UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

OMEGA PATENTS, LLC,

Plaintiff,

v. Case No: 6:13-cv-1950-Orl-40DCI

CALAMP CORP.,

Defendant.
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ORDER

This cause is before the Court on Plaintiff Omega Patents, LLC's, Motion to Impose an Ongoing Royalty (Doc. 334) and Defendant CalAmp Corp.'s Response in Opposition (Doc. 348). Upon due consideration, Plaintiff's motion is due to be granted in part and denied in part.

I. BACKGROUND

The dispute between Omega and CalAmp began in 2009, resulting in a patent infringement suit being filed by Omega, a trial that produced a verdict in Omega's favor, and an appellate decision affirming in part and reversing in part the verdict and several post-verdict orders entered by this Court. (Docs. 1, 144, 239).

After a second trial of this cause, the jury found CalAmp's LMU 3000, LMU 3030, LMU 30502 infringed Omega's '278 patent. (Doc. 310). Damages for this infringement were calculated at $4,586,110.00, or $5.00 per infringing device. The jury also awarded $1.00 for a single unit infringing the '727 patent, for a total damage award of $4,586,111.00. The jury determined the royalty rate—as of 2011 just before infringement began—should be $5.00 and calculated that the number of units infringing was 917,222. (Doc. 310).

II. ISSUE

Omega moves this Court for an ongoing royalty applicable to all units not accounted for by the jury verdict and those sold after trial through the expiration of the '278 patent. (Doc. 334, p. 2). Omega argues the jury's $5.00 royalty rate is too low and suggest a royalty in the range of $10.00 to $15.00 per unit. (*Id*.). CalAmp concedes that Omega is entitled to an ongoing royalty for any post-verdict acts of infringement of the '278 patent. (Doc. 348, p. 1). However, CalAmp argues the proper royalty rate is at best the same as the pre-verdict rate. (*Id.*). The Court agrees that Omega is entitled to an ongoing royalty in the amount of $5.00 per unit; however, an enhanced royalty rate is not supported by the evidence.

III. DISCUSSION

The parties agree the court treats post-verdict royalty disputes as an action for an accounting and takes into consideration the factors set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). Moreover, the parties agree the jury's determination of a reasonable royalty is the starting point or floor for assessing ongoing royalties. *Amando v. Microsoft Corp.*, 517 F.3d 1353 (Fed. Cir. 2008). Omega emphasizes that pre-suit and post-judgment acts of infringement may warrant different royalty rates due to changes in the party's legal relationship and other factors. *Paice LLC v. Toyota Motor Corp. ("Paice II")*, 504 F.3d 1293, 1315 (Fed. Cir. 2007), *cert. denied*, 553 U.S. 1032 (2008). For example, Omega notes that potential liability for infringement and the validity of the patent are uncertain before a judgment has been returned. Thus, once a jury has found the patent to be valid and infringed, the calculus is different and the value of the post-judgment royalty maybe greater than the hypothetical royalty negotiated prior to judgment. *Amado*, 517 F.3d at 1362.

CalAmp counters that post-verdict factors should predominate in determining the royalty rate calculation and whether it should be different from the jury's rate. *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1297 (Fed. Cir. 2018). CalAmp notes the Federal Circuit has approved setting an ongoing royalty rate that is lower than the jury's rate when "economic factors have changed in the infringer's favor post-verdict." *Id.* at 1298. When the patentee seeks a rate that is higher than the jury's rate, it bears the burden to show an increase is warranted. *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, No. 2:15-cv-1202, 2017 WL 3034655, *7 (E.D. Tex. July 18, 2017). CalAmp avers that Omega must either present new evidence not considered by the jury or explain how the post-verdict hypothetical negotiations differ from the hypothetical negotiations considered by the jury. *Cioffi v. Google, Inc.*, No. 2:13-cv-103, 2017 WL 4011143, *3–4 (E.D. Tex. Sept 12, 2017) (quoting *Mondis Tech. Ltd. v. Chimei InnoLux Corp.*, 822 F. Supp. 2d 639, 647 (E.D. Tex. 2011). CalAmp contends the factors cited by Omega in support of their request for an ongoing royalty rate greater than the jury's rate do not satisfy this burden. That is, the jury's rate is premised on the assumption that the patent was infringed and valid and the other considerations proffered by Omega were before the jury. *UroPep*, 2017 WL 3034655, at *7.

