No. __-__

IN THE

Supreme Court of the United States

CORNING OPTICAL COMMUNICATIONS RF LLC,

Applicant-Petitioner,

v.

PPC BROADBAND, INC.
DBA PPC, FKA JOHN MEZZALINGUA ASSOCIATES, INC.,

Respondent.

APPLICATION TO RECALL THE MANDATE AND STAY ENFORCEMENT OF THE JUDGMENT PENDING THE FILING AND DISPOSITION OF A PETITION FOR A WRIT OF CERTIORARI

Directed to the Honorable John G. Roberts, Jr.,
Chief Justice of the United States
and Circuit Justice for the Federal Circuit

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TO THE HONORABLE JOHN G. ROBERTS, JR., CHIEF JUSTICE OF THE UNITED STATES AND CIRCUIT JUSTICE FOR THE FEDERAL CIRCUIT:

Applicant-Petitioner Corning Optical Communications RF LLC ("Corning") respectfully moves pursuant to 28 U.S.C. § 2101(f) and Supreme Court Rules 22 and 23 for an order recalling the Federal Circuit's mandate and staying enforcement of the judgment pending the filing and disposition of a timely petition for a writ of certiorari.

Corning is the latest victim of the Federal Circuit's widely criticized practice of resolving "difficult" cases by summary affirmance, thereby avoiding the need to justify outcomes that are inconsistent with existing Federal Circuit law or even, as here, recent and governing authority of this Court. In this case, that authority is this Court's decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), which established that enhanced damages for patent infringement under 35 U.S.C. § 284 are reserved for "egregious" cases of infringement—those where the defendant's conduct was "willful, wanton, bad-faith, deliberate, consciously wrongful, flagrant, or . . . characteristic of a pirate." *Halo*, 136 S. Ct. at 1932. Despite that clear principle, the Federal Circuit affirmed an award of more than $25 million in enhanced damages against Corning for conduct that another Article III court, considering the same patent claims and accused products, had already found to be noninfringing.

Absent some extraordinary circumstance not present here, a defendant whose long-held non-infringement position has been vindicated by another Article III court has not engaged in "egregious" conduct. An order recalling the mandate and staying enforcement is warranted to give this Court the opportunity to address the decision's stark departure from the Court's recent, governing jurisprudence on the question presented, without allowing PPC to collect a $61 million judgment that will almost certainly pass through to PPC's parent company, significantly impairing Corning's ability to recoup that money if the judgment is ultimately reversed.

As required by Rule 23.3 of this Court, Corning initially sought a stay of the mandate in the Court of Appeals. The Federal Circuit not only denied Applicants' request to stay the mandate, but accelerated the mandate's issuance, depriving Corning of the opportunity to file this Application before the mandate issued. This Court should intervene to recall the mandate and stay enforcement of the judgment pending resolution of Corning's forthcoming petition for certiorari.

OPINIONS BELOW

The Federal Circuit's judgment is unpublished and is reproduced in Appendix A. The Federal Circuit's order denying Corning's motion to stay the mandate and the issued mandate itself are reproduced in Appendices C and D. The district court's judgment and opinions are unreported, and are reproduced in Appendices E, F, and G.

BACKGROUND

This dispute is directed to connectors that attach a coaxial cable to electronic equipment such as cable boxes. Claim 1 of U.S. Patent No. 6,558,194 is representative of the two related patents-in-suit. It claims a connector comprising, among other things, a post, "a cylindrical body member" . . . "including a cylindrical sleeve," and a compression ring. The specification explains that the post and the cylindrical body member comprise a first body member. The compression ring (also called a fastener) comprises a second body member. The cylindrical body member of the first body member is moveably disposed on the second body member.

The primary infringement issue presented in the District Court and on appeal concerned the scope of "cylindrical body member." In the specification and during prosecution, the applicant distinguished prior art connectors where a portion of a second body member (multiple and single component variations) wedge *under* the cylindrical sleeve of a cylindrical body member of a first body member. The applicant claimed as inventive a compression ring that moves *over* the cylindrical sleeve of the cylindrical body member and deforms the open end of the cylindrical sleeve inwardly.

Three disputes involving PPC and Corning are relevant to Corning's infringement defense. In the first, in 2003 and 2004, PPC either did not accuse or withdrew its accusations against various Corning connectors, