever on the separate cross license, and USEI has not identified any.

Further, reading the document as a whole, the covenant not to sue does unambiguously authorize Intel's manufacture and sale of products under any of 3Com's covered patents, even if the parties did not specifically discuss or know that Intel was practicing the technology of the patents-in-suit at the time of contracting.¹¹ In the covenant, 3Com agrees that, for the effective term of the agreement, it "will not Assert any Patent owned by 3Com or as to which 3Com has the right to Assert infringement against Intel or Permitted Assignees, alleging direct or indirect infringement with respect to Covered Intel Subject Matter." *Id.* at § 3.2.2. "This term, without apparent restriction or limitation, thus authorizes all acts that would otherwise be infringements: making, using, offering for sale, selling, or importing." *TransCore*, 563 F.3d at 1276. This is particularly clear because "Covered Intel Subject Matter" encompasses "all products manufactured, imported, sold or offered for sale by or for Intel," with limited exceptions that USEI has not invoked here. Cross License Agreement §§ 1.9, 1.21; *see also id.* at § 3.1 (stating the intent of the parties to avoid "patent disputes between themselves as a result of sales of their products").

*9 Accordingly, Intel's sales of purportedly infringing products during the time period covered by the covenant not to sue were carried out under the authority of 3Com and can thus be imputed to 3Com for the purposes of § 287's marking requirement. As with the IBM agreement, 3Com did not take reasonable efforts—or any efforts whatsoever—to ensure that any sale of products by Intel under this authorization complied with this requirement. Further, the number of purportedly infringing components sold by Intel during a one year time period from November 2003 to November 2004 dwarfs, by a factor of almost five, the number of components sold by 3Com for a seven year period through 2004.

To the extent that USEI relies on the district court's denial of the defendant's motion for partial summary judgment based on marking in the *Realtek* litigation, this is unavailing. The motion there was brought based on 3Com's purported failure to mark its own products with the patents, not on its failure to make reasonable efforts to ensure that licensees complied with the marking

requirements. Even assuming for the purposes of this motion that 3Com did mark substantially all of its own products and that it made reasonable efforts to ensure that its express licensees, Realtek, ADMtek and VIA, did so, this is not sufficient to preclude summary judgment, in light of the failure to take reasonable steps to ensure that Intel and IBM marked products with the patents.

USEI also argues that the motion should be denied because Movants have not offered evidence that Intel's products infringe the patents-in-suit and instead rely on USEI's assertions of infringement. It contends that this motion is premature, because some or all of Intel's products may be found ultimately not to infringe and "there would be no reasonable argument that 3Com failed to comply with the marking requirements of Section 287 based on the sale of non-infringing Intel products." *Opp.* at 19. However, as explained by another district court presented with the same argument, this argument is insufficient to raise a genuine issue of material fact:

Loral simply argues that a genuine factual issue remains as to whether the CCDs sold by Toshiba, NEC and the other defendants infringe claims of the '485 patent. Loral contends that this court cannot rule on this motion until the finder of fact rules on infringement. These legal contentions, however, do not satisfy Loral's burden to present factual evidence showing a genuine issue of material fact.

Loral has consistently asserted in this case that the CCDs sold by Matsushita, Toshiba, and NEC in the United States infringe claims of the '485 patent. Defendants have conclusively shown these specific allegedly infringing CCDs were sold, unmarked, during the terms of license agreements with Fairchild. Loral has not withdrawn its claim of infringement of any of these devices. In sum, Loral has provided no evidence to show a genuine issue of material fact. *See Fed.R.Civ.P. 56(e).*

Rather than supply evidence creating a genuine factual issue, Loral has merely argued the possibility that the trier of fact could find that these CCDs do not infringe—a position inconsistent with Loral's pleadings, answers to interrogatories, statement of undisputed facts, and its interpretation of the scope of its patent, either literally or by equivalents. Loral cannot create a genuine issue of fact as to whether these licensed CCDs are covered by the '485 patent simply by arguing the possibility of such a result.

Loral Fairchild Corp. v. Victor Co. of Japan, 906 F.Supp. 813, 818 (E.D.N.Y.1995). Similarly, here, USEI has consistently taken the position that the relevant products sold by Intel infringe its patents, and it has not offered any

evidence here that they do not—instead, it just speculates that the factfinder ultimately may find that Intel's products do not infringe. With their motion, Movants offered evidence that the marking requirement was not met and thus the burden shifted to USEI to raise an issue of fact to preclude summary judgment. It cannot meet its burden to do so simply through argument unsupported by evidence.