A. The *Georgia-Pacific* Factors

Before turning to the *Georgia-Pacific* factors cited by Omega, CalAmp concedes that following the first trial they agreed to pay an ongoing royalty that was twice the jury's rate. CalAmp argues that the stipulated ongoing royalty was driven by the risk of a permanent injunction and because validity of the patents-at-issue was no longer an issue. Unlike the first trial, the jury in the retrial was advised that all four patents-in-suit were valid and had been infringed by CalAmp or its customers. (Doc. 339, 139:23–25). Omega's expert, Mr. Tregillis, explained to the jury that his royalty structure accounted for the known validity and infringement of the patents. Moreover, the Court instructed the jury to assume validity and infringement when considering a reasonably royalty. (Doc. 309, p. 28). Finally, unlike the first trial, Omega did not seek a permanent injunction, and the jury did not find infringement to have been willful. CalAmp is correct on each of these points.

1. Royalties Received by Patentee

Omega argues that it receives between $5.00 and $20.00 per unit from other licensees—with those paying the lower rate having agreed to assign improvements to the patent to Omega. CalAmp correctly claims the jury was informed of Omega's license agreements and declined to award an ongoing royalty of greater than $5.00. (Doc. 348, p. 9 (citations to record)).

2. Rates paid by CalAmp for other Patents

Omega contends a reasonable royalty is greater than the jury's rate, because CalAmp paid $7.00 to B&B for technology not covered by a patent. Mr. Chen testified on behalf of CalAmp and distinguished the technology licensed from B&B from the '278 patent. (Doc. 348, p. 11 (citations to record)). Moreover, Mr. Chen testified that CalAmp paid B&B a royalty of $0.17 per unit for a pass-through license of Bosch's patented technology. (*Id.*). CalAmp submits the jury had this information and it supports a lesser, and not a greater, ongoing royalty.

3. The Nature and Scope of the License

Omega argues for a greater royalty rate, because the mandatory license provided to CalAmp is less restrictive than Omega's customary license in that CalAmp is not required to assign improvements to Omega. CalAmp contends the jury was informed of the lack of an assignment-back provision in the hypothetical negotiation. Additionally, the scope of the one-patent license to the '278 patent is narrower than Omega's existing agreements, which typically license an entire portfolio of data bus patents in return for a royalty. (Doc. 348, p. 13 (citation to record)).

4. The Licensor's Established Policy

Omega repeats is positions that a greater royalty is deserved, because its policy is to require licensees to assign improvements to Omega. CalAmp counters with the arguments discussed in the preceding point.

5. The Commercial Relationship between Omega and CalAmp

Omega argues the history of contentious litigation between the parties warrants a greater royalty. CalAmp contends Omega has missed the point and that factor five of the *Georgia-Pacific* analysis instructs the Court to examine commercial relationships in terms of whether the licensor and licensee compete in the same business, geographic locale, or are inventor and promoter. *Georgia-Pacific*, 318 F. Supp at 1120. Since they do not compete against each other, CalAmp avers this factor supports a lower royalty rate.

6. The Effect of Selling the Patented Technology for CalAmp

Omega submits that CalAmp was under pressure from its customers to offer the infringing technology. The jury was given this information by Mr. Tregillis. (Doc. 348, p. 14 (citations to record)).

7. The Duration of the Patent and Term of License

The '278 patent expires on September 4, 2023, meaning the mandatory license will be in place for approximately four years. Omega suggests CalAmp has and will continue to act in bad faith, making an increased royalty rate reasonable. CalAmp correctly point out the jury rejected Omega's bad faith (willfulness) arguments. Additionally, the *Georgia-Pacific* analysis requires the jury to assume the parties had been reasonably and voluntarily trying to reach an agreement and are willing to enter a license agreement. *Georgia-Pacific*, 318 F. Supp. at 1120. Omega's concern that CalAmp will not act in good faith is rebutted by Omega's submission of updated post-verdict sales for LMU 3000, 3030, 3040, and 3050. (Doc. 335-2).

