

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

ABS GLOBAL, INC.,

Plaintiff/Counterclaim Defendant,

v.

OPINION AND ORDER

14-cv-503-wmc

INGURAN, LLC d/b/a SEXING TECHNOLOGIES,

Defendant/Counterclaim Plaintiff,

and

XY, LLC,

Intervenor-Defendant/Counterclaim Plaintiff,

v.

GENUS PLC,

Counterclaim Defendant.

INGURAN, LLC, CYTONOME/ST, LLC,
and XY, LLC,

Plaintiffs/Counter Defendants,

v.

OPINION AND ORDER

17-cv-446-wmc

ABS GLOBAL, INC., GENUS PLC
and PREMIUM GENETICS (UK) LTD.,

Defendants/Counter Claimants.

In response to the court's prior opinion and order, resolving all post-verdict motions in the two above-referenced cases, which were consolidated for trial ('503 dkt. #1197), the parties filed proposed judgments and briefed remaining issues. The court will enter judgments in both cases consistent with this opinion and order for the reasons briefly explained below in resolving the parties' remaining disputes.

I. Case no. 14-cv-503 Judgment

A. Royalty Base

The parties dispute whether this judgment should include approximately 30,000 straws that were produced outside of the United States but imported into the United States for sale. In light of the language in the original judgment in the '503 case that the ongoing royalty should cover straws “of sexed semen sold by ABS that w[ere] processed with the infringing GSS technology, or any technology not more than colorably different, where such sale or processing took place in the United States through the remaining life of the '987 patent,” the court agrees with ABS that these 30,000 straws imported into the United States for sale should be included in the royalty base.

B. Timing of Prejudgment Interest Calculation

The parties also disagree as to whether prejudgment interest should be calculated from the end of the quarter (ST's position) or 60 days thereafter (ABS's position). Because the purpose of prejudgment interest is to return ST to the position of having entered into a reasonable royalty agreement with ABS, and the parties' practice would have required payment within 60 days of the end of the quarter, the court agrees with ABS that prejudgment interest should be calculated from 60 days after the end of the quarter.

II. Case no. 17-cv-446 Judgment

A. Calculating Prejudgment Interest

In its prior opinion and order, the court determined that prejudgment interest in the '446 case should be calculated using the prime rate as it had been in *ABS I*. The parties,

however, disagree as to whether the rate should be variable -- namely the average prime rate for the year straws were sold (ST's position) -- or a fixed 3.25% -- the prime rate in 2012/2013 at the time of the hypothetical negotiation, as well as today (ABS's position). In light of the parties' then-agreed-upon method for calculating the lump-sum prejudgment interest awarded as part of the original judgment in *ABS I*, and the court's adoption of that practice, the court agrees with ST that prejudgment interest should be awarded at the average prime rate for the year the straws were sold, compounded annually, but consistent with the court's decision above, the interest should be calculated 60 days after the end of the quarter.

B. Timing of Enhanced Royalty Rate

The parties also dispute whether the enhanced royalty rate of \$3.25 should apply to straws sold or transferred post-verdict (ST's position) or post-judgment (ABS's position). In its prior opinion and order, the court stated that "ABS shall pay this ongoing [enhanced] royalty based on sales of straws produced on infringing chips that were themselves manufactured *after* the judgment entered in this case." (5/12/20 Op. & Order ('503 dkt. #1197) 25.) In so stating, the court failed to consider whether the enhanced royalty rate should apply post-verdict, rather than post-judgment.

In its brief, ST argues that the enhanced royalty rate should apply to all post-*verdict* sales of straws, citing favorable Federal Circuit to the effect.¹ However, in the court's review of patent cases setting an amount of on-going royalty, the Federal Circuit at times describes

¹ ABS contends that this is an attempt to seek reconsideration. Whether it is or not, the court sees no reason to delay a decision pending ST's filing of a post-judgment motion.

