

## **APPENDIX**

**APPENDIX**

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**APPENDIX A**

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NOTE: This disposition is nonprecedential.

**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**2018-1108**

**[Filed February 1, 2019]**

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PRISM TECHNOLOGIES LLC,	)
<i>Plaintiff-Appellant</i>	)
	)
v.	)
	)
SPRINT SPECTRUM L.P.,	)
DBA SPRINT PCS,	)
<i>Defendant-Appellee</i>	)

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Appeal from the United States District Court for the District of Nebraska in No. 8:12-cv-00123-LES-TDT, Senior Judge Lyle E. Strom.

Decided: February 1, 2019

PAUL J. ANDRE, Kramer Levin Naftalis & Frankel LLP, Menlo Park, CA, argued for plaintiff-appellant. Also represented by LISA KOBIALKA; MARK BAGHDASSARIAN, JONATHAN CAPLAN, AARON M. FRANKEL, CRISTINA MARTINEZ, New York, NY.

CARTER GLASGOW PHILLIPS, Sidley Austin LLP, Washington, DC, argued for defendant-appellee. Also

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represented by JENNIFER J. CLARK, RYAN C. MORRIS, KATHERINE L. OLSON; MICHAEL J. BETTINGER, IRENE YANG, San Francisco, CA.

Before NEWMAN, TARANTO, and CHEN, *Circuit Judges*. TARANTO, *Circuit Judge*.

Prism Technologies, LLC is the owner of two related patents, U.S. Patent Nos. 8,127,345 and 8,387,155, that address access to information over networks that are “untrusted.” In 2012, Prism brought suits in the District of Nebraska against several cellphone carriers, among them Sprint Spectrum L.P. and T-Mobile USA, Inc., alleging infringement of those patents (plus one other patent that is not at issue and so is not further mentioned here). We have before us an appeal (the second appeal) in the suit against Sprint. The issue presented is the effect on this case of this court’s invalidation of various claims of the two patents in the suit against T-Mobile. We hold that the district court did not abuse its discretion in applying our invalidation ruling in the case against T-Mobile to set aside the judgment against Sprint in this case. We therefore affirm.

I

In early 2015, Prism and Sprint went to trial. Before trial, the parties stipulated that “Sprint may not argue that Sprint does not infringe because the claims are allegedly invalid.” J.A. 5. Prism tried four patent claims against Sprint: claims 1 and 33 of the ’345 patent, and claims 7 and 37 of the ’155 patent. The jury found that Sprint had infringed those claims and awarded \$30 million. The district court entered a

judgment for Prism and against Sprint for that amount, plus costs, in June 2015. This court affirmed. *Prism Tech., LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360 (Fed. Cir. Mar. 6, 2017), *cert. denied*, 138 S. Ct. 429 (Nov. 6, 2017).

After this court denied rehearing but before Sprint filed a petition for a writ of certiorari in the *Sprint* case, this court decided *Prism Technologies, LLC v. T-Mobile USA, Inc.*, 696 F. App'x 1014 (Fed. Cir. June 23, 2017), *cert. denied*, 138 S. Ct 689 (2018). That decision addressed an appeal by Prism and a cross-appeal by T-Mobile from the judgment in Prism's unsuccessful case against T-Mobile based on the same two patents. We held that all the claims before us are invalid under 35 U.S.C. § 101 (while rejecting T-Mobile's challenge to the denial of attorney's fees).

Less than a week later, Sprint sought relief from the June 2015 judgment under Rule 60(b) of the Federal Rules of Civil Procedure. Relying on *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 349–50 (1971), *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994), and other authorities, Sprint argued that this court's *T-Mobile* invalidity ruling required the district court to set aside the judgment in Sprint's case, a judgment whose execution had been stayed pending completion of appeals (which had not occurred, given that Sprint's petition for certiorari was still pending). When Prism suggested to the district court that this court's May 2017 mandate (issued after denial of rehearing) precluded any such relief, Sprint asked this court to recall the mandate. This court denied the request,

stating that the relief was “unnecessary to give effect to the preclusion law that Sprint invokes in support of its recall motion and in support of its Rule 60(b) motion in district court.” J.A. 35165. We added:

To avoid any doubt, this court here confirms that the May 2017 mandate does not alter how the district court should decide the preclusive effect of the T-Mobile ruling, which did not exist in May 2017. The district court must consider Sprint’s preclusion motion—including any issues about what patent claims were actually the subject of this court’s T-Mobile ruling—by applying the standards of *Mendenhall* . . . , its successors, and any other relevant law. . . . [T]he May 2017 mandate should not be treated by the district court as altering whatever conclusion it would otherwise reach about Sprint’s Rule 60(b) motion.

J.A. 35165–66.

The district court granted Sprint’s motion for relief from the judgment on August 8, 2017. The court concluded that the patent claims at issue in the *T-Mobile* appeal included those on which Sprint had been found liable in this case. On that basis, the court set aside the June 2015 judgment against Sprint.

On September 27, 2017, the court denied Prism’s motion to alter the August 8, 2017 judgment. Prism appealed on October 9, within the 30 days allowed under 28 U.S.C. § 2107 and Rule 4 of the Federal Rules of Appellate Procedure. We have jurisdiction to hear the appeal. *See* 28 U.S.C. § 1295(a). We review the

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district court's grant of Sprint's Rule 60(b) motion, and refusal to modify that grant, for an abuse of discretion. *See Harley v. Zoesch*, 413 F.3d 866, 870 (8th Cir. 2005); *Innovative Home Health Care, Inc. v. P.T.-O.T. Assocs. of the Black Hills*, 141 F.3d 1284, 1286 (8th Cir. 1998).

## II

The principal issue before us is whether the four patent claims on which Sprint was held liable in this case were among the claims held invalid in the *T-Mobile* case. As to two of the claims—claim 1 of the '345 patent and claim 37 of the '155 patent—there is no dispute. There is a dispute as to the other two—claim 33 of the '345 patent and claim 7 of the '155 patent. We conclude that those two claims, like the other two, were the subject of this court's *T-Mobile* invalidity decision.

## A

We begin by describing what occurred in the district court in Prism's case against T-Mobile. When T-Mobile answered the operative complaint, it stated an affirmative defense of invalidity of the patents at issue “for failing to comply with the conditions for patentability set forth in Title 35, United States Code § 101 *et seq.*, including, without limitation, §§ 102, 103 and/or 112.” J.A. 2487. It also stated “a counterclaim for declaratory judgment of noninfringement, and/or invalidity arising under the patent laws of the United States, 35 U.S.C. §§ 1 *et seq.*,” J.A. 2490, and asked for a “declaration that each of the claims of the [three patents then at issue] is invalid,” J.A. 2498. In its separately numbered counterclaims for each patent, T-



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Mobile asserted that the claims are “invalid for failing to satisfy one or more of the conditions of patentability set forth in Title 35, United States Code, including §§ 102, 103 and/or 112.” J.A. 2495, 2496. Although § 101 is not there expressly mentioned, the counterclaims use “including” language, and this court has ruled that § 101, like §§ 102, 103, and 112, states “conditions of patentability.” *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1330 n.3 (Fed. Cir. 2012); *see also* J.A. 2487 (T-Mobile itself, in its affirmative defense, using the similar phrase “conditions for patentability” to cover § 101). T-Mobile’s responsive pleading can be read as encompassing § 101 counterclaims, though that characterization is hardly inevitable.<sup>1</sup>

On July 17, 2015, T-Mobile moved for summary judgment of patent ineligibility of what were then the “asserted claims.” J.A. 34808. Specifically, as of July

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<sup>1</sup> Under any local rules on pleading specificity and cases applying the Federal Rules of Civil Procedure, it is possible that T-Mobile’s responsive pleading may not have sufficiently pleaded a counterclaim. *See, e.g., Ashcroft v. Iqbal*, 556 U.S. 662 (2009); *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007); *In re Bill of Lading Transmission and Processing System Patent Litigation*, 681 F.3d 1323 (Fed. Cir. 2012); *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354 (Fed. Cir. 2007); *see also K-Tech Telecommunications, Inc. v. Time Warner Cable, Inc.* 714 F.3d 1277 (Fed. Cir. 2013) (summarizing standards as of April 2013); *Schwendimann v. Arkwright, Inc.*, 2008 WL 2901691 (D. Minn. 2008) (applying *McZeal* standards to counterclaims). The parties’ actions, however, sufficiently establish that both T-Mobile and Prism ultimately recognized the § 101 challenge as a counterclaim. In these circumstances, we do not consider whether T-Mobile’s pleading would be adequate under the standards applicable in or around March 2013 or under the standards applicable today.

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2015, the claims being asserted by Prism were claims 1, 33, 39, 50, 57, 70, 77, and 87 of the '345 patent and claims 7, 11, 32, 37, 50, 56, 74, 75, 76, and 93 of the '155 patent. We note that all four of the claims that are the basis of the judgment in the *Sprint* case are on that list. T-Mobile's motion did not clarify whether affirmative defenses or counterclaims or both were at issue.

Prism responded on August 21, 2015, by opposing T-Mobile's motion for summary judgment and, by crossmotion, seeking summary judgment of eligibility of the then-asserted claims. Prism contended that T-Mobile had not timely presented an eligibility challenge, discussing the issue only as a defense. Prism also argued eligibility on the merits.

On September 22, 2015, the district court granted Prism's motion for summary judgment of eligibility and denied T-Mobile's motion for summary judgment of ineligibility. J.A. 30671–78. The court said nothing to suggest that it thought that T-Mobile had not properly presented the § 101 issue; the court discussed only the merits. The court did not say whether affirmative defenses, counterclaims, or both were at issue. Nor did the court limit which patent claims were covered by its ruling to only a subset of the “asserted claims” listed in T-Mobile's motion for summary judgment—even though on September 11, 2015, Prism had narrowed its elected claims to just eight, namely, claims 1, 77, and 87 of the '345 patent and claims 11, 37, 56, 74, and 75 of the '155 patent. That list excludes two of the claims in Prism's case against Sprint (the present case): claim 33 of the '345 patent and claim 7 of the '155 patent.

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In the second half of October 2015, Prism and T-Mobile went to trial. Prism narrowed the claims it asked the jury to address still further, dropping claims 74 and 75 of the '155 patent. On October 30, 2015, the jury found that T-Mobile had not infringed the six claims it was charged with addressing and, pursuant to the instruction on the verdict form, did not reach the questions of invalidity under §§ 102, 103, and 112 on the verdict form.

After trial, T-Mobile filed a motion for judgment as a matter of law, under Rule 50(b) of the Federal Rules of Civil Procedure. In addition to seeking judgment in its favor of invalidity under §§ 102 and 112, T-Mobile argued that “the asserted claims are ineligible under 35 U.S.C. § 101.” J.A. 34228 (capitalization omitted). T-Mobile “incorporate[d] by reference” its motion for summary judgment and declared that it “maintains that the claims were ineligible based on the pre-trial summary judgment record alone.” *Id.* at 34228 n.1. It argued that, in any event, “the evidence at trial prove[d] that there is nothing inventive in the asserted claims that could confer eligibility.” *Id.* at 34228.

As to that argument, T-Mobile concentrated on testimony by Prism’s witnesses about use of a “hardware identifier” to “identify a person requesting access to resources over the Internet,” *id.* at 34229, and it gave two answers to that testimony. First, it said, “the concept of a hardware identifier is not inventive.” *Id.* at 34230. Second, it added, a hardware identifier “is not even recited in the asserted claims.” *Id.* In making that point, T-Mobile cited only the six tried claims. *Id.* at 34230–31. On the other hand, it introduced that

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citation with a non-limiting “*e.g.*,” and when it noted that other claims call for a hardware identifier, it did not point to any of the claims on the longer list that were the subject of the summary judgment ruling. *Id.* at 34231.

The district court denied the post-trial motions, including T-Mobile’s request for attorney’s fees, on April 6, 2016. The court did not identify what claims of the patents were at issue in the Rule 50(b) motion.

B

Prism appealed, and T-Mobile cross-appealed. In the notice of cross-appeal, T-Mobile stated that it was appealing from the April 6, 2016 judgment that denied its Rule 50(b) motion and request for fees

and from any and all other judgments, orders, opinions, rulings, and findings that merge therein or are pertinent or ancillary to the foregoing, including, without limitation, the Order entered on September 22, 2015 (Dkt. 428), denying T-Mobile’s Motion for Summary Judgment of Patent Ineligibility (Dkt. 309).

J.A. 34612.

In its opening brief as cross-appellant, T-Mobile described the district court’s ruling on summary judgment and stated: “While Prism subsequently narrowed its case at trial, T-Mobile maintains that all of the claims addressed in its motion are patent-ineligible.” Corrected Principal and Response Brief for Defendant/Cross-Appellant T-Mobile USA, Inc. at 10 n.4. T-Mobile referred to its § 101 challenge as a

“request for declaratory judgment,” not as a mere affirmative defense. *Id.* at 33. T-Mobile did not limit its challenge to the district court’s § 101 ruling to the six claims tried to the jury. To the contrary, it stated its request for relief as to § 101 more broadly: “The Court should reverse the district court’s eligibility rulings on T-Mobile’s summary judgment and Rule 50(b) motions, and hold that the claims addressed therein are not patent-eligible.” *Id.* at 67; *see id.* at 76 (“The Court should . . . reverse the district court’s rulings that Prism’s claims are directed to patent-eligible subject matter . . .”). That request, naturally read, challenges the summary judgment ruling in its full scope, covering all the claims the court there held eligible for patenting. In its cross-appeal, T-Mobile attacked a broader set of claims than what had been asserted by Prism at trial; the necessary implication is that T-Mobile sought to prevail on a counterclaim of invalidity, not just obtain relief under an affirmative defense.

In responding to T-Mobile’s argument on the cross-appeal, Prism did not assert that T-Mobile’s cross-appeal was actually or necessarily limited to the six tried claims. To the contrary, Prism treated the full summary judgment ruling as before this court. *See* Plaintiff-Appellant Prism Technologies LLC’s Reply and Cross-Appeal Response Brief at 4–5, 23–50. Indeed, to show the inventive concepts that went beyond the abstract idea at issue, Prism expressly discussed a number of claims other than the six that were tried. *Id.* at 33–34.

That fact is significant enough, but two particular aspects of Prism’s discussion are worth highlighting. First, Prism specifically discussed claim 33 of the ’345 patent and claim 7 of the ’155 patent. *Id.* Those are the two claims, among the four on which Sprint was held liable in this case, that Prism argues were not before this court in the *T-Mobile* case. *Id.* Second, Prism specifically argued that, “as discussed further below, the inclusion of *hardware identity limitations in the Asserted Claims* represents a specific and novel solution to a real problem and provides real benefits.” *Id.* at 24 (emphasis added). It then elaborated on what claims it meant, describing various claims that “provide additional specificity on the identity data used for authentication, including that they are generated from an internal hardware component, unique or unique to the client computer device, and come from an external device, an external object inserted into a reader associated with the client computer or a SIM card.” *Id.* at 34 (citing claims 57, 69, and 70 of the ’345 patent and claims 6, 7, and 75 of the ’155 patent). Not one of those claims is among the six tried in Prism’s case against T-Mobile. And Prism wrapped up its eligibility discussion with a reference back to “hardware identity” claim limitations. *Id.* at 50.

On June 23, 2017, this court agreed with T-Mobile that “the asserted claims recite ineligible subject matter because they: (1) are directed to the abstract idea of controlling access to resources; and (2) are non-inventive because they recite generic computer hardware running generic computer software that performs the abstract functions routine to the process of restricting access.” 696 F. App’x at 1017. The court

did not limit its ruling to the six tried claims. Rather, following Prism’s own presentation, it addressed other claims. Of particular note, the court discussed, and rejected on the merits, Prism’s argument relying on “the recited ‘identity data’ (such as a hardware identifier)” and “hardware identity data.” *Id.* at 1017–18 (citing pages 24 and 50 of the relevant Prism brief). As we have just observed, Prism, in making that argument, was addressing claims other than the six that were tried.<sup>2</sup>

C

In the circumstances presented, we conclude that this court’s *T-Mobile* decision is properly understood as covering, and invalidating, all the claims that were the subject of the district court’s eligibility ruling on summary judgment—which undisputedly included all four of the claims on which Sprint was held liable to Prism in this case. The parties’ filings in this court in *T-Mobile*, including the presentation by Prism itself, strongly so indicate.

We do not see enough in the proceedings at the district court level in *T-Mobile* to override what the record at the appellate level strongly indicates. There is no dispute that, if T-Mobile’s § 101 challenge is

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<sup>2</sup> This court addressed the merits of Prism’s argument about identity data and hardware, which T-Mobile continued to address on the merits in its final brief. Reply Brief for Defendant/Cross-Appellant T-Mobile USA, Inc. at 11–13. We note that, in a footnote attached to that brief’s textual discussion of the merits of the argument, T-Mobile stated that this feature is not in the tried claims. *Id.* at 12 n.1. This court did not rely on that statement, but addressed this feature on the merits.

viewed as a counterclaim, the rejection of the challenge on summary judgment—covering all claims then at issue—was appealable after final judgment. As we have described, T-Mobile’s responsive pleading, though not clear, can be read as including counterclaims for a declaratory judgment of § 101 ineligibility. And at the appellate level, both parties, and this court, effectively treated the § 101 challenge as a counterclaim: the § 101 discussion clearly extended beyond the tried claims. We see no sufficient reason to decline to give effect to that treatment of the character of the § 101 challenge as a counterclaim, given that Prism, before this court’s decision on appeal, never contested the scope of T-Mobile’s cross-appeal, and our *T-Mobile* decision must be read as deciding the eligibility question for all of the claims addressed in the district court’s summary-judgment ruling.

In any event, Prism is now in no position to insist that a formal alteration of the responsive pleading was needed to further clarify the counterclaim status of the § 101 challenge. In *T-Mobile*, the only reason that there was an appealable final judgment, despite the absence of a ruling on other counterclaims of invalidity (which mention §§ 102, 103, and 112), was that Prism and T-Mobile agreed to treat those counterclaims of invalidity as affirmative defenses, without a formal pleading change. *See* J.A. 35269. Nor has there been any suggestion that a formal alteration of T-Mobile’s pleading was any more required for present purposes, where the parties effectively treated T-Mobile’s § 101 challenge as a counterclaim when the matter was presented to this court.



## III

Having concluded that this court’s decision in *T-Mobile* held invalid all four claims on which Sprint was held liable to Prism in this case, we also conclude that the district court properly set aside the judgment against Sprint. The courts have long recognized a strong federal patent policy against enforcing an unexecuted judgment of patent liability at least where all of the following circumstances are present: the patent claims underlying that judgment have been held invalid by another decision having sufficient finality for this purpose; proceedings on direct review of the judgment have not yet been completed; and no agreement exists making portions of the judgment final. See *Blonder-Tongue*, 402 U.S. at 349–50; *Mendenhall*, 26 F.3d at 1579–80 (invalidity judgment may be raised “at any stage of the affected proceedings”); *id.* at 1583–84; see also *WesternGeco LLC v. Ion Geophysical Corp.*, Nos. 2013-1527, 2014-1121, -1526, -1528, 2019 WL 166173 at \*2–3 (Fed. Cir. Jan. 11, 2019); *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358 (Fed. Cir. 2015); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1344, 1347 (Fed. Cir. 2013). The district court properly relied on that principle in this case. The liability judgment in this case was still subject to direct review when this court, in *T-Mobile*, invalidated the claims on which the judgment rests. The judgment had not been executed, and no portion had been carved out as final by agreement. And Sprint invoked the *T-Mobile* invalidity ruling within a week of that ruling’s issuance.

Prism notes that, in this case, Sprint had dropped its invalidity challenges just before trial in 2015 and did not raise such challenges on appeal of the judgment against it. But Prism has identified no precedent that limits the above-stated federal patent policy based on those facts. Nor has Prism provided a persuasive reason why the *T-Mobile* invalidity ruling is properly viewed as less than “an act which, in judgment of law, extinguishes the patent” claims, akin for present purposes to a cancellation of those claims, after which they “can no more be the foundation for the assertion of a right.” *Moffitt v. Garr*, 66 U.S. (1 Black) 273, 283 (1861). We conclude that Prism has given us no basis to conclude that the district court abused its discretion in setting aside the judgment against Sprint based on the invalidation in *T-Mobile* of the claims on which the judgment rests.

IV

We affirm the Order and Judgment of August 8, 2017.

No costs.

**AFFIRMED**

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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**2018-1108**

**[Filed February 1, 2019]**

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PRISM TECHNOLOGIES LLC, )  
*Plaintiff - Appellant* )  
 )  
v. )  
 )  
SPRINT SPECTRUM L.P., )  
DBA SPRINT PCS, )  
*Defendant - Appellee* )  
 )

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Appeal from the United States District Court for the  
District of Nebraska in No. 8:12-cv-00123-LES-TDT,  
Senior Judge Lyle E. Strom.

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**JUDGMENT**

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THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

**AFFIRMED**

ENTERED BY ORDER OF THE COURT

February 1, 2019

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court

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**APPENDIX B**

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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEBRASKA**

**8:12CV123**

**[Filed August 8, 2017]**

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PRISM TECHNOLOGIES, LLC,	)
Plaintiff,	)
	)
v.	)
	)
SPRINT SPECTRUM L.P.,	)
D/B/A SPRINT PCS,	)
Defendant.	)

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**MEMORANDUM OPINION**

This matter is before the Court on three motions filed by the parties. The plaintiff, Prism Technologies, LLC (hereinafter “Prism” or “plaintiff”), has filed a motion to lift the Court’s stay and enforce the judgment (Filing No. 615). The defendant, Sprint Spectrum L.P. (hereinafter “Sprint” or “defendant”) has moved for relief from the judgment pursuant to Federal Rule of Civil Procedure 60, or in the alternative, has moved for a further stay of the case (Filing No. 621). In addition, Sprint has moved for leave to file a sur-reply in opposition to Prism’s motion to lift the stay and enforce the judgment (Filing No. 626). The motions have been

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fully briefed.<sup>1</sup> See Filing Nos. 616, 617, 624, 626-1,<sup>2</sup> 622, 627,<sup>3</sup> 628, and 629. After review of the motion, the parties' briefs and indexes of evidence (Filing Nos. 618,

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<sup>1</sup> In addition to the briefs, both parties submitted notices of new/recent authority (Filing No. 632 and Filing No. 633). As will be addressed more below, these notices came following a July 25, 2017, order from the United States Court of Appeals for the Federal Circuit (Filing No. 631). The Federal Circuit's order came in response to Prism's argument that this Court lacked authority to provide relief under Rule 60(b) or to do anything but enforce the judgment due to the Federal Circuit's issuance of its mandate. See, e.g., Filing No. 624 at 5-11 (relying on 28 U.S.C. § 2101(f)). In response to this contention, Sprint filed a motion with the Federal Circuit to recall its mandate. See Filing No. 629 at 2 n.1. The Federal Circuit's order followed.

<sup>2</sup> Sprint moves to file a sur-reply contending that Prism raised new arguments in its reply brief in violation of the Federal Rules of Civil Procedure and this Court's local rules. See Filing No. 626 at 2 (citing *Marion v. Werner Enterprises, Inc.*, No. 8:08CV466, 2009 WL 3754392, at \*5 (D. Neb. Nov. 2, 2009)). Sprint filed its sur-reply brief with the Court as an attachment to its motion. See Filing No. 626-1. The brief advances no arguments not made at some stage by the parties' extensive briefing. Therefore, even though it is of little consequence and did not sway the Court's decision, Sprint's motion will be granted.

<sup>3</sup> Sprint challenges the timeliness of Prism's brief in opposition to Sprint's Rule 60(b) motion. See Filing No. 629 at 2 n.2. Sprint states that pursuant to local rules "Prism is precluded from contesting Sprint's statement of fact, and its attempt to do so should be disregarded." *Id.* (internal citation omitted). Even if the Court were inclined to strictly apply NECivR 7.1(b)(1)(C) due to Prism's filing being a single day later than required, the facts are, by and large, uncontroverted. To the extent disputes of fact exist, the Court will resolve such disputes based on the record before it without merely accepting Sprint's statement of facts.

619, 620,<sup>4</sup> 623, 625, 630), and the relevant law, the Court finds as follows.

## **BACKGROUND**

### **I. The Sprint Action**

On June 23, 2015, following a six-day trial, a jury returned a verdict in favor of Prism and against Sprint in the amount of \$30,000,000.00 (Filing No. 467). The jury's award was based on its finding that Sprint had infringed Claims 1 and 33 of Prism's U.S. Patent No. 8,127,345 (the "345 patent") and Claims 7 and 37 of Prism's U.S. Patent No. 8,387,155 (the "155 patent") (*Id.*). On December 9, 2015, the Court denied Sprint's renewed motion for judgment as a matter of law, Sprint's motion for a new trial, and Sprint's first motion for relief from judgment pursuant to Federal Rule of Civil Procedure 60(b) (Filing No. 588 and Filing No. 589).

On January 5, 2016, Sprint and Prism filed their respective notices of appeal (Filing No. 593 and Filing No. 595). In addition, Sprint, by an unopposed motion, sought to stay the execution of the judgment pending appeal and approval of a supersedeas bond pursuant to Fed. R. Civ. P. 62 (Filing No. 594). The following day, on January 6, 2016, the Court granted Sprint's motion for a stay of execution of the judgment pending appeal and approval of a supersedeas bond (the "bond") (Filing

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<sup>4</sup>This filing is Sprint's submitted notice of recent authority of the Federal Circuit's decision in *Prism Technologies LLC, v. T-Mobile USA, Inc.*, Case Nos. 2016-2031, 2016-2049, 2017 WL 2705338 (Fed. Cir. June 23, 2017).

No. 596). The bond posted by Sprint provides in relevant part, that Sprint is “firmly bound unto PRISM TECHNOLOGIES, LLC in the sum of THIRTY TWO MILLION TWO HUNDRED THOUSAND AND NO/100 Dollars . . . .” (Filing No. 601 at 1). The bond further states:

THE CONDITION OF THIS OBLIGATION is such that: [Sprint] has entered an appeal to THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT to review the JUDGMENT . . . .

NOW THEREFORE, the condition of this obligation is such that if [Sprint] prosecutes its appeal to the full and final effect . . . [and] such judgment [is] reduced, modified, or amended . . . then this obligation shall be null and void; otherwise to remain in full force and effect. (*Id.*).

On March 3, 2017, the Federal Circuit affirmed this Court’s denial of Sprint’s post-trial motions and its denial of Prism’s motion for additional monetary relief (Filing No. 605). It is important to note here that the validity of the patent claims at issue in this case were not contested as Sprint agreed in a May 15, 2015, agreement on motions in limine that “Sprint may not argue that Sprint does not infringe because the claims are allegedly invalid.” (Filing No. 378 at 1). Therefore, no invalidity argument was advanced to or decided upon by the Federal Circuit on appeal. *See* Filing No. 605.

## II. The T-Mobile Action

While the appeal in this case was pending, Prism went to trial against another cell carrier, T-Mobile USA, Inc., on claims of patent infringement of the same patents. *See* Case No. 8:12CV124 (hereinafter the “124 case”). Following a fourteen-day trial, the jury found in favor of T-Mobile on Prism’s claims of infringement (Filing No. 579 in the 124 case). Following the filing and denial of various post-trial motions, both parties appealed (Filing Nos. 675 and 679 in the 124 case). Prism appealed this Court’s denial of its motions for a new trial and judgment as a matter of law (Filing No. 685-1 at 2). T-Mobile appealed, among other rulings not pertinent here, this Court’s denial of its motion for judgment as a matter of law seeking “a reversal . . . of subject-matter eligibility under [35 U.S.C.] § 101 . . .” (*Id.* at 4). On June 23, 2017, the Federal Circuit reversed this Court’s finding of the patent claims’ validity and determined that Prism’s asserted patent claims “merely recite a host of elements that are indisputably generic computer components” and “recite patent ineligible subject matter . . .” (*Id.* at 6-7).

## III. Subsequent Proceedings

On June 9, 2017, two weeks before the Federal Circuit invalidated Prism’s patent claims in the *T-Mobile* case, Prism moved this Court to lift the stay and enforce the judgment (Filing No. 615). Before that motion was ripe for disposition, Sprint filed its motion for relief from the judgment pursuant to Rule 60 or, in the alternative, for a further stay of the case (Filing No. 621).



Following the parties' briefing, the Federal Circuit, in response to a motion by Sprint to recall its mandate, issued a three-page order denying Sprint's motion (Filing No. 631). The Federal Circuit stated that Sprint "plans to seek certiorari from [the Federal Circuit's] March ruling, and it is apparently undisputed that, as a result, the original district court judgment against Sprint remains stayed -- until the time for certiorari runs without a filing or until disposition of the matter in the Supreme Court." (*Id.* at 2). The Federal Circuit's order also determined that

[r]ecall [of the Circuit's mandate] is unnecessary to give effect to the preclusion law that Sprint invokes . . . . To avoid any doubt, this court here confirms that the May 2017 mandate does not alter how the district court *should* decide the preclusive effect of the *T-Mobile* ruling, which did not exist in May 2017. The district court *must* consider Sprint's preclusion motion -- including any issues about what patent claims were actually the subject of this court's *T-Mobile* ruling -- by applying the standards of *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994), its successors, and any other relevant law.

(*Id.* at 2-3) (emphasis added). Finally the Federal Circuit's order instructed this Court that the "May 2017 mandate should not be treated . . . as altering whatever conclusion [this Court] would otherwise reach about Sprint's Rule 60(b) motion." (*Id.* at 3).

## LAW

Federal Rule of Civil Procedure 60(b) provides: “[o]n motion and just terms, the court may relieve a party . . . from a final judgment, order, or proceeding for . . . any other reason that justifies relief.” Fed. R. Civ. P. 60(b)(6). Such motion must be made “within a reasonable time . . . .” Fed. R. Civ. P. 60(c)(1). “The purpose of Rule 60(b) is to balance the principle of finality of a judgment with the interest of the court in seeing that justice is done in light of all the facts.” *Hesling v. CSX Transp., Inc.*, 396 F.3d 632, 638 (5th Cir. 2005) (internal citation omitted). Rule 60(b) “authorizes relief in only the most exceptional cases.” *U.S. Commodity Futures Trading Com’n v. Kratville*, 796 F.3d 873, 896 (8th Cir. 2015) (internal marks and cites omitted).