*10 Further, USEI has raised no genuine issue of material fact that 3Com failed to mark its products with the '313 Patent. With their motion, Movants offered evidence that 3Com did practice the '313 Patent. In its infringement contentions, USEI asserted that "its predecessor in interest, 3Com Corporation, practiced [the Asserted Claims] as 3Com was a world-wide leader in Ethernet products until it was forced out of business ..." Constant Decl., Ex. A.2, 18. USEI responds that this statement "falls short of demonstrating that 3Com sold an unmarked products that practiced the '313 Patent." Opp. at 18, n.49. However, Movants offered this to show that 3Com did make products that practiced the '313 Patent, and a jury could conclude from this statement that 3Com did this. Movants also offered testimony from USEI's Rule 30(b)(6) witness that USEI did "not know" if 3Com or anyone else ever marked products with the '313 Patent. Constant Decl., Ex. A.7, 21:6–14. Thus, Movants produced evidence that showed that USEI would not be able to meet its burden of persuasion at trial to show that the products that 3Com made practicing the '313 Patent were marked. USEI did not respond with any evidence to demonstrate that there is a genuine issue of fact as to this.¹²

Finally, USEI argues that, even if the Court holds—as it has—that patented products sold by Intel during the term of the covenant not to sue should be imputed to 3Com, "[a]ny limitation on USEI's ability to recover damages for infringement of the Patents-in-Suit under 35 U.S.C. § 287 should end on November 8, 2004," the expiration of that covenant. Opp. at 17–18. However, this argument fails to take into account that the license agreement with IBM remained valid past that date and that IBM continued to sell unmarked products that included accused Intel components through 2009.

Accordingly, the Court GRANTS Movants' motion for partial summary judgment on the basis of marking. USEI cannot recover damages for any acts of infringement of the '872, '459 or '313 Patents against Movants, except ASUS Computer International, that took place before it filed infringement claims against each of them. Further, USEI cannot recover damages for any acts of infringement of the '313 Patents against ASUS Computer

International that took place before USEI filed infringement claims against it.

II. Nominal damages

Intel and Nvidia move for summary judgment precluding USEI "from asserting that damages should be calculated by applying a royalty rate or percentage to revenues or profits from the accused products" and limiting USEI "to proffering a reasonable royalty based on the total costs of permanently removing the accused features from the accused products, rather than on any alleged value of the accused features to Intel, Nvidia, or their customers." Mot. at 20. They argue that, since before October 2003, they have disabled the accused features of their Ethernet products in the software drivers that they provide to purchasers. USEI moves to continue the motion for partial summary judgment pursuant to [Federal Rule of Civil Procedure 56\(d\)](#).

Although, if Intel and Nvidia were to prove ultimately that any infringing capabilities of their accused products were in fact fully disabled for the damages period, and that the accused features were of no benefit to them or their customers during that time, USEI may be foreclosed from recovering damages as they urge, USEI has identified sufficiently specific evidence that it may obtain through discovery that may be relevant to the issue of disablement, including whether the features may have been reenabled. Accordingly, the Court GRANTS USEI's [Rule 56\(d\)](#) motion. The Court DENIES Intel and Nvidia's motion for partial summary judgment without prejudice to re-filing as part of the parties' dispositive cross-motions that are set to be briefed after the close of fact and expert discovery.¹³

CONCLUSION

*11 For the reasons set forth above, the Court GRANTS in part and DENIES in part Movants' motion for partial summary judgment (Docket Nos. 766 in 10–3724, 450 in 10–5254), GRANTS USEI's [Rule 56\(d\)](#) motion (Docket No. 793), GRANTS USEI leave to file a surreply and DENIES it leaves to file a notice of newly discovered evidence (Docket No. 823). Within three days of the date of this Order, USEI shall file its proposed surreply in the docket.

USEI is precluded from recovering damages for any acts

of infringement of the '872, '459 or '313 Patents by Intervenor Intel Corporation, Broadcom Corporation, Marvell Semiconductor Inc., Nvidia Corporation, Atheros Communications Inc. and Sigma Designs, Inc., and Defendants Acer, Inc., Acer America Corporation, Apple, Inc., Asustek Computer Inc., AT & T Services, Inc., Dell Inc., Fujitsu Ltd., Fujitsu America, Inc., Gateway, Inc., Hewlett Packard Co., Sony Corporation, Sony Corporation of America, Sony Electronics Inc., Toshiba Corporation, Toshiba America, Inc., or Toshiba America Information Systems, Inc. that took place before it filed infringement claims against such Defendant or Intervenor. Further, USEI is precluded from recovering damages for

any acts of infringement of the '313 Patents against ASUS Computer International that took place before USEI filed infringement claims against it.

IT IS SO ORDERED.