the on-going royalty as applying to post-*verdict* sales, *e.g.*, *SRI, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1311 (Fed. Cir. 2009) (affirming on-going reasonable royalty rate for all post-*verdict* sales); *XY, LLC v. Trans Ova Genetics, LC*, 890 F.3d 1282, 1296-98 (Fed. Cir. 2018) (vacating award of an on-going royalty rate because district court failed to properly account for the post-*verdict* nature of the on-going royalty), whereas in other cases, the court describes it with reference to a post-*judgment* hypothetical negotiation, *e.g.*, *Artic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1370 (Fed. Cir. 2017) (“Ongoing royalties may be based on a post-*judgment* hypothetical negotiation using the *Georgia-Pacific* factors.” (emphasis added)). The choice may even be important, at least arguably, as the parties’ bargaining position in negotiation may be different post-*verdict* than post-*judgment*. Still, the difference between awarding an enhanced, on-going royalty based on post-*verdict* infringing sales as compared to post-*judgment* infringing sales would typically be insignificant as final judgment usually follows within a few weeks, if not days, of the jury’s verdict.

Here, given the delay between the trial and entry of judgment,² the difference *is* material. In light of the lack of any definitive case-law on this issue and the competing equitable concerns, the court opts to award an enhanced, on-going royalty award of \$3.25 for all straws sold or transferred using infringing chips manufactured on or after January 22, 2020, roughly the mid-point between the verdict date and judgment date.

² The court is cognizant in its own role in this delay, but the parties’ rounds of briefing on post-*verdict* issues was extensive. In the future, the parties will need to do their part to ensure that any issues for the court to decide as part of the trial are efficiently brought to its attention during the course of the trial.

C. Language About “Single Royalty”

ABS also seeks to include the following language: “For the avoidance of doubt, any straw will be subject to only a single royalty, even if, for example, it is the subject of a subsequent transfer or sale to another ABS affiliate or to a customer.” ST objects to this language on the basis that this could foreclose a royalty payment from use of the ’978 patent at issue in the ’503 case, but does not disagree that any straw would only be subject to a single royalty for infringement of the ’476 and ’309 patents. As such, this opinion confirms that any straw will be subject to only a single royalty for infringement of the ’476 and ’309 patents, even if, for example, it is the subject of a subsequent transfer or sale, to another ABS affiliate or customer. At the same time, the court sees no reason to further clutter an already clumsy final judgment with this language.

D. Including ABS Affiliates and Licensees

ABS further seeks to include in the royalty base straw sales by ABS affiliates and licensees where the semen is processed using microfluidic chips that were the subject of this case. In light of ST’s expert Malackowski’s inclusion of sales by ABS’s technology-transfer partner Geno in his damages calculation, the court agrees with ABS that these sales should be included in the royalty base.

E. Treatment of ABS’s Invalidation Counterclaims of the ’161, ’912 and ’860 Patents

The parties next dispute whether ABS’s invalidity counterclaims should be dismissed with or without prejudice. As context, after the court entered summary judgment in ABS’s favor on noninfringement of the asserted claims of these patents, ABS

reasonably opted not to pursue their invalidity counterclaims and ST did not object to their dismissal. The court will not penalize ABS for that decision but neither will it decide the consequence were of dismissal. Instead, the judgment will be silent on that question.

F. Required Detail in Reasonable Royalty Reports

Finally, ST seeks to require ABS to include a breakdown of the number of straws sold to third-party customers and the number of sales or transfers to ABS affiliated or licensees in ABS's quarterly reports. ABS objects on the basis that ST, as a competitor, should not be privy to this intelligence. The court agree with ABS and will not require this level of detail in the reports. However, ST may, periodically, at its reasonable discretion retain an independent, forensic accountant to review ABS's more detailed, underlying records to ensure the accuracy of the accounting. Further, ABS shall cooperate fully in that review, subject to the accountant's express agreement not to disclose to ST a breakdown of the straws sold to third-party customers and straws sold or transferred to an ABS affiliate or licensee.³

Entered this 5th day of June, 2020.

BY THE COURT:

/s/

WILLIAM M. CONLEY
District Judge

³ Should ABS object to ST's choice of accountant, it may split the cost of an accountant agreed to by both sides. Failing that, both sides should present their choice of forensic accountant, and the court will choose one.