## DISCUSSION

The Court is convinced that the facts and procedural history of this case rise to the level of an exceptional circumstance warranting the imposition of Rule 60(b)’s exceptional remedy so that justice might be served. By so ruling the Court is cognizant of the need to recognize the importance of the finality of a judgment. The Court has thoroughly considered and balanced that important interest but finds it is outweighed by the Court’s interest in “seeing that justice is done in light of all of the facts.” *Hesling*, 396 F.3d at 638.

Sprint’s motion is timely. A motion under Fed. R. Civ. P. 60(b)(6) requires a party to bring it “within a reasonable time.” Fed. R. Civ. P. 60(c)(1). Sprint filed

its Rule 60(b) motion six days after the Federal Circuit's issuance of the *T-Mobile* decision. *See* Filing No. 622 at 2 (filed June 29, 2017, and citing the Federal Circuit's June 23, 2017, *T-Mobile* decision). This appears to be in harmony with Rule 60(c)(1)'s requirement. *See Watkins v. Lundell*, 169 F.3d 540, 544 (8th Cir. 1999).

Prism's argument to enforce and not alter or amend the judgment is threefold: (1) the Federal Circuit's mandate in affirming the Court's decision in this case ends the plain-language term of the bond requiring satisfaction of the \$30 million judgment; (2) Sprint's failure to seek a stay of the Federal Circuit's mandate procedurally bars Sprint from seeking relief from this Court; and (3) the Federal Circuit's finding of invalidity in the *T-Mobile* case is inapplicable to this case. *See* Filing Nos. 616, 624, 627, and 632.

Prism further contends the July 25, 2017, order from the Federal Circuit conclusively establishes that "Sprint is not entitled to relief from the [j]udgment . . . based on the *T-Mobile* decision because the *T-Mobile* decision did not address certain claims that Prism asserted and prevailed upon at trial against Sprint." (Filing No. 632 at 1) (emphasis in original, footnote omitted). Prism specifically argues that Claim 33 of the '345 patent and Claim 7 of the '155 patent were not at issue in the Federal Circuit's *T-Mobile* decision and thus "not subject to the *T-Mobile* decision." (*Id.* at 3). Finally, Prism argues that because the Federal Circuit denied Sprint's motion to recall its mandate "the final judgment of this Court, as summarily affirmed by the Federal Circuit, must be enforced -- and the *T-Mobile*

decision has no effect on the enforceability of the final judgment” especially since “Sprint did not raise a § 101 defense at trial.” (*Id.*).

Sprint argues that the Court ought to alter or amend the judgment under Federal Rule of Civil Procedure 60(b) because “the Federal Circuit’s decision completely eliminates the underlying basis for the judgment against Sprint . . . .” (Filing No. 622 at 2). In addition, Sprint argues that the Federal Circuit’s July 25, 2017, order gives the Court “full authority to give relief under Rule 60(b) on the basis of the T-Mobile invalidity decision.” (Filing No. 633 at 2).

Prism’s argument based on Sprint’s failure to stay the Federal Circuit’s mandate is resolved by the July 25, 2017, order from the Federal Circuit. In that order this Court was directed that “the May 2017 mandate does not alter how the district court *should* decide the preclusive effect of the *T-Mobile* ruling . . . .” (Filing No. 631 at 2) (emphasis added). If Sprint’s failure to seek a stay of the mandate prevented this Court from doing anything other than enforcing the \$30 million jury verdict against Sprint, the Federal Circuit’s order would not have instructed this Court that it *must* consider Sprint’s Rule 60(b) motion. *See id.* at 2-3. In addition, Prism’s argument concerning the plain language of the bond requiring this Court to enforce the judgment is mooted by the Court’s decision to grant Sprint’s Rule 60(b) motion. Therefore, the only remaining contention advanced by Prism is that the *T-Mobile* decision does not apply to this case because: (1) at least two of the patent claims at issue in this case were not invalidated by the *T-Mobile* case; and

(2) collateral estoppel or issue preclusion does not apply to the facts of this case given its unique procedural posture. *See* Filing No. 632.

The patent claims at issue in the *T-Mobile* case which were invalidated by the Federal Circuit were and are the same claims at issue here. In its opinion in *T-Mobile*, the Federal Circuit reversed this Court's denial of T-Mobile's motion for judgment as a matter of law (Filing No. 685-1 at 2 in the 124 case). In its brief in support of its motion for judgment as a matter of law submitted to this Court, T-Mobile argued that all of the "asserted claims" under the '345 and '155 patents should be invalidated under 35 U.S.C. § 101 (Filing 547 at 71-78 in the 124 case).

In order to determine what the "asserted claims" were at issue in the *T-Mobile* case, the Court turns to T-Mobile's briefs submitted to this Court in support of its motion for judgment as a matter of law (Filing No. 547 in the 124 case). While the briefing with respect to the motion for judgment as a matter of law is not particularly helpful due to its usage of the term "asserted claims," the opening brief does provide some guidance. In that brief, T-Mobile incorporates by reference its arguments for invalidity which were made in its motion for summary judgment (*Id.* at 72 n.6) (stating "In addition, T-Mobile here incorporates by reference its arguments in its Brief in Support of its Motion for Summary Judgment of Patent Ineligibility (and its supporting papers.")).

Turning then to T-Mobile's motion for summary judgment, it becomes clear the "asserted claims" at issue in the *T-Mobile* case overlap with the patent

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claims at issue here. T-Mobile's brief in support of its motion for summary judgment of patent ineligibility explicitly names the following patent claims: "1, 33, 39, 50, 57, 70, 77, 87 of the '345 patent and claims 7, 11, 32, 37, 50, 56, 74, 75, 76, 93 of the '155 patent (collectively, the 'asserted claims')." (Filing No. 310 at 7 in the 124 case).

In order for the Federal Circuit to determine that this Court erred in its denial of T-Mobile's motion for judgment as a matter of law, the Federal Circuit had to conclusively determine which patent claims were at issue. In order to determine what patent claims were at issue in the *T-Mobile* case, the Federal Circuit would have reviewed T-Mobile's brief in support of its motion for judgment as a matter of law. The Circuit would then have been referred to T-Mobile's brief in support of its motion for summary judgment of patent ineligibility. The Federal Circuit would then have determined that the "asserted claims" which were invalidated were those referenced above in T-Mobile's brief in support of its motion for summary judgment of patent ineligibility.

At issue in the *Sprint* case were Claims 1 and 33 of the '345 patent and Claims 7 and 37 of the '155 patent (Filing No. 632 at 2). All four of these claims were scrutinized by the Federal Circuit and adjudged to be invalid under 35 U.S.C. § 101. *See* Filing No. 685-1 in the 124 case.

Having determined that the Federal Circuit's July 25, 2017, order conclusively resolves Prism's argument as to this Court's authority, and having determined that the patent claims invalidated in the *T-Mobile* case

are the same claims at issue here, the Court need now only apply “the standards of *Mendenhall* . . . its successors, and . . . other relevant law” in accordance with the Federal Circuit’s direction to resolve whether issue preclusion or collateral estoppel ought to apply (Filing No. 631 at 3).

This Court’s application of *Mendenhall*, its progeny, and other applicable law, leads the Court to conclude that Sprint’s Rule 60(b) motion ought to be granted. *See* Fed. R. Civ. P. 60(b); *see also Mendenhall*, 26 F.3d 1573. Given that the Federal Circuit has conclusively adjudged the patent claims, which provide the very basis for Prism’s \$30 million judgment, to be invalid; the Court finds no just reason why such a judgment ought to stand when the claims “are predicated on a nullity” and unenforceable to the rest of the world. *See SK hynix Inc. v. Rambus Inc.*, No. C-00-20905 RMW, 2013 WL 1915865, at \*10 (N.D. Cal. May 8, 2013); *see also Mendenhall*, 26 F.3d 1573, *Blonder-Tongue Labs, Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 91 S. Ct. 1434, 28 L. Ed. 2d 788.

Accordingly, Sprint’s motion to file a sur-reply brief will be granted. Sprint’s motion for relief from the judgment pursuant to Rule 60 will be granted. Sprint’s motion for a further stay of the case will be denied as moot. Prism’s motion to lift the stay and enforce the judgment (Filing No. 615) will be denied as moot. A separate order will be entered in accordance with this memorandum opinion.

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DATED this 8th day of August, 2017.

BY THE COURT:

/s/ Lyle E. Strom

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LYLE E. STROM, Senior Judge  
United States District Court



**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEBRASKA**

**8:12CV123**

**[Filed August 8, 2017]**

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PRISM TECHNOLOGIES, LLC, )  
Plaintiff, )  
 )  
v. )  
 )  
SPRINT SPECTRUM L.P., )  
D/B/A SPRINT PCS, )  
Defendant. )

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**ORDER AND JUDGMENT**

Pursuant to the memorandum opinion entered herein this date,

**IT IS ORDERED:**

- 1) Sprint's motion to file a sur-reply is granted.
- 2) Sprint's motion for relief from judgment pursuant to Rule 60 is granted. The Judgment (Filing No. 463) is set aside.
- 3) Sprint's motion for a further stay of the case is denied as moot.
- 4) Prism's motion to lift the stay and enforce the judgment is denied as moot.

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DATED this 8th day of August, 2017.

BY THE COURT:

/s/ Lyle E. Strom

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LYLE E. STROM, Senior Judge  
United States District Court

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**APPENDIX C**

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NOTE: This order is nonprecedential.

**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**2016-1456, 2016-1457**

**[Filed July 25, 2017]**

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PRISM TECHNOLOGIES LLC,	)
<i>Plaintiff-Cross-Appellant</i>	)
	)
v.	)
	)
SPRINT SPECTRUM L.P.,	)
DBA SPRINT PCS,	)
<i>Defendant-Appellant</i>	)

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**ON MOTION**

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Appeals from the United States District Court for the District of Nebraska in No. 8:12-cv-00123-LES-TDT, Senior Judge Lyle E. Strom.

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Before TARANTO, LINN, and CHEN, *Circuit Judges*.  
PER CURIAM.

**ORDER**

These cases, Fed. Cir. Nos. 2016-1456, -1457, involve claims 1 and 33 of U.S. Patent No. 8,127,345 and claims 7 and 37 of U.S. Patent No. 8,387,155, asserted by Prism against Sprint in *Prism Technologies LLC v. Sprint Spectrum L.P.*, No. 8-12-cv-00123 (D. Neb.). After a jury trial, the district court entered an infringement and damages judgment against Sprint. On March 16, 2017, this court affirmed. *Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360 (Fed. Cir. 2017). This court's mandate issued May 15, 2017. Sprint has notified Prism that it plans to seek certiorari from this court's March ruling, and it is apparently undisputed that, as a result, the original district court judgment against Sprint remains stayed—until the time for certiorari runs without a filing or until disposition of the matter in the Supreme Court.

After this court decided *Prism v. Sprint* and issued its mandate, this court, in a different case brought by Prism against T-Mobile USA, invalidated certain claims of the '345 and '155 patents on a ground (ineligibility pursuant to 35 U.S.C. § 101) not pressed by Sprint in the present matter. *Prism Techs. LLC v. T-Mobile USA, Inc.*, Nos. 2016-2031, -2049, 2017 WL 2705338 (Fed. Cir. June 23, 2017). Based on this court's *T-Mobile* invalidity ruling, Sprint filed a motion under Fed. R. Civ. P. 60(b) in the district court in this matter. Invoking the invalidation of certain claims in *T-Mobile* as a ground for issue preclusion, Sprint's motion seeks to have the adverse judgment against it set aside and judgment entered in its favor. *See Sprint Spectrum*

L.P.'s Motion for Relief from Judgment, or, in the Alternative, a Further Stay of the Case, *Prism Techs.*, No. 8:12-cv-00123 (D. Neb. June 29, 2017), ECF No. 621. That motion is pending in the district court.

Sprint now moves this court to recall its May 2017 mandate. The motion is denied. Recall is unnecessary to give effect to the preclusion law that Sprint invokes in support of its recall motion and in support of its Rule 60(b) motion in district court.

To avoid any doubt, this court here confirms that the May 2017 mandate does not alter how the district court should decide the preclusive effect of the *T-Mobile* ruling, which did not exist in May 2017. The district court must consider Sprint's preclusion motion—including any issues about what patent claims were actually the subject of this court's *T-Mobile* ruling—by applying the standards of *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994), its successors, and any other relevant law. When affirming the judgment against Sprint, this court did not address or adjudicate, explicitly or implicitly, the effect of a then-nonexistent invalidity ruling rendered in another case or the merits of a preclusion argument that could not then have been raised based on such a ruling. Accordingly, the May 2017 mandate should not be treated by the district court as altering whatever conclusion it would otherwise reach about Sprint's Rule 60(b) motion.

Accordingly,

IT IS ORDERED THAT:

The motion is denied.

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FOR THE COURT

July 25, 2017  
Date

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court

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**APPENDIX D**

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NOTE: This order is nonprecedential.

**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**2016-2031, 2016-2049**

**[Filed June 23, 2017]**

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PRISM TECHNOLOGIES LLC,	)
<i>Plaintiff-Appellant</i>	)
	)
v.	)
	)
T-MOBILE USA, INC.,	)
<i>Defendant-Cross-Appellant</i>	)

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Appeals from the United States District Court for the District of Nebraska in No. 8:12-cv-00124-LES-TDT, Senior Judge Lyle E. Strom.

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Decided: June 23, 2017

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PAUL J. ANDRE, Kramer Levin Naftalis & Frankel LLP, Menlo Park, CA, argued for plaintiff-appellant. Also represented by LISA KOBIALKA; MARK BAGHDASSARIAN, JONATHAN CAPLAN, AARON M. FRANKEL, CRISTINA MARTINEZ, New York, NY; ANDRE J. BAHOU, Prism Technologies, LLC, Brentwood, TN.

DANIEL J. THOMASCH, Gibson, Dunn & Crutcher LLP, New York, NY, argued for defendant-cross appellant. Also represented by KATHERINE QUINN DOMINGUEZ, JOSH KREVITT; JORDAN BEKIER, BLAINE H. EVANSON, Los Angeles, CA.

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Before PROST, *Chief Judge*, LOURIE and SCHALL,  
*Circuit Judges*.

PROST, *Chief Judge*.

Prism Technologies LLC appeals from a final decision of the United States District Court for the District of Nebraska denying its motions for new trial and judgment as a matter of law. T-Mobile USA, Inc. cross-appeals the district court's final decision denying its motions for judgment as a matter of law. We affirm-in-part and reverse-in-part the district court's order as it relates to T-mobile's issues on cross-appeal and dismiss Prism's appeal as moot.

I

These appeals involve U.S. Patent Nos. 8,127,345 and 8,387,155 (collectively, "patents-in-suit"). The '155 patent is a continuation of the '345 patent. Both patents relate generally to security systems for use with computer networks that provide a secure transaction system adapted for use with untrusted networks, such as the Internet. '345 patent col. 1 ll. 15–19. Claim 1 of the '345 patent is representative:<sup>1</sup>

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<sup>1</sup> Prism does not dispute that claim 1 of the '345 patent is representative, at least for the purposes of its appeal. Appellant's Br. 15.