All Citations

Not Reported in Fed. Supp., 2013 WL 4456161

Footnotes

- 1 Movants do not seek summary judgment regarding [U.S. Patent No. 5,732,094 \(the '094 Patent\)](#) on this ground. Accordingly, USEI's argument that the ['094 Patent](#) is not subject to the requirements of [35 U.S.C. § 287\(a\)](#) is not on point.
- 2 Although USEI refers to this as the "IBM Settlement Agreement," IBM was not a party to any of the three agreements.
- 3 In their reply brief, Movants cite "Exhibit C" to the Constant declaration. However, there is no such exhibit attached to this declaration, and it appears that Movants intended to refer to Exhibit A.3 to the declaration instead.
- 4 USEI filed the original complaint in the earlier case on October 9, 2009. [Title 35 U.S.C. § 286](#) provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." Accordingly, USEI may not recover damages for infringement that occurred prior to October 3, 2003.
- 5 ASUS Computer International joins this motion as to the '313 Patent but not as to the '459 and ['872 Patents](#). It acknowledges that it received a letter from 3Com dated December 8, 2003, asserting that certain ASUS products infringed the '459 and ['872 Patents](#).
- 6 USEI has not presented any argument to dispute Movants' contentions regarding the issue of actual notice. Although it avers in a footnote that "[a]ny decision on actual notice is premature" in light of the status of discovery, *Opp.* at 19 n.51, it has not made a showing of any essential facts relevant to this determination that it may obtain through discovery.
- 7 USEI has moved for leave to file a surreply to address this issue. It contends that this argument was raised for the first time in Movants' reply brief.
In their opening brief, Movants made clear that they based their arguments in part on IBM's sale of its own licensed computers that were built with accused Intel components, not simply on IBM's "sale of accused Intel chips," as USEI argues. *Mot. for Leave to File a Notice and Surreply*, Docket No. 823, 2 n.1; *see, e.g., Mot.* at 3 (arguing that "IBM purchased more than 25 million Intel components now accused of infringement for inclusion in IBM's licensed products"). Thus, USEI could have responded to this argument in its opposition brief. Further, even if USEI misunderstood the argument at the time that it filed its opposition, it had ample opportunity to present any further response on this issue at the hearing.
Nonetheless, because the Court has considered the arguments raised by USEI in its proposed surreply and has not found them meritorious, the Court GRANTS it leave to file the surreply.
- 8 The Court also notes that, although USEI contends that it would have been unreasonable to expect 3Com to investigate fully which IBM products practiced each of 3Com's patents in order to monitor compliance and to know which products had to be marked with the patents-in-suit, 3Com would simply have had to conduct the same type of investigation that USEI was required to conduct for the accused products in this suit.
- 9 Movants have offered some evidence that 3Com did in fact have such knowledge. Notably, in an August 1999 Form 10-K filed with the Securities Exchange Commission, 3Com wrote that "we derive a significant portion of our personal connectivity product sales from PC OEMs, such as ... IBM, who incorporate our [Network Interface Cards], analog

modems, or chipsets into their products.” Constant Decl., Ex. A.16.

In response, USEI asserts that the Form 10–K is not a “reasonable basis for 3Com to believe that” IBM was infringing the patents-in-suit. Opp. at 16 n.42. However, USEI does not explain why not. Further, Movants did not offer this document as evidence from which 3Com should have learned that IBM was using technology covered by the patents-in-suit in its products; instead, they offered it to show that 3Com knew that IBM was doing so.

- 10 USEI suggests in its opposition that the court in *Clancy Sys. Int’l v. Symbol Techs.*, 953 F.Supp. 1170 (D.Colo.1997), found that, for a licensee to sell a patented article “for or under” a patentee, the license must “specifically” permit the licensee to sell the infringing product, and thus that a “broad portfolio license” is insufficient. However, there was no such discussion or holding in *Clancy*. The portion of that opinion that USEI cites is simply a description of the license agreement at issue in that case and a recitation of the fact that the patent owner there admitted that the licensed product infringed the patent, thereby qualifying as a “patented article” under § 287(a). *Id.* at 1173.
- 11 Movants have offered evidence that shows that 3Com was aware that Intel was a “well-positioned competitor” in the relevant technology at this time. Constant Decl., Ex. A.17, 9.
- 12 In addition, Movants offered evidence that USEI has identified Broadcom’s BCM5700 chip of infringing the ’313 Patent, see Constant Decl., Ex. A.2, 7; Bremer Reply Decl., Ex. A.2, 7, and that 3Com itself made unmarked products that utilized this chip, see Bremer Reply Decl., Exs. A.3, A.4. USEI did not address or respond to this evidence at the hearing.
- 13 USEI’s motion for leave to file newly discovered evidence regarding disablement is therefore DENIED as moot.