8. The Established Profitability of the Product Made under the Patent and its Commercial Success

Omega submits that CalAmp sold over 900,000 infringing LMU units and increased its price by $8.00 after the first trial to pay for the infringing features. However, Mr. Tregillis, having "looked at CalAmp's profitability or pricing," did not identify how an assumed increase in CalAmp's profitability between the two hypothetical negotiations is causally related to the use of Omega's patented technology. CalAmp submitted declarations from employees explaining the price increase of $6.38 was necessary after the jury's royalty to avoid losing money per unit. (Doc. 188-1). The price increase had other negative consequences for CalAmp, including loss of competitiveness. (Doc. 188-2).

9. The Utility and Advantages of the Patent

Omega reasserts its previous arguments that CalAmp's customers demanded the patented technology, and that CalAmp was unable to design around the patent. The jury was aware of these facts when it awarded an ongoing royalty of $5.00.

10. The Nature of the Patented Invention

Omega claims the patented technology is the standard in the market and all businesses who desire to be in the market must use the technology. Mr. Tregillis testified that Omega is "not entitled to the value of the standard. [Omega is] entitled to the value of what [it] does to improve on that by using it in a particular way." (Doc. 340, 21:3–9). When asked by CalAmp's counsel to describe "the technical improvement over connecting to the industry standard through those patents," Mr. Tregillis replied:

> It was, as I understand it, connecting through the OBD-II port to gather information for use in a telematic device in a particular way.

(*Id.* at 22:18–22).

CalAmp's counsel further pressed the point by asking Mr. Tregillis to describe "the technical improvement of the two patents . . . over just connecting any module to the industry standard data bus," and Mr. Tregillis replied: "I don't know the technical details on that." (*Id.* at 24:1–4). Mr. Tregillis conceded it is the incremental value of the patented technology that one must identify in the hypothetical negotiation. (*Id.* at 24:5–8). Thus, the record evidence is insufficient to justify an increased royalty rate on this factor.

11. The Extent to which the Infringer Made use of the Invention

The jury was presented with considerable evidence on this point. Omega's submission offers nothing new to support an enhanced royalty.

12. The Amount the Patentee and Infringer Would Have Agreed Upon

Omega argues that perhaps the most compelling evidence on a reasonable royalty rate is the stipulated royalty of $12.76 per infringing unity, which was twice the jury's rate. Omega highlights a lump sum payment of $4.4 million by DEI, together with an ongoing royalty of $5.00 per unit. CalAmp counters that the stipulated ongoing royalty after the first trial is irrelevant. In the prior trial the jury made findings absent here. For example, the jury found all four patents had been willfully infringed whereas the jury in the retrial found one patent to be infringed on an ongoing basis. (Doc. 310). The jury found CalAmp did not infringe two of the four asserted patents, and they concluded the '727 patent was infringed by one accused unit. (*Id.*). Also, in the first trial, the Court trebled the damages and Omega had moved for a permanent injunction.

CalAmp distinguishes the DEI license, asserting that the accused DEI products are different than CalAmp's, and DEI was found to be a willful infringer. Finally, Omega presented the DEI license agreement to the jury, which notwithstanding, found an ongoing royalty of $5.00 to be reasonable. The DEI license and the prior stipulated ongoing royalty do not support an enhanced ongoing royalty.

IV. CONCLUSION

An ongoing royalty is intended to compensate for sales occurring post-judgment. The jury's damages award compensates the inventor for pre-judgment sales. CalAmp concedes that any sales made from June 2019 to entry of final judgment (November 26, 2019) that were not accounted for in Omega's damages presentation to the jury are subject to the jury's royalty rate. (Doc. 348, p. 24). Since the Court has determined that the jury's rate of $5.00 is reasonable, and that Plaintiff has failed to carry its burden of showing entitlement to a greater royalty rate, the ongoing royalty for post-judgment sales of infringing devices is $5.00 per unit.

For these reasons, Omega's Motion to Impose an Ongoing Royalty (Doc. 334) is **GRANTED IN PART**. The ongoing royalty rate is $5.00 per infringing unit.

DONE AND ORDERED in Orlando, Florida on April 1, 2020.

PAUL G. BYRON
UNITED STATES DISTRICT JUDGE

Copies furnished to:

Counsel of Record
Unrepresented Parties