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1. A method for controlling access, by at least one authentication server, to protected computer resources provided via an Internet Protocol network, the method comprising:

receiving, at the at least one authentication server from at least one access server, identity data associated with at least one client computer device, the identity data forwarded to the at least one access server from the at least one client computer device with a request from the at least one client computer device for the protected computer resources;

authenticating, by the at least one authentication server, the identity data received from the at least one access server, the identity data being stored in the at least one authentication server;

authorizing, by the at least one authentication server, the at least one client computer device to receive at least a portion of the protected computer resources requested by the at least one client computer device, based on data associated with the requested protected computer resources stored in at least one database associated with the at least one authentication server; and

permitting access, by the at least one authentication server, to the at least the portion of the protected computer resources upon successfully authenticating the identity

data and upon successfully authorizing the at least one client computer device.

*Id.* at col. 34 ll. 17–42. The invention thus relates to systems and methods that control access to protected computer resources by authenticating identity data, i.e., unique identifying information of computer components. *Id.* at col. 1 l. 60–col. 2 l. 24; *see also id.* at col. 34 ll. 49–51 (claim 5) (reciting identity data of “hardware components”). If the authentication server successfully authenticates the client computer and determines that it is authorized, the system provides protected computer resources to that device over an untrusted network, such as the Internet. *Id.* at col. 3 ll. 47–64.

Prism sued T-Mobile for infringement of the patents-in-suit in the district court. After filing its answer and counterclaims, T-Mobile moved for summary judgment of patent ineligibility under 35 U.S.C. § 101, and Prism cross-moved for summary judgment of patent eligibility. The court granted Prism’s motion, denied T-Mobile’s, and the case proceeded to trial. Finding in T-Mobile’s favor, the jury rendered a verdict of non-infringement of all asserted claims. J.A. 50–52. Prism moved for a new trial, citing what it perceived as T-Mobile’s attempts to “confuse[] and misle[a]d the jury” by rearguing the court’s claim construction. J.A. 38746. Additionally, it filed a motion for judgment as a matter of law (“JMOL”) of infringement. T-Mobile similarly moved for JMOL on two motions, one seeking an exceptional-case finding under 35 U.S.C. § 285 and the other for patent ineligibility under 35 U.S.C. § 101. The court denied all

post-verdict motions and these appeals followed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

## II

On appeal, Prism asks the court to vacate the verdict and remand for a new trial on the issue of infringement. On cross-appeal, T-Mobile seeks a reversal of the district court’s finding of subject-matter eligibility under § 101 and its denial of T-Mobile’s request for an exceptional-case finding under § 285. We turn first to T-Mobile’s cross-appeal.

### A

Patent eligibility under 35 U.S.C. § 101 is an issue of law reviewed de novo. *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1340–41 (Fed. Cir. 2013). To determine patent eligibility, we apply a two-step process under *Alice Corp. Party v. CLS Bank International*, 134 S. Ct. 2347, 2355 (2014). *See also Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (referring to step one as the “abstract idea” step and step two as the “inventive concept” step). We review denial of JMOL motions under regional circuit law—here, the Eighth Circuit. *See Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358, 1370 (Fed. Cir. 2009). The Eighth Circuit reviews a district court’s denial of a motion for JMOL de novo. *See Walsh v. Nat’l Comput. Sys., Inc.*, 332 F.3d 1150, 1158 (8th Cir. 2003).

On cross-appeal, T-Mobile argues that the asserted claims recite ineligible subject matter because they: (1) are directed to the abstract idea of controlling access to resources; and (2) are non-inventive because

they recite generic computer hardware running generic computer software that performs the abstract functions routine to the process of restricting access. We agree.

Under step one, the district court properly concluded that the asserted claims are directed to the abstract idea of “providing restricted access to resources.” J.A. 32. Although Prism contends that these claims cover a concrete, specific solution to a real-world problem, it does not proffer a persuasive argument in support of this conclusion. As T-Mobile correctly observes, the asserted claims are directed to an abstract process that includes: (1) receiving identity data from a device with a request for access to resources; (2) confirming the authenticity of the identity data associated with that device; (3) determining whether the device identified is authorized to access the resources requested; and (4) if authorized, permitting access to the requested resources. *See* Cross-Appellant’s Principal & Resp. Br. 57–59 (“T-Mobile Response”) (providing various pre-computer-age corollaries for which humans similarly restrict and provide access to resources). The patents-in-suit thus are directed to the abstract idea of “providing restricted access to resources.” *See In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 613 (Fed. Cir. 2016); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1367 (Fed. Cir. 2015).

Turning to step two, the district court concluded that the asserted claims “include inventive concepts to ensure that [the] patents in practice are more than just patents on restricting access to resources” because they “modify the way the Internet functions to provide

secure access over a protected computer resource.” J.A. 34. Here, the district court erred. The asserted claims merely recite a host of elements that are indisputably generic computer components. *See* ’345 patent col. 34 ll. 17–42 (claim 1) (requiring an “authentication server,” “access server,” “Internet Protocol network,” “client computer device,” and “database”). Shifting the focus away from these generic components, Prism points to the recited “identity data” (such as a hardware identifier), the inclusion of which, it contends, “represents a specific and novel solution to a real problem and provides real benefits.” Appellant’s Reply & Cross-Appeal Resp. Br. 24. According to Prism, by combining these components with hardware identity data, the asserted claims “yield[] a novel, effective solution to real-world problems, which industry came to adopt several years after Prism’s inventions.” *Id.* at 50. But this does not rise to the level of an inventive concept.

The patents-in-suit themselves demonstrate the conventional nature of these hardware identifiers. *See, e.g.,* ’345 patent col. 19 ll. 5–29 (citing third-party conventional identifiers). And there is no indication that their inclusion produces “a result that overrides the routine and conventional” use of this known feature. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258 (Fed. Cir. 2014). Viewed as an ordered combination, the asserted claims recite no more than the sort of “perfectly conventional” generic computer components employed in a customary manner that we have previously held insufficient to transform the abstract idea into a patent-eligible invention. *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d

1307, 1321 (Fed. Cir. 2016). Because these claims fail step two as well, we conclude that they recite patent-ineligible subject matter under § 101.<sup>2</sup> Accordingly, we reverse the district court’s § 101 ruling.

B

Next, we turn to T-Mobile’s challenge regarding the court’s denial of an exceptional-case finding under 35 U.S.C. § 285. An exceptional case is “simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). District courts determine whether a case is exceptional on a case-by-case basis, considering the totality of the circumstances. *Id.* On appeal, we review for an abuse of discretion. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1747 (2014).

T-Mobile advances three grounds to support its theory that the district court erred: First, it argues that Prism’s case “was exceptionally weak” based on its infringement theory and assertion of claims that cover patent-ineligible subject matter under § 101, T-Mobile Response 67–69; second, that Prism deliberately elicited testimony to obscure the facts that demonstrate non-infringement, *id.* at 70–73; and third, that Prism presented an entirely new and unsupported infringement theory during closing argument, *id.* at

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<sup>2</sup> Having concluded that the asserted claims are ineligible under § 101, we dismiss Prism’s appeal as moot.

74–75. For these reasons, T-Mobile contends that the district court abused its discretion by denying its motion. We disagree.

T-Mobile’s decision to forego summary judgment of non-infringement belies its arguments regarding the purported weakness of Prism’s infringement position. And its explanation that it elected “to build a trial record” instead does not provide a credible justification for this decision. Cross-Appellant’s Reply Br. 18 n.3; *see also* Oral Arg. 27:55–28:05, <http://oralarguments.cafc.uscourts.gov/mp3/2016-2031.mp3> (observing that the judge would have denied its motion by indicating that factual disputes remain). Further, when previously asserting these patents, Prism prevailed twice against T-Mobile’s competitors, withstanding non-infringement and validity defenses. This weighs in Prism’s favor as well. Finally, although we reverse the district court’s patent-eligibility determination here, that alone does not demonstrate that it abused its discretion when determining that T-Mobile was not entitled to a § 285 exceptional-case finding under these particular facts. We thus affirm the court’s § 285 ruling.

#### CONCLUSION

We reverse the district court on § 101 patent eligibility, affirm its denial of an exceptional-case determination under § 285, and dismiss Prism’s appeal as moot.

#### **AFFIRMED-IN PART, REVERSED-IN-PART, AND DISMISSED-IN-PART**

#### COSTS

Costs to T-Mobile.

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**APPENDIX E**

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**Unofficial Transcription of Relevant Portions  
of the Audio Recording of Oral Argument  
Before the Federal Circuit on  
June 7, 2017 in the Matter  
*Prism Techs., LLC v. T-Mobile USA, Inc.*, Nos.  
16-2031, 16-2049 (Fed. Cir.)<sup>1</sup>**

Minute 1 Second 22 through Minute 2 Second 22

Judge Prost: Can I just ask you a logistical question? Not going either way, which is—were the validity challenges, the 102 and the 103, were those just affirmative defenses as opposed to counterclaims, ‘cause in the jury verdict the jury was told if you find no infringement you don’t reach the validity contentions, right?

Mr. Andre (Prism): That’s correct.

Judge Prost: So, if you have a new trial or if they have absolutely found infringement then you would still been confronted with dealing with the validity issues?

Mr. Andre (Prism): That’s correct. A new trial in this case would put validity back on the table because, as

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<sup>1</sup>The full audio recording is available on the Federal Circuit’s web-page, and can be accessed at the following link:

[http://www.cafc.uscourts.gov/oral-argument-recordings/search/audio.html?title=&field\\_case\\_number\\_value=16-2031&field\\_date\\_value2%5Bvalue%5D%5Bdate%5D=&=&Search.](http://www.cafc.uscourts.gov/oral-argument-recordings/search/audio.html?title=&field_case_number_value=16-2031&field_date_value2%5Bvalue%5D%5Bdate%5D=&=&Search.)



you said, that the verdict form that was submitted by the parties . . . .

Judge Prost: And is that . . . were they just affirmative defenses in this case?

Mr. Andre (Prism): I believe they were. I can't recall very specifically, but . . . .

Judge Lourie: There's a big difference. Because if they were counterclaims we don't have jurisdiction, do we? Because there wasn't a final judgment.

Mr. Andre (Prism): I believe they were affirmative defenses. We'll check on that.

\*\*\*\*\*

Minute 25 Second 38 to Minute 26 Second 7

Judge Lourie: Mr. Thomasch, let's start to clarify the point, the question, raised earlier, was the invalidity issue raised as a defense or a counterclaim?

Mr. Thomasch (T-Mobile): 102 and 103 were raised as affirmative defenses. They're actually pleaded as a counterclaim in the answer but everything merges in at the time of the final pretrial conference and at that conference they were identified as affirmative defenses and so for that reason the court reached a ruling that they were not to go to the jury.

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**APPENDIX F**

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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEBRASKA**

**8:12CV123**

**[Filed June 2, 2017]**

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PRISM TECHNOLOGIES LLC,	)
	)
Plaintiff,	)
	)
v.	)
	)
SPRINT SPECTRUM L.P.	)
d/b/a SPRINT PCS,	)
	)
Defendant.	)

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**ORDER**

WHEREAS on June 23, 2015, at the conclusion of trial in this patent infringement action, the jury entered a verdict in favor of plaintiff Prism Technologies, LLC (“Prism”) and against defendant Sprint Spectrum L.P. d/b/a Sprint PCS (“Sprint”) (Filing No. 467) and awarded Prism \$30 million in damages;

WHEREAS on June 24, 2015, the Court entered judgment consistent with the jury’s verdict (Filing No. 470-1);

WHEREAS following post-trial motions, the Court entered final judgment confirming the jury award and awarding Prism costs in the amount of \$42,495.43, pre-judgment interest in the amount of \$2,001,923, and post-judgment interest “from the date of judgment, i.e., June 24, 2015, until satisfaction.” (Filing No. 589, Filing No. 591 and Filing No. 592);

WHEREAS on March 6, 2017, the United States Court of Appeals for the Federal Circuit affirmed this Court’s judgment (Filing No. 605);

WHEREAS on May 15, 2017, the United States Court of Appeals for the Federal Circuit issued its mandate, which this Court received on the same date (Filing No. 609) (the “Mandate”);

WHEREAS the amount of post-judgment interest due pursuant to this Court’s judgment (Filing No. 591) from the date of the entry of judgment (i.e., June 24, 2015) through the date the Mandate issued (i.e., May 15, 2017), calculated using the weekly average 1-year constant maturity Treasury yield compounded annually pursuant to 28 U.S.C. § 1961, is \$163,883.60.

IT IS HEREBY ORDERED that the total amount of the judgment (including the jury award, costs, prejudgment interest, and post-judgment interest calculated through the date of the Mandate) is \$32,208,302.03.

Prism does not waive any rights to collect additional post-judgment interest up to and including Sprint’s final satisfaction of the judgment consistent with the Court’s judgment (Filing No. 591).

App. 49

DATED this 2nd day of June, 2017.

BY THE COURT

/s/ Lyle E. Strom

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LYLE E. STROM, Senior Judge  
United States District Court

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**APPENDIX G**

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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**2016-1456, 2016-1457**

**[Filed March 6, 2017]**

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PRISM TECHNOLOGIES LLC,	)
<i>Plaintiff-Cross-Appellant</i>	)
	)
v.	)
	)
SPRINT SPECTRUM L.P.,	)
DBA SPRINT PCS,	)
<i>Defendant-Appellant</i>	)

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Appeals from the United States District Court for the District of Nebraska in No. 8:12-cv-00123-LES-TDT, Senior Judge Lyle E. Strom.

Decided: March 6, 2017

PAUL J. ANDRE, Kramer Levin Naftalis & Frankel LLP, Menlo Park, CA, argued for plaintiff-cross-appellant. Also represented by LISA KOBIALKA; MARK BAGHDASSARIAN, JONATHAN CAPLAN, AARON M. FRANKEL, CRISTINA MARTINEZ, New York, NY; ANDRE J. BAHOU, Secure Axxess, LLC, Plano, TX.

CARTER GLASGOW PHILLIPS, Sidley Austin LLP, Washington, DC, argued for defendant-appellant. Also

represented by JENNIFER J. CLARK, RYAN C. MORRIS;  
MICHAEL J. BETTINGER, IRENE YANG, San Francisco,  
CA.

Before TARANTO, LINN, and CHEN, *Circuit Judges*.

TARANTO, *Circuit Judge*.

The jury in this case found Sprint Spectrum L.P. liable to Prism Technologies LLC for infringement of U.S. Patent Nos. 8,127,345 and 8,387,155. The jury awarded Prism \$30 million in reasonable-royalty damages under 35 U.S.C. § 284. The district court denied Sprint's post-trial motions, and it also denied Prism's motion for additional monetary relief for times after the period Prism said was covered by the jury verdict. Sprint appeals, and Prism cross-appeals. We affirm.

## I

Prism owns the '345 and '155 patents, which claim and describe methods and systems for managing access to protected information provided over certain networks that, the parties agree, must be "untrusted" networks. The technology involves an access server, an authentication server, and a client. '345 patent, col. 1, line 60, through col. 2, line 21. The access server forwards client requests for protected information to the authentication server. *Id.* If the authentication server, using stored identity data, successfully authenticates the client, the client receives authorization to access the information. *Id.* The patents issued from continuations of U.S. Patent Application No. 08/872,710 and have similar specifications.

Claim 1 of the '345 patent is representative of the claims at issue in this appeal. That claim recites:

1. A method for controlling access, by at least one authentication server, to protected computer resources provided via an Internet Protocol network, the method comprising:

receiving, at the at least one authentication server from at least one access server, identity data associated with at least one client computer device, the identity data forwarded to the at least one access server from the at least one client computer device with a request from the at least one client computer device for the protected computer resources;

authenticating, by the at least one authentication server, the identity data received from the at least one access server, the identity data being stored in the at least one authentication server;

authorizing, by the at least one authentication server, the at least one client computer device to receive at least a portion of the protected computer resources requested by the at least one client computer device, based on data associated with the requested protected computer resources stored in at least one database associated with the at least one authentication server; and

permitting access, by the at least one authentication server, to the at least the

portion of the protected computer resources upon successfully authenticating the identity data and upon successfully authorizing the at least one client computer device.

'345 patent, col. 34, lines 17–42. The other asserted claims are similar. The parties do not identify any material differences between the claims.

Sprint offers wireless telecommunications services that employ technologies complying with 3G, 4G LTE, and 4G WiMAX standards. As part of its operations, Sprint transports data to and from its base stations, which communicate with customers' wireless devices, and its data centers, further in the core of the network. In doing so, Sprint often uses Ethernet backhaul network services purchased from third parties. Each third-party provider, or alternative access vendor (AAV), owns, operates, and controls the network leg on which it provides its backhaul transport service to Sprint. Sprint sometimes also uses other arrangements to move data, including femtocells and picocells, which, according to Sprint, do not rely on the third-party backhaul networks.<sup>1</sup>

In April 2012, Prism sued Sprint in the District of Nebraska for infringing the '345 patent and U.S. Patent No. 7,290,288. The same day, Prism sued AT&T Mobility LLC, for infringement of those patents. See *Prism Techs. LLC v. AT&T Mobility, Inc.*, No. 8:12-cv-122-LES-TDT (D. Neb. filed Apr. 4, 2012). Prism filed three other suits, against other companies, making

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<sup>1</sup> On appeal, the parties' arguments concern almost entirely Sprint's 3G, 4G LTE, and 4G WiMAX systems.



similar allegations. See *Prism Techs. LLC v. T-Mobile USA Inc.*, No. 8:12-cv-124-LES-TDT (D. Neb. filed Apr. 4, 2012); *Prism Techs. LLC v. U.S. Cellular Corp.*, No. 8:12-cv-125-LES-SMB (D. Neb. filed Apr. 4, 2012); *Prism Techs. LLC v. Cellco P'ship*, No. 8:12-cv-126-LES-SMB (D. Neb. filed Apr. 4, 2012). In March 2013, after the '155 patent issued, Prism amended its complaint against Sprint to allege infringement of that patent.

The district court consolidated some of the pre-trial proceedings in Prism's suits. In July 2013, the court issued its claim-construction order, in which it construed "Internet Protocol network" and similar limitations as "an untrusted network using any protocol of the Internet Protocol Suite including at least one of IP, TCP/IP, UDP/IP, HTTP, and HTTP/IP." J.A. 45. The court further defined an "untrusted" network as "a public network with no controlling organization, with the path to access the network being undefined and the user being anonymous." *Id.*

In March 2014, Prism notified Sprint and the other defendants that it was withdrawing its claims regarding the '288 patent "to further streamline the issues." See Index of Evid. Ex. 5, at 1, *Prism Techs.*, No. 8:12-cv-122-LES-TDT (D. Neb. June 27, 2014), ECF No. 243-5. The district court acknowledged that Prism had "dropped" its assertion of the '288 patent from the action, leaving only the '345 and '155 patents asserted in the case. J.A. 86.

In July 2014, Sprint moved to exclude the testimony of Prism's expert, John Minor. Sprint argued that Mr. Minor's proposed testimony—that Sprint's backhaul

networks constitute an “Internet Protocol network” because “no *single* organization” controls them in the aggregate—impermissibly modified the district court’s construction of that term. J.A. 91–92. The court denied Sprint’s motion. The court concluded that Mr. Minor’s proposed testimony was not contrary to the adopted claim construction because it was consistent with the ’345 and ’155 patents’ disclosure of the Internet itself as the preferred embodiment of an “Internet Protocol network.” J.A. 94. The court permitted the jury to decide whether the backhaul networks “constitute a public, uncontrolled, undefined pathway, anonymous-user internet like the aggregated internet.” *Id.*

The district court tried Prism’s cases separately. In October 2014, after two and a half years of litigation, the case against AT&T proceeded to trial. On the last day of that trial, just before closing arguments, Prism and AT&T settled, and the court dismissed the parties’ claims. *See Order, Prism Techs.*, 8:12-cv-122-LES-TDT (D. Neb. Dec. 29, 2014), ECF No. 498.

Sprint asked the district court in the present case to refuse to admit the AT&T Settlement Agreement into evidence, arguing that it was not comparable to the hypothetical license relevant here and that its admission would be unfairly prejudicial under Federal Rule of Evidence 403. The court denied the motion on June 8, 2015, and the Agreement was ultimately admitted. The court also denied Sprint’s motion to exclude the testimony of James Malackowski, Prism’s damages expert.

In June 2015, a jury found that Sprint infringed claims 1 and 33 of the ’345 patent and claims 7 and 37

of the '155 patent. The jury also awarded Prism reasonable-royalty damages of \$30 million. In July 2015, Sprint moved for judgment as a matter of law (JMOL) and a new trial, and Prism moved for (as relevant here) additional damages and an ongoing royalty for infringement post-dating the period (ending in 2014) that Prism said was covered by the jury award. The district court denied those motions. Sprint and Prism each appeal. We have jurisdiction under 28 U.S.C. § 1295(a)(1).<sup>2</sup>

## II

Sprint argues that the district court erred in denying its motion for a new trial. Specifically, Sprint contends, the court erred by (1) allowing Prism to modify its claim construction, (2) admitting the AT&T Settlement Agreement, (3) applying the wrong legal standard in deciding its motion for a new trial, and (4) admitting Prism's cost-savings damages evidence. We reject Sprint's challenges.

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<sup>2</sup> Section 1295(a)(1) authorizes us to hear "an appeal from a final decision of a district court." Although the parties have not identified any order dismissing Prism's claims regarding the '288 patent, the district court and the parties agree that Prism abandoned those claims and that the court's judgment decided all claims remaining in the case. See J.A. 86. That suffices for finality. See *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1363 (Fed. Cir. 2003); *Chiari v. City of League City*, 920 F.2d 311, 314 (5th Cir. 1991); *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 666–67 (7th Cir. 1986); *Perkin-Elmer Corp. v. Computervision Corp.*, 680 F.2d 669, 670–671 (9th Cir. 1982); 15A Charles Alan Wright et al., *Federal Practice & Procedure* § 3914.7 (2d ed. 2016).

## A

Sprint argues that the district court erred by allowing Prism’s expert, Mr. Minor, to modify the court’s construction of “Internet Protocol network.” In particular, Sprint criticizes Mr. Minor’s testimony that Sprint’s backhaul networks constitute an “untrusted” network (as required by the claim construction) because (1) the networks have no *single* controlling organization (as opposed to no controlling organization) and (2) the path *through* the networks (as opposed to the path *to access* the networks) is undefined. We see no legal error or other abuse of discretion in the district court’s allowing of Mr. Minor’s testimony. *See Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 141–43 (1997) (evidentiary rulings reviewed for abuse of discretion); *Highmark Inc. v. Allcare Health Mgt. Sys., Inc.*, 134 S. Ct. 1744, 1748 n.2 (2014) (decision based on legal error is abuse of discretion); *Harris v. Chand*, 506 F.3d 1135, 1139 (8th Cir. 2007) (evidentiary rulings reviewed for abuse of discretion).

## 1

The district court correctly concluded that Mr. Minor’s testimony was consistent with the ’345 and ’155 patents’ requirement of an “Internet Protocol network,” as already construed to refer to certain “untrusted” networks with “no controlling organization.” As the court recognized, the proper understanding of the claim term, and the court’s articulated construction, should include the Internet itself, which the patents describe as a preferred embodiment of an “untrusted network.” *See, e.g.*, ’345 patent, col. 3, lines 47–52 (“[T]he present invention is

directed to a secure transaction system that is particularly adapted for use with an untrusted network, such as the Internet worldwide web.”).<sup>3</sup> In accordance with that disclosure, Mr. Minor proposed to testify that the backhaul networks, in common with the Internet, constitute a “network-of-networks with many of the individual constituent components privately owned and controlled, but [for which] in the aggregate there is no controlling organization.” J.A. 93. Sprint has not shown an abuse of discretion in allowing that testimony as consistent with a proper understanding of the claims.

Sprint argues that the district court neglected its duty to resolve the parties’ dispute over the scope of “Internet Protocol network” by allowing the jury to decide whether Sprint’s backhaul networks are sufficiently controlled to constitute an “Internet Protocol network.” *See O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008). We disagree. The court’s order denying Sprint’s exclusion request did not fail to resolve the claim-construction issue; it resolved the issue. The order makes clear the court’s determination that Mr. Minor correctly interpreted the scope of the claims, *i.e.*, that “Internet Protocol network” could indeed encompass networks that “in the aggregate” have “no controlling organization.” J.A. 93.

Whether Sprint’s backhaul networks actually constitute such an aggregate network, as Mr. Minor

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<sup>3</sup>The district court’s claim-construction order analyzes an identical passage in the ’288 patent.

argued, was a question of fact, which the court properly reserved for the jury. Sprint does not appear to dispute that there is sufficient evidence to support an affirmative answer to that question. Indeed, there was evidence, including from Sprint’s witnesses, that each of the AAVs used by Sprint (substantial in number) controls its own facilities and may contract with other AAVs to complete backhaul transmission paths to reach places in which it lacks its own facilities. *See* J.A. 26925–27, 26943–49, 27478–79, 27744, 29373–74.<sup>4</sup>

2

Sprint’s alternative argument for a new trial, based on allegedly improper testimony by Mr. Minor, is likewise meritless. Sprint argues that Mr. Minor testified that the “path *through* the [accused] network,” not the “path *to access* the [accused] network,” is “undefined,” as the district court’s construction required. Sprint’s Opening Br. 45–47 (emphases added). What Mr. Minor actually testified was that the

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<sup>4</sup> Sprint argues that we may order judgment in its favor, for lack of sufficient evidence of infringement, if we reverse the admission of Mr. Minor’s testimony—even though it says that it is not “raising a sufficiency of the evidence challenge,” Sprint’s Reply & Resp. Br. 7 n.1, and does not dispute Prism’s observation that its JMOL motion raised only a “divided infringement” argument, outside the scope of its appeal. Although Sprint relies for its remedy contention on *Eon Corp. IP Holdings LLC v. Silver Spring Networks, Inc.*, 815 F.3d 1314, 1320 & n.3 (Fed. Cir. 2016), the appellant in that case properly preserved a sufficiency-of-the-evidence argument in the district court, *id.* at 1318. In any event, we need not rule on Sprint’s remedy contention because we reject its premise, holding that the admission of Mr. Minor’s testimony was proper.

path by which data accesses the backhaul networks is undefined because it varies as a user travels from place to place. Although Mr. Minor used the phrase “path through the network” in one passage, the context makes clear that he was referring to the path to access the network. J.A. 26951 (“You’ll change cell sites and the path through the network to access the core changes as you travel on down to Phoenix.”). The district court was not required to grant a new trial based on Mr. Minor’s wording.

B

Sprint challenges the district court’s denial of its motion to exclude the AT&T Settlement Agreement, which Prism argued should be admitted for its probative value—in a supporting rather than principal role—on the proper amount of “reasonable royalty” damages under 35 U.S.C. § 284. *See* J.A. 105; J.A. 20252–70. Such royalty damages seek to identify “the value of what was taken”—here, by Sprint’s unauthorized use of Prism’s patented technology. *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 648–50 (1915); *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1334, 1336–37 (Fed. Cir. 2015); *Aqua Shield v. Inter Pool Cover Team*, 774 F.3d 766, 770 (Fed. Cir. 2014); *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014). Sprint challenges only the admission of the evidence on appeal. It does not separately appeal any district court ruling on any objection Sprint may have made to any particular statement about the Agreement by a witness or attorney. As we have noted, we review the court’s

admission of this evidence for legal error or other abuse of discretion. We conclude that no such abuse occurred.

1

Sprint’s main argument on appeal is the one it timely presented to the district court. Sprint contends that the district court abused its discretion in declining to exclude the AT&T Settlement Agreement under Rule 403. We disagree.

Under Rule 403, a district court “may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence.” The language is explicit in calling for a weighing of probative value against what in this case we summarize, following Sprint, as “undue prejudice.” Sprint’s Opening Br. 53. By declaring that the district court “may” exclude what is by assumption relevant evidence, the Rule commits the weighing to the district court’s “broad discretion,” which the Supreme Court has said is “generally not amenable to broad *per se* rules.” *Sprint/United Mgmt. Co. v. Mendelsohn*, 552 U.S. 379, 384, 387 (2008); *see also Old Chief v. United States*, 519 U.S. 172, 183 n.7 (1997); *United States v. Abel*, 469 U.S. 45, 54 (1984); *United States v. Wardlow*, 830 F.3d 817, 822 (8th Cir. 2016); *Young Dental Mfg. Co. v. Q3 Special Prods., Inc.*, 112 F.3d 1137, 1145–46 (Fed. Cir. 1997).

This court has recognized that, depending on the circumstances, a license agreement entered into in settling an earlier patent suit sometimes is admissible



in a later patent suit involving the value of the patented technology, and sometimes is not. *See, e.g., AstraZeneca*, 782 F.3d at 1336–37; *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 77–78 (Fed. Cir. 2012); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 872–73 (Fed. Cir. 2010); *Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.*, 862 F.2d 1564, 1572 (Fed. Cir. 1988); *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1079 (Fed. Cir. 1983). As to settlements generally, the Supreme Court has explained the normal settlement calculus for litigants: “Most defendants are unlikely to settle unless the cost of the predicted judgment, discounted by its probability, plus the transaction costs of further litigation, are greater than the cost of the settlement package.” *Evans v. Jeff D.*, 475 U.S. 717, 734 (1986); *Staton v. Boeing Co.*, 327 F.3d 938, 964 (9th Cir. 2003) (quoting *Evans*, 475 U.S. at 734). That formulation—enumerating “the cost of the predicted judgment,” “its probability,” and “costs of further litigation”—helps identify why and when a district court, conducting the inquiry required by Rule 403, can find earlier patent-suit settlements admissible in valuing a patented technology.

On one side of the Rule 403 balance is the strong connection a settlement can have to the merits of an issue common to the earlier and later suits. Specifically, a settlement involving the patented technology can be probative of the technology’s value if that value was at issue in the earlier case. The reason is simple: such a settlement can reflect the assessment by interested and adversarial parties of the range of plausible litigation outcomes on that very issue of valuation. And given the necessary premise that

discovery and adversarial processes tend to move a legal inquiry toward improved answers, the parties' agreement seems especially probative if reached after the litigation was far enough along that the issue was already well explored and well tested. *See AstraZeneca*, 782 F.3d at 1336–37.

On the other side of the balance, for various reasons a settlement may be pushed toward being either too low, as in *Hanson*, or too high, as in *LaserDynamics*, relative to the value of the patented technology at issue in a later suit. As to the former, for example, even if the technology is identical in the earlier and later suits, the earlier suit's settlement figure may be too low to the extent that it was lowered by the patent owner's discounting of value by a probability of losing on validity or infringement. As the unchallenged jury instructions in this case indicate, the hypothetical-negotiation rubric for the assessment of royalty damages assumes that the asserted patents are valid and infringed. *See* J.A. 23473–75; *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (Fed. Cir. 2009). Accordingly, whereas a settlement reached after a determination of liability (though subject to appeal) is particularly reliable as evidence of value, *AstraZeneca*, 782 F.3d at 1337, a settlement tends to undervalue the technology where it reflects a discount for the probability of losing. A patent owner may also accept too little, relative to the patent's value, when it accepts an amount out of a desire to avoid further expenditure of (presumptively unrecoverable) litigation costs.

At the same time, various factors may work in the opposite direction, tending to make a settlement of an

earlier suit too high as evidence on the valuation question presented in a later suit. An earlier settlement may cover technology either not the same as or comparable to the patented technology at issue in the later suit, or may cover the patented technology plus other technologies. The earlier suit may have included a risk of enhanced damages, a factor in the settling parties' assessment of risk that would push settlement value above the value of the technology. And, of course, the litigation costs still to come at the time of settlement may loom large in parties' decisions to settle. *See Rude v. Westcott*, 130 U.S. 152, 164 (1889) ("Many considerations other than the value of the improvements patented may induce the payment in such cases. The avoidance of the risk and expense of litigation will always be a potential motive for a settlement."); *LaserDynamics*, 694 F.3d at 78 (discussing "desire to avoid further litigation under the circumstances," including "the numerous harsh sanctions imposed" on the settling defendant in the earlier suit).

What is needed for assessing the probativeness and prejudice components of the Rule 403 balance, then, is consideration of various aspects (of which we have mentioned some) of the particular litigation settlements offered for admission into evidence. That approach, reflected in our decisions, is also supported by the inherent connection between patent licenses and at least the potential for litigation. A patent gives nothing but the right to exclude, which in our system generally means a right to call on the courts. *See, e.g., Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 35 (1923); *Bloomer v. McQuewan*, 55 U.S. (14

How.) 539, 549 (1852). We have frequently recognized that a (non-exclusive) license to practice a patent is in substance nothing but a covenant not to sue: what such a license is, at its core, is an elimination of the potential for litigation. See *TransCore, LP v. Elec. Transactions Consultants Corp.*, 563 F.3d 1271, 1275–76 (Fed. Cir. 2009). Although the potential for litigation therefore must loom over patent licenses generally, including those signed without any suit ever being filed, Sprint has not contested the long-accepted proposition that a “party may use the royalty rate from sufficiently comparable licenses.” *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015); see also *Ericsson*, 773 F.3d at 1227; *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1316–18 (Fed. Cir. 2011); *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197, 1211–12 (Fed. Cir. 2010); *Wordtech Sys., Inc. v. Integrated Network Solutions, Inc.*, 609 F.3d 1308, 1318–22 (Fed. Cir. 2010). But, as a logical matter, the mere filing of a complaint—shifting from potential to actual litigation—does not automatically turn the prejudice side of the Rule 403 balance into one that substantially outweighs the probativeness side. The particulars of the case that was settled and the settlement, as well as of the case in which the settlement is offered as evidence, matter to the Rule 403 balance.

Sprint necessarily acknowledged as much by its conduct in this case. As detailed *infra*, Sprint itself successfully sought the admission of a number of Prism licenses of the patents at issue that resulted from litigation settlements. If those settlements called for particularized evaluation of probativeness and

prejudice, as Sprint urged, so did the AT&T Settlement Agreement.

The district court had an adequate basis for admitting the AT&T Settlement Agreement. That Agreement covered the patents at issue here, though not only the patents at issue here. In that common situation, evidence was needed that reasonably addressed what bearing the amounts in that Agreement had on the value of the particular patents at issue here. *See, e.g., Wordtech Sys.*, 609 F.3d at 1320–21. Prism supplied such evidence, including what the AT&T Settlement Agreement itself says about attributing amounts to particular patents and, more reliably, creditable expert evidence about how the other Agreement-covered patents relate to AT&T’s business operations. Prism also supplied evidence about the comparability of AT&T’s and Sprint’s uses of the ’345 and ’155 patents’ technology, and the lesser uses made by licensees in the lower-amount Prism settlements that Sprint emphasized. The jury was able to evaluate Prism’s evidence, and Sprint’s evidence on the subject, at trial. Sprint has not shown any reason—for example, material technological or market changes between the agreed-on date for the hypothetical negotiation, in early 2012, and the signing of the AT&T Settlement Agreement, in late 2014—that required the district court to find non-comparability and thus decisively undermined the Agreement’s probative value.

The circumstances of the AT&T Settlement Agreement affect the Rule 403 assessment in ways that support the district court’s admission of the Agreement. The Agreement was entered into, not just

after all discovery was complete, but after the entire trial was finished, except for closing arguments and jury deliberations. Thus, the record was fully developed and thoroughly tested in the adversarial process, enhancing the reliability of the basis on which Prism and AT&T were assessing the likely outcome. The timing of the settlement also means that a very large share of litigation costs had already been sunk, reducing (though of course not eliminating) the role of litigation-cost avoidance in the settlement decision. Moreover, Sprint has not suggested that enhanced damages were at issue by the time of the settlement; and the proposed jury instructions and verdict forms suggest that they were not. On the other hand, validity and infringement were still open issues at the time of the settlement. But Sprint cannot rely on that fact: possible non-liability is a factor that tends to make settlements too low, not too high.

For those reasons, we see no abuse of discretion by the district court in this case in rejecting Sprint's Rule 403 argument that, while the many lower-amount Prism settlements should be admitted into evidence, the AT&T Settlement Agreement must be excluded.

Sprint makes two additional arguments to us in support of excluding the AT&T Settlement Agreement. Both arguments urge a categorical legal rule barring admission of a patentee's licenses entered into in a settlement of infringement litigation, even when the patentee's litigation was against a different alleged infringer for its own separate conduct. We conclude that Sprint has failed to preserve these arguments,

which, given Sprint's offering of the other Prism settlement agreements into evidence, are inconsistent with Sprint's position before and during trial in this case.

a

Sprint's first argument invokes the Supreme Court's 1889 decision in *Rude v. Wescott*. The Court held in *Rude* that there was insufficient evidence to prove what has been called an "established royalty" as a measure of damages at law for patent infringement—*i.e.*, "such a number of sales by a patentee of licenses to make, use and sell his patents, as to establish a regular price for a license." 130 U.S. at 165 (requiring "common," "frequent occurrence," at "uniform" rate, to establish "such a market price for the article that it may be assumed to express, with reference to all similar articles, their salable value"). The three agreements to which the patentee pointed, one of them the result of the threat or actuality of suit, were insufficient to "establish[] such a fixed royalty or license fee as would furnish a criterion by which to estimate complainants' damages." *Id.* at 163. In that context, the Court explained that, because a litigation-induced license may be motivated by "[t]he avoidance of the risk and expense of litigation," such a license "cannot be *taken as a standard* to measure the value of the improvements patented." *Id.* at 164 (emphasis added). And, once the asserted established-royalty basis for damages was set aside, the Court held, the patentee had nothing but "conjectural" evidence of value, so only nominal damages were proved. *Id.* at 166–67. Later the same Term, the Supreme Court

followed *Rude* and described its holding, as to litigation settlements, as addressing “the question of an established license fee.” *Cornely v. Marckwald*, 131 U.S. 159, 161 (1889).

The Court in *Rude* used both the language of patent-damages law and the language of evidence law, and both have changed significantly since *Rude*. As to patent-damages law: this court has long noted that *Rude*, in focusing on an “established royalty” as a reliable measure of a patent technology’s value, reflected the then-unsettled character of, and skepticism about, a “reasonable royalty” as a measure of relevant value in the absence of an established royalty. See, e.g., *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1311 (Fed. Cir. 2013) (en banc); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc); 7 Donald S. Chisum, *Chisum on Patents* § 20.02[2] (2017). In the years after *Rude*, reasonable-royalty damages came to be approved judicially, *Dowagiac Mfg.*, 235 U.S. at 648–50 (approving royalty using other evidence to prove “the value of what was taken,” *i.e.*, the value of use of the patented technology), and then legislatively, Act of Feb. 18, 1922, ch. 58, § 8, 42 Stat. 389, 392 (permitting a court to “adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement”), leading to the current prevalence of that damages measure under 35 U.S.C. § 284. See *Robert Bosch*, 719 F.3d at 1311; *Uniloc*, 632 F.3d at 1312; Chisum, *supra*, §§ 20.03[3], 20.07. As to evidence law: the Supreme Court has recognized that the federal law of evidence is now embodied in the Federal Rules of Evidence, not



in earlier Supreme Court decisions except to the extent they are actually reflected in the Rules. *See Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 587–89 (1993); *Bourjaily v. United States*, 483 U.S. 171, 177 (1987).

For at least those reasons, and given our precedents, Sprint faces challenges in suggesting, as it has now done, that *Rude* categorically bars admission of litigation settlements on the issue of a reasonable (but not “established”) royalty. But we do not further pursue that argument on its merits. Not only did Sprint fail to present its *Rude*-based, categorical-bar contention to the district court in a timely fashion; the contention is positively inconsistent with Sprint’s position before and during trial.<sup>5</sup>

In July 2014, before Prism and AT&T settled, Sprint affirmatively urged the admission of various Prism licenses resulting from patent-litigation settlements. It moved to exclude the damages testimony of Prism’s expert on the ground that he *failed* to rely on such settlement agreements. Sprint contended that those agreements were “reliable marketplace evidence of the value of the patents-in-suit” and therefore “highly probative as to what constitutes a reasonable royalty for those patent rights because such actual licenses most clearly reflect the economic value of the patented technology in the marketplace.” J.A. 11173 (quoting *LaserDynamics*, 694

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<sup>5</sup> Sprint made its categorical-bar argument based on *Rude* in this court for the first time at oral argument. Oral Arg. at 2:01–11:13. We need not consider whether that timing is itself problematic, because we find a failure to preserve the *Rude* point in the district court.

F.3d at 79). And on May 15, 2015, two weeks after moving to exclude the AT&T Settlement Agreement, Sprint submitted its pretrial exhibit list, which included a number of such settlement agreements. Draft Order on Final Pretrial Conference Ex. B, at 16–17, *Prism Techs.*, No. 8:12-cv-123-LES-TDT (May 15, 2015), ECF No. 390.

When Sprint opposed admission of the AT&T Settlement Agreement, it did not invoke any categorical rule, let alone one based on *Rude*, which it did not cite. J.A. 19351–61. Rather, it argued that the AT&T Settlement Agreement was, for various reasons, irrelevant or simply less reliable and more prejudicial than the other licenses. Sprint has pointed us to no place in the record showing that it argued, before or during trial, for the categorical rule it now urges, whose logical consequence would be exclusion of all the settlement licenses, not just the AT&T Settlement Agreement.

The absence of such an argument is hardly surprising. Such an argument would have been inconsistent with Sprint's efforts to benefit from the introduction of other litigation-induced settlement agreements. Sprint apparently made a strategic choice not to argue that litigation-induced settlement agreements were categorically barred. And that strategic choice deprived Prism of the chance to consider the option of simply not opposing a categorical-bar-based exclusion motion that would prevent admission of all of the settlement agreements, the Sprint-favored ones (with smaller amounts) along

with the Prism-favored one (the AT&T Settlement Agreement).

In these circumstances, Sprint cannot now fairly complain that the district court failed to adopt and follow a rule that categorically excludes litigation settlements from the proceeding. *See United States v. Wells*, 519 U.S. 482, 488 (1997) (“[A] party may not complain on appeal of errors that he himself invited or provoked the . . . court . . . to commit.”); 9C Arthur R. Miller, *Federal Practice & Procedure* § 2558 (3d ed. 2016). This is a matter not just of fairness but of efficiency. The effect of relieving Sprint of its choice would be, according to Sprint, the need for a new trial, when, had the argument been made in a timely way and accepted, the original trial might have proceeded free of the defect Sprint now alleges.

b

Sprint is in essentially the same position with respect to the second source it cites for its categorical-bar contention: Federal Rule of Evidence 408. As relevant to Sprint’s contention, Rule 408 bars admission, “to prove or disprove the validity or amount of *a disputed claim*,” of evidence of “furnishing” or “accepting” of “a valuable consideration in compromising or attempting to compromise *the claim*.” Fed. R. Evid. 408 (emphases added). Sprint’s contention would require decision of an issue raised by the linked “claim” words, an issue hardly settled in Sprint’s favor in the case law: whether Prism’s settlement of its claim against *AT&T* would be admissible to prove the validity or amount of Prism’s claim against *Sprint*—where those claims would be

different “claims” under preclusion law because they did not arise from the same transaction. *See Dahlgren v. First Nat’l Bank of Holdrege*, 533 F.3d 681, 699 (8th Cir. 2008); 2 Jack B. Weinstein & Margaret A. Berger, *Weinstein’s Federal Evidence* § 408.04 (Mark S. Brodin ed. 2016). But we do not decide that question. Sprint, presumably unwilling to sacrifice the hoped-for benefit of the smaller-amount settlement agreements, did not timely present its present Rule 408 contention to the district court.

Thus, in moving to exclude the AT&T Settlement Agreement, Sprint did not argue that Rule 408 barred its admission. Rather, Sprint argued only that the Agreement should be excluded under Rule 403’s balancing standard. Only once did Sprint refer to Rule 408—in a footnote observing that Rule 408 would exclude evidence of settlement *negotiations* between Prism and *Sprint*. That is twice-removed from any argument for excluding the AT&T Settlement Agreement under Rule 408.

Thus, the district court had no occasion to consider a Rule 408 objection to the Agreement’s admission into evidence at a time when it might have simply excluded the evidence—along with other evidence subject to the same Rule 408 interpretation—and continued with the trial if persuaded that Rule 408 was a bar. And Prism had no opportunity to make a choice about whether to simply acquiesce in a Rule 408 motion and thereby exclude all of the settlement agreements.

Sprint invoked Rule 408 only *after* trial, in its motion for a new trial, J.A. 23897, but that was after it received, and evidently was unhappy with, the result of

its strategic choice to limit its evidentiary objection so as to preserve admission of the many smaller-amount settlement agreements. At that point, accepting the argument, if the admission were found harmful, would require redoing the trial in whole or in part, and unfairly relieving Sprint of its strategic choice at trial to maintain a benefit that it would lose by making the Rule 408 argument it now makes.

Sprint argues that Prism waived forfeiture by not invoking it in responding to Sprint's motion for a new trial. But the interests in a strong forfeiture rule are not only Prism's; others, such as the judiciary and jurors and other litigants, also have an interest in rules that prevent waste and duplication of the sort at issue here. Sprint cites no precedent requiring us to overlook its forfeiture just because Prism did not invoke it when Sprint raised the argument too late, in seeking a new trial.

Sprint cites only *Ringuette v. City of Fall River*, 146 F.3d 1 (1st Cir. 1998), but that case does not help Sprint. There, at the close of evidence, the district court granted JMOL to two defendants on qualified-immunity grounds. Both defendants had presented the qualified-immunity argument in the JMOL motion, but on appeal, the plaintiff faulted one of the defendants for not having included the defense in his answer. The First Circuit, noting that the plaintiff had not raised that pleading deficiency in the district court, explained that the deficiency did not prejudice the plaintiff because the answer could easily have been amended, and the qualified-immunity "issue, in short, was presented to the court without objection and decided on

the merits.” *Id.* at 4. For that reason, the First Circuit refused to allow the plaintiff’s untimely-raised argument to disturb the district court’s judgment on the properly adjudicated issue of qualified immunity, a judgment that the First Circuit then affirmed.

That is not precedent for compelling us to overlook Sprint’s forfeiture. Here, Sprint seeks to upset, not preserve, the district court’s judgment, and to require a new trial, based on an issue not timely raised in the district court. *Ringuette* does not support disregard of Sprint’s forfeiture in these circumstances.

C

Sprint argues that, in denying Sprint’s motion for a new trial, the district court considered only whether the weight of the evidence supported the jury’s verdict and ignored Sprint’s allegations of legal error. We do not infer failure to consider Sprint’s legal-error arguments from the district court’s opinion, which we read as reflecting only a choice about what to discuss, not a choice about what to consider. *See Hartman v. Nicholson*, 483 F.3d 1311, 1315 (Fed. Cir. 2007) (“That the court did not specifically mention the [argument] in its opinion forms no basis for an assumption that it did not consider [it] . . . .’ The court may have merely concluded, for various reasons, that discussion of the issue was neither necessary nor appropriate.” (alterations in original) (citations omitted)). In any event, Sprint has not shown harmful error. *See* 28 U.S.C. § 2111. We have reviewed all the alleged errors Sprint has presented on appeal, and we have been given insufficient details about other allegations of error to suggest harmfulness.

D

Finally, Sprint argues that the district court erred in admitting Prism's principal damages evidence, which was based on estimating costs that Sprint avoided by infringing. At trial, Prism presented evidence that a reasonable royalty would reflect Sprint's willingness, in a hypothetical negotiation, to pay an amount calculated by reference to the costs that Sprint, in order to provide its customers the kind of service it wanted to offer them, would have incurred if it had chosen not to infringe—in this case, the costs of building a private backhaul network instead of leasing backhaul services from third-party providers. Prism's expert Mr. Malackowski estimated that Sprint's cost savings, *i.e.*, the difference between Sprint's building costs and leasing costs, would be at least equal to Sprint's leasing costs. Sprint argues that Prism's approach was insufficiently tied to the "footprint" of the invention because Prism did not "invent" backhaul networks. Sprint also argues that Prism did not prove that Sprint's leasing costs were an appropriate basis for estimating cost savings. We reject these challenges.

1

Sprint's argument that Prism's damages model was not sufficiently tied to the "footprint" of the invention misapprehends the relevant legal principles. The hypothetical-negotiation approach to calculating reasonable-royalty damages "attempts to ascertain the royalty upon which the parties would have agreed had they successfully negotiated an agreement just before infringement began." *Lucent Techs.*, 580 F.3d at 1324. Although a patentee "must carefully tie proof of

damages to the claimed invention's footprint in the market place," *Uniloc*, 632 F.3d at 1317 (quoting *ResQNet.com*, 594 F.3d at 869), that requirement for valuing the patented technology can be met if the patentee adequately shows that the defendant's infringement allowed it to avoid taking a different, more costly course of action. A price for a hypothetical license may appropriately be based on consideration of the "costs and availability of non-infringing alternatives" and the potential infringer's "cost savings." *Aqua Shield*, 774 F.3d at 771–72; *see also Hanson*, 718 F.2d at 1080–81 ("Reliance upon estimated cost savings from use of the infringing product is a well-settled method of determining a reasonable royalty."); *Powell v. Home Depot, U.S.A., Inc.*, 663 F.3d 1221, 1240–41 (Fed. Cir. 2011); *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1458–59 (Fed. Cir. 1991).

Here, Prism's damages evidence complied with those principles. Prism's experts Mr. Minor and Mr. Malackowski testified that, in the absence of a license, Sprint would have attempted to design around the patented invention by building its own private backhaul network. As discussed in greater detail below, that testimony was reasonably based on Mr. Minor's considerable experience and on relevant industry publications. *See infra* pp. 25–26. Given that Sprint stipulated not to introduce argument or evidence of a different non-infringing alternative, Sprint cannot complain that the jury credited the only theory presented to it. *See* J.A. A20965 ("Sprint will not present testimony, argument, evidence or expert opinion regarding a non-infringing alternative.").



*Riles v. Shell Exploration & Production Co.*, 298 F.3d 1302 (Fed. Cir. 2002), does not show Prism’s evidence to be legally deficient. In *Riles*, the patentee of a method of installing drilling platforms that used temporary pilings rather than mud mats argued that a reasonable royalty would include the entire cost of the defendant’s drilling platform. We rejected that argument, explaining that “the market would pay [the patentee] only for his product.” *Id.* at 1312. Here, in contrast, the uncontroverted evidence showed that Sprint would have chosen to build its own backhaul network in the absence of a license.

2

Sprint’s argument that leasing costs are an unreliable basis for estimating cost savings is also unavailing. Prism’s expert Mr. Malackowski testified that Sprint’s leasing costs were an appropriate basis for estimating cost savings because Sprint’s building costs, like its leasing costs, would be based on its particular technical requirements (as opposed to those of a generic wireless communications provider). For example, if Sprint required a premium “Cadillac” backhaul, rather than a less-expensive “Chevy” backhaul, in order to guarantee higher quality service to its customers, its leasing costs would incorporate the extra expense. J.A. 27286–87. Sprint argues that leasing costs are unreliable because they also include technological and business-related factors, *e.g.*, repair costs, which have nothing to do with Sprint’s technical requirements. But that observation means only that the ultimate evidentiary use of leasing costs to estimate cost savings should account for such factors.

Sprint has not shown why the jury could not reasonably find that Prism's evidence did so. See *Finjan*, 626 F.3d at 1212.

To the contrary, sufficient evidence supports Mr. Malackowski's testimony that Sprint's cost savings would be at least equal to its leasing costs. In particular, Mr. Malackowski reasonably relied on Mr. Minor's estimate that Sprint's cost savings would actually be "no less than two to three times" its leasing costs and "would potentially be more than five times" those costs. J.A. 27231. To develop that estimate, Mr. Minor relied on his decades of experience building and leasing backhaul infrastructure. That experience adequately qualified him to opine on the relationship between Sprint's building and leasing costs. See *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 148–49, 156 (1999) (recognizing that expert testimony may be based on "specialized experience" (quoting Learned Hand, *Historical and Practical Considerations Regarding Expert Testimony*, 15 Harv. L. Rev. 40, 54 (1901))).

Mr. Malackowski also found support for the conclusion that Sprint's cost savings would be at least equal to its leasing costs in industry studies and Sprint testimony. In particular, the Senza Fili Report concludes that, for a wireless-communications provider to switch from a legacy backhaul system, the cost of building a fiber network would be approximately \$140 million, compared with a cost of \$60 million for leasing an equivalent network, after adjusting for net present value. Sprint's own witnesses also testified to the high costs that Sprint would incur in building a backhaul network. We conclude that the jury could reasonably

rest its reasonable-royalty determination on the evidence presented.

IV

In its cross-appeal, Prism argues that the district court erred in denying its motion for an accounting and ongoing royalties to award additional monetary relief covering infringement by Sprint past the period (ending in 2014) to which Prism says the jury verdict was limited. The district court concluded that such an award would be inappropriate because, it found, the jury's damages award included royalties for Sprint's "past, present, and ongoing infringement." J.A. 12. We affirm, finding an inadequate basis to disturb the district court's characterization of the jury verdict. *See Telcordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365, 1378 (Fed. Cir. 2010) (relying on a district court's "broad discretion to interpret an ambiguous verdict form").

35 U.S.C. § 283 provides that a court may grant an injunction "to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." We have interpreted that provision to permit a court to award "an ongoing royalty for patent infringement in lieu of an injunction" barring the infringing conduct. *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007). If the court determines that a conduct-barring injunction is not warranted, it may instruct the parties to try to negotiate an ongoing royalty and, if the parties cannot agree, award a royalty. *Id.*

Here, the evidence presented by the parties is consistent with the district court's finding that the jury awarded damages for past, present, and future infringement. In particular, the evidence can be understood as suggesting that a hypothetical negotiation would likely have resulted in a one-time payment for a life-of-patent license. As discussed above, Mr. Malackowski testified that the parties would have valued the '345 and '155 patents based on Sprint's expected cost savings from avoiding the need to build its own backhaul network. Because those cost savings consisted, in large part, of Sprint's initial capital costs, the jury could have reasonably found that the parties would have structured the agreement as a fully paid license. And it could have found support for that finding in Prism's licensing practices. At oral argument in this court, Prism's counsel agreed that such a finding would have been reasonable on the evidence. Oral Arg. at 28:54–29:01.

None of the trial documents contradict the district court's characterization of the jury verdict as awarding damages for "future" and "ongoing" infringement. Although the verdict form included the terms "infringed," "compensate," and "damages," none of those terms exclude compensation for future infringement in the form of a fully paid license. Similarly, although the jury instructions included the terms "damages" and "reasonable royalty," those terms are consistent with a fully paid license.

In arguing for the contrary conclusion, Prism ultimately relies on the district court's response to a jury question, which it contends the jury necessarily

took to mean that a reasonable-royalty award would not cover future infringement. Prism reads too much into the question and answer. The jury asked: “Does Royalty Payment/damages now give Sprint the license to 4 Asserted Patents?” J.A. 23447. The court responded: “The answer is ‘no.’” *Id.* On the record we have, that colloquy is not unequivocal. Even aside from some uncertainty in the meaning of the question, the jury might have simply understood the court to be correcting any misimpression that four patents were at issue, rather than just two. At oral argument in this court, Prism’s counsel asserted that this alternative explanation is inconsistent with Sprint’s oral remarks to the district court about how to respond to the jury’s question. But he acknowledged that the remarks he was relying on are not in the record. Oral Arg. at 30:08–17. We therefore have no basis for disturbing the court’s ruling.

*WhitServe, LLC v. Computer Packages, Inc.*, 694 F.3d 10 (Fed. Cir. 2012), does not require us to hold otherwise. There, we held that the district court abused its discretion in denying the patent owner’s request for an ongoing royalty. *Id.* at 34–36. But in that case, the parties “limited their damages arguments to past infringement,” and the district court did not interpret the jury’s award already to “cover future use of [the asserted] patents.” *Id.* at 35. In both respects, the present case is different. To the extent that Prism reads *WhitServe* to mean that use of the term “damages” always excludes payments for “future” or “ongoing” infringement, it misreads the opinion. Although “damages” do not include ongoing royalties and other forms of equitable relief, they include fully

paid licenses, which cut off the patentee's claims of entitlement to future compensation. *See Lucent Techs.*, 580 F.3d at 1326. Further, we have found a verdict form to be "ambiguous" even though it included the term "damages." *Telcordia Techs.*, 612 F.3d at 1378.

Accordingly, we conclude that the district court did not abuse its discretion in finding that the jury's award included compensation for "future" and "ongoing" infringement and that Prism was therefore not entitled to the additional monetary relief it sought.

#### CONCLUSION

For the foregoing reasons, we affirm the judgment of the district court.

No costs.

**AFFIRMED**

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**APPENDIX H**

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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEBRASKA**

**8:12CV124**

**[Filed September 22, 2015]**

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PRISM TECHNOLOGIES, LLC,	)
	)
Plaintiff,	)
	)
v.	)
	)
T-MOBILE USA, INC.,	)
	)
Defendant.	)

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**MEMORANDUM AND ORDER**

This matter is before the Court on cross-motions for summary judgment (Filing No. 309 and Filing No. 339) filed pursuant to Federal Rule of Civil Procedure 56. After review of the motions, briefs, submitted evidence, and relevant law, the Court finds as follows.

**Background**

Plaintiff Prism Technologies, LLC, (“Prism”) accuses T-mobile USA, Inc., (“T-Mobile”) and the other carrier defendants of infringing upon its patents, 8,127,345 (“the ’345 Patent”) and 8,387,155 (“the ’155 Patent”). T-

Mobile moves this Court for summary judgment of patent ineligibility for the '345 and '155 patents under 35 U.S.C. § 101. In addition, Prism moves this Court for summary judgment of patent eligibility for the same patents.

### **Law**

Summary judgment is appropriate when, viewing the facts and inferences in the light most favorable to the nonmoving party, “there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a); *see Celotex Corp. v. Catrett*, 477 U.S. 317, 321–23 (1986). “The inquiry performed is the threshold inquiry of determining whether there is the need for a trial -- whether, in other words, there are any genuine factual issues that properly can be resolved only by a finder of fact because they may reasonably be resolved in favor of either party.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 (1986).

The issue of patent-eligibility under 35 U.S.C. § 101 presents a question of law. *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1340-41 (Fed.Cir.2013). Under § 101, “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” There are three exceptions to § 101’s patent eligibility principles, “laws of nature, physical phenomena, and abstract ideas.” *Diamond v. Chakrabarty*, 447 U.S. 303, 309, 100 S.Ct. 2204, 65 L.Ed.2d 144 (1980).



In *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, the Supreme Court established a two-step test to distinguish patents that claim patent-ineligible laws of nature, physical phenomena, and abstract ideas from patent-eligible application of those concepts. ---U.S.---, 132 S.Ct. 1289, 182 L.Ed.2d 321 (2012). First, the court must determine if the claims at issue are directed at a patent-ineligible concept. See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, ---U.S.---, 134 S.Ct. 2347, 189 L.Ed.2d 296 (2014). “Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.” *Gottschalk v. Benson*, 409 U.S. 63, 67, 93 S.Ct. 253, 34 L.Ed.2d 273 (1972). If the claims are directed at a patent-ineligible concept, the court must look for an “inventive concept” - i.e., an element of combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” *Alice*, 134 S.Ct. at 2355.

### **Analysis**

T-Mobile alleges that the claims of the '345 and '155 patents are directed to an abstract idea, and do not contain an inventive concept. As a result, Prim's patents are ineligible under 35 U.S.C. § 101 and the analytical framework set forth in *Mayo* and *Alice*. In addition, T-Mobile alleges that the dependant claims also fail to satisfy the subject matter eligibility standard. Prism argues that T-Mobile mischaracterizes Prism's claims as ineligible. Prism alleges that the claims of the '345 and '155 patents are patent eligible.

Claim 1 of the '345 patent includes a method claim, and Claim 1 of the '155 patent includes a system claim. The parties pointed to the above mentioned claims in their briefs to illustrate their arguments. The Court agrees that Claim 1 of the '345 and Claim 1 of the '155 are representative of the asserted method and system claims for the purposes of the § 101 analysis.

### **I. Step One of the *Mayo* Test**

Under step one of the *Mayo* test, the Court must determine whether the Prism's patent claims are directed to an abstract idea. "The 'abstract ideas' category embodies 'the longstanding rule that an idea of itself is not patentable.'" *Alice*, 134 S.Ct. at 2355 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67, 93 S.Ct. 253, 34 L.Ed.2d 273 (1972)).

The defendant argues that the asserted claims of the '345 and '155 patents are directed to the abstract idea of providing restricted access to resources. The defendant allege that providing restricted access to resources is an age-old practice in modern society. Furthermore, T-Mobile argues that he addition of generic computer implementation does not turn an abstract idea, such as provided restricted access, into a patent eligible invention.

The plaintiff responds that the defendants mischaracterize Prism's claims as broadly preempting the idea of restricting access to resources. Prism argues that the asserted claims are directed to a concrete, non-abstract idea. Therefore, the asserted claims are not directed to a patent ineligible concept.

The Court finds that the claims are directed toward an abstract idea. By examining the words of the claims, it is apparent that the claims are directed to a providing restricted access to resources. In *Jericho Systems Corp. v. Axiomatics, Inc.*, the district court found that a claim involving a user entering a request for access was an abstract idea. 2015 WL 2165931 (N.D. Tex. May 7, 2015). The court stated, “The abstract idea being that people who meet certain requirements are allowed to do certain things.” *Id.* at \*4. The underlying ideas behind Prism’s claims are similar to abstract idea discussed in *Jericho*. Under step one of the *Mayo* test, the asserted claims of the ’345 and ’155 patents are directed toward an abstract idea.

## II. Step Two of the *Mayo* Test

Under step two of the *Mayo* test, the claims of the asserted patents may still be patent eligible if they include an “inventive concept” sufficient to “ensure that the patent in practice amounts to significantly more” than a patent upon an abstract idea. *Alice*, 134 S.Ct. at 2355. There is no “inventive concept” if a claim recites an abstract idea implemented using generic technology to perform “well-understood, routine, and conventional activities previously known to the industry.” *Id.* at 2359 (citing *Mayo*, 132 S.Ct. at 1294). Claims that “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice” do not satisfy the requirement of an “inventive concept.” *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258 (Fed.Cir.2014).

T-Mobile alleges that Prism's asserted claims fail to reveal an inventive concept and, therefore, do not satisfy step two of the *Mayo* test. The defendant argues that the claims do not require anything more than generic computer implementation. Prism argues that the asserted claims include concrete limitations and are directed to an inventive concept. During the mid-1990s, the patents addressed an inventive concept that solved the problem of delivering resources over an untrusted network. In addition, Prism presents evidence from its expert, Dr. Lyon, that the patents' inventive use of identity associated with the client computer to control access to resources over an untrusted network was an improvement over the current technology of that time (Filing No. 340, Exhibit 5).

After reviewing the claims, evidence, and various arguments, the Court finds that asserted claims do include inventive concepts to ensure that patents in practice are more than just patents on restricting access to resources. Prism's patents involve the implementation of the Internet. However, the patents in application do more than "broadly and generically claim 'use of the Internet' to perform an abstract business practice." *DDR Holdings*, 773 F.3d at 1258. The claims modify the way the Internet functions to provide secure access over a protected computer resource. The problems addressed by Prism's claims are ones that "arose uniquely in the context of the Internet, and the solution proposed was a specific method of solving that problem." *Id.* at 1257. As a result, the claims of the '345 and the '155 patents are

patent eligible under the *Mayo* and *Alice* analytical framework.

### III. Dependant Claims

T-Mobile also alleges that the various dependant claims fail to add any inventive step to the generic computer implementation of restricted access. The defendant argues that there is not nothing new or inventive about the dependant claims. Prism argues that the dependant claims include limitations and important inventive benefits.

The Court finds that the dependant claims also include inventive concepts under the *Mayo* step two analysis. The dependant claims are patent eligible. Accordingly,

**IT IS ORDERED:**

- 1) Defendant's motion for summary judgment (Filing No. 309) of patent ineligibility is denied.
- 2) Plaintiff's motion for summary judgment (Filing No. 339) of patent eligibility is granted.
- 3) Request for oral argument is denied as moot.

DATED this 22nd day of September, 2015.

**BY THE COURT:**

/s/ Lyle E. Strom

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LYLE E. STROM, Senior Judge  
United States District Court

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**APPENDIX I**

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NOTE: This order is nonprecedential.

**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**2018-1108**

**[Filed March 5, 2019]**

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PRISM TECHNOLOGIES LLC,	)
<i>Plaintiff-Appellant</i>	)
	)
v.	)
	)
SPRINT SPECTRUM L.P.,	)
DBA SPRINT PCS,	)
<i>Defendant-Appellee</i>	)

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Appeal from the United States District Court for the District of Nebraska in No. 8:12-cv-00123-LES-TDT, Senior Judge Lyle E. Strom.

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**ON MOTION**

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Before NEWMAN, TARANTO, and CHEN, *Circuit Judges*.

PER CURIAM.

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**ORDER**

Appellant Prism Technologies LLC moves to stay the issuance of this court's mandate pending the filing and disposition of its petition for a writ of certiorari in the Supreme Court of the United States.

Upon consideration thereof,

IT IS ORDERED THAT:

The motion is denied.

FOR THE COURT

March 5, 2019  
Date

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court





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**APPENDIX K**

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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEBRASKA**

**Case No. 12-CV-124**

**[Filed March 18, 2013]**

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PRISM TECHNOLOGIES LLC,	)
	)
Plaintiff,	)
	)
v.	)
	)
T-MOBILE USA INC.,	)
	)
Defendant.	)

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**T-MOBILE USA INC.'S ANSWER,  
AFFIRMATIVE DEFENSES AND  
COUNTERCLAIM TO PRISM TECHNOLOGIES  
LLC'S SECOND AMENDED COMPLAINT**

Defendant T-Mobile USA Inc. ("T-Mobile") files this Answer and Affirmative Defenses to Plaintiff Prism Technologies LLC's ("Prism") Second Amended Complaint. T-Mobile denies the allegations and characterizations in Prism's Second Amended Complaint unless expressly admitted in the following paragraphs.

**THE PARTIES**

1. Plaintiff Prism Technologies LLC (“Prism”) is a limited liability company organized and existing under the laws of the State of Nebraska, with its principle place of business at 2323 S. 171st Street, Suite 106, Omaha, Nebraska 68130.

**ANSWER:** T-Mobile admits that Prism purports to be a Nebraska limited liability company with an office at 2323 S. 171st Street, Suite 106, Omaha, Nebraska 68130. T-Mobile lacks knowledge sufficient to confirm or deny the other allegations of Paragraph 1 and therefore denies the same.

2. Defendant T-Mobile USA Inc. (“T-Mobile”) is a Delaware corporation with its principal place of business at 12920 SE 38th Street, Bellevue, Washington 98006. T-Mobile conducts substantial business in this judicial district.

**ANSWER:** T-Mobile admits that it is a Delaware corporation with its principal place of business at 12920 SE 38th Street, Bellevue, Washington 98006. T-Mobile admits that it

\* \* \*

**AFFIRMATIVE DEFENSES**

T-Mobile’s Affirmative Defenses are listed below. T-Mobile reserves the right to amend its Answer to add additional Affirmative Defenses consistent with the facts discovered in the case.

**FIRST AFFIRMATIVE DEFENSE  
(Non-Infringement of the Asserted Patents)**

97. T-Mobile does not infringe, and has not infringed under any theory (including jointly, directly, contributorily, or by inducement), any claim of the '288, '345, or '155 patents.

**SECOND AFFIRMATIVE DEFENSE  
(Invalidity of the Asserted Patents)**

98. One or more claims of the '288, '345 and/or '155 patents are invalid for failing to comply with the conditions for patentability set forth in Title 35, United States Code § 101 *et seq.*, including, without limitation, §§ 102, 103 and/or 112, and the rules, regulations, and laws pertaining thereto in view of at least prior art identified during prosecution and the prior art below.

99. U.S. Patent No. 4,796,220 (“the '220 patent”) to Wolfe anticipates and/or renders obvious at least claims 186 and 187 of the '288 patent, claims 1 and 49 of the '345 patent and claims 1, 38, and 75 of the '155 patent. The '220 patent is attached hereto as Exhibit A.

100. U.S. Patent No. 4,685,055 (“the '055 patent”) to Thomas anticipates and/or renders obvious at least claims 186 and 187 of the '288 patent, claims 1 and 49 of the '345 patent and claims 1, 38, and 75 of the '155 patent. The '055 patent is attached hereto as Exhibit B.

101. U.S. Patent No. 5,930,804 (“the '804 patent”) to Yu anticipates and/or renders obvious at least claims 186 and 187 of the '288 patent, claims 1 and 49 of the '345 patent, and claims 1, 38, and 75 of the '155 patent. The '804 patent is attached hereto as Exhibit C.

\* \* \*

### **T-MOBILE'S COUNTERCLAIM**

Defendant and Counterclaim-Plaintiff, T-Mobile USA Inc. ("T-Mobile"), counterclaims against Plaintiff and Counterclaim-Defendant, Prism Technologies LLC ("Prism"), as follows:

#### **THE PARTIES**

1. T-Mobile USA Inc. ("T-Mobile") is a Delaware corporation with its principal place of business at 12920 SE 38th Street, Bellevue, Washington 98006.

2. Upon information and belief, Counterclaim-Defendant Prism Technologies LLC ("Prism") is a limited liability company organized and existing under the laws of the State of Nebraska, with its principle place of business at 2323 S. 171st Street, Suite 106, Omaha, Nebraska 68130.

#### **JURISDICTION AND VENUE**

3. This is a counterclaim for declaratory judgment of noninfringement, and/or invalidity arising under the patent laws of the United States, 35 U.S.C. §§ 1 *et seq.*

4. This Court has personal jurisdiction over Prism. Prism is the named plaintiff in this action and alleges that it is a limited liability corporation organized under the laws of Nebraska. By filing its Second Amended Complaint ("Complaint"), Prism has consented to the personal jurisdiction of this Court.

5. This Court has subject matter jurisdiction over this Counterclaim pursuant to 28 U.S.C. §§ 1331, 1338, and 2201.

6. An actual and justiciable controversy exists concerning: (1) the non-infringement of U.S. Patent No. 7,290,288 (the “288 patent”); (2) the non-infringement of U.S. Patent No. 8,127,345 (the “345 patent”); (3) the non-infringement of U.S. Patent No. 8,387,155 (the “155

\* \* \*

30. A judicial declaration of non-infringement is necessary and appropriate to resolve this controversy.

31. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, T-mobile requests a declaration by the Court that it does not infringe, any valid, enforceable claims, if any, of the '155 patent, either directly, jointly, contributorily, or by inducement, so that T-Mobile can ascertain its rights and duties with respect to designing, developing, marketing, licensing, and selling its products and/or services.

**FOURTH COUNTERCLAIM**  
**(Declaratory Judgment of Invalidity of  
the '288 Patent)**

32. T-Mobile incorporates all preceding paragraphs of its Counterclaim as if fully set forth herein.

33. An actual controversy exists between T-Mobile and Prism concerning whether the '288 patent is invalid for failing to meet one or more of the

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requirements for patentability set forth in 35 U.S.C. §§ 102, 103, and/or 112.

34. The claims of the '288 patent are invalid for failing to satisfy one or more of the conditions of patentability set forth in Title 35, United States Code, including §§ 102, 103 and/or 112, and the rules, regulations, and laws pertaining thereto in view of at least prior art identified during prosecution.

35. U.S. Patent No. 4,796,220 (the "220 patent") to Wolfe anticipates and/or renders obvious at least claims 186 and 187 of the '288 patent. The '220 patent is attached hereto as Exhibit A.

36. U.S. Patent No. 4,685,055 (the "055 patent") to Thomas anticipates and/or renders obvious at least claims 186 and 187 of the '288 patent. The '055 patent is attached hereto as Exhibit B.

37. U.S. Patent No. 5,930,804 (the "804 patent") to Yu anticipates and/or renders obvious at least claims 186 and 187 of the '288 patent. The '804 patent is attached hereto as Exhibit C.

38. A judicial declaration of invalidity is necessary and appropriate to resolve this controversy.

39. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, T-mobile requests a declaration by the Court that the claims of the '288 patent are invalid for failing to meet one or more of the requirements for patentability set forth in 35 U.S.C. §§ 102, 103, and/or 112.

**FIFTH COUNTERCLAIM**  
**(Declaratory Judgment of Invalidity  
of the '345 Patent)**

40. T-Mobile incorporates all preceding paragraphs of its Counterclaim as if fully set forth herein.

41. An actual controversy exists between T-Mobile and Prism concerning whether the '345 patent is invalid for failing to meet one or more of the requirements for patentability set forth in 35 U.S.C. §§ 102, 103, and/or 112.

42. The claims of the '345 patent are invalid for failing to satisfy one or more of the conditions of patentability set forth in Title 35, United States Code, including §§ 102, 103 and/or 112, and the rules, regulations, and laws pertaining thereto in view of at least prior art identified during prosecution.

43. The '220 patent to Wolfe anticipates and/or renders obvious at least claims 1 and 49 of the '345 patent. The '220 patent is attached hereto as Exhibit A.

44. The '055 patent to Thomas anticipates and/or renders obvious at least claims 1 and 49 of the '345 patent. The '055 patent is attached hereto as Exhibit B.

45. The '804 patent to Yu anticipates and/or renders obvious at least claims 1 and 49 of the '345 patent. The '804 patent is attached hereto as Exhibit C.

46. A judicial declaration of invalidity is necessary and appropriate to resolve this controversy.

47. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, T-mobile requests a

declaration by the Court that the claims of the '345 patent are invalid for failing to meet one or more of the requirements for patentability set forth in 35 U.S.C. §§ 102, 103, and/or 112.

**SIXTH COUNTERCLAIM**  
**(Declaratory Judgment of Invalidity  
of the '155 Patent)**

48. T-Mobile incorporates all preceding paragraphs of its Counterclaim as if fully set forth herein.

49. An actual controversy exists between T-Mobile and Prism concerning whether the '155 patent is invalid for failing to meet one or more of the requirements for patentability set forth in 35 U.S.C. §§ 102, 103, and/or 112.

50. The claims of the '155 patent are invalid for failing to satisfy one or more of the conditions of patentability set forth in Title 35, United States Code, including §§ 102, 103 and/or 112, and the rules, regulations, and laws pertaining thereto in view of at least prior art identified during prosecution.

51. The '220 patent to Wolfe anticipates and/or renders obvious at least claims 1, 38, and 75 of the '155 patent. The '220 patent is attached hereto as Exhibit A.

52. The '055 patent to Thomas anticipates and/or renders obvious at least claims 1, 38, and 75 of the '155 patent. The '055 patent is attached hereto as Exhibit B.

\* \* \*

G. A declaration that each of the claims of the '288 patent is invalid;



H. A declaration that each of the claims of the '345 patent is invalid;

I. A declaration that each of the claims of the '155 patent is invalid;

J. Preliminarily and permanently enjoining Prism, its officers, directors, servants, managers, employees, agents, attorneys, successors and assignees, and all persons in active concert or participation with any of them from directly or indirectly charging T-Mobile with infringement of the '288, '345 and/or '155 patents under any theory;

K. A declaration that the case is exceptional under 35 U.S.C. § 285;

L. An award to T-Mobile of its reasonable attorneys' fees pursuant to 35 U.S.C. § 285;

M. An award to T-Mobile for costs of suit; and

N. Grant T-Mobile such additional relief that the Court deems proper and just.

Dated: March 18, 2013

Respectfully submitted,

T-MOBILE USA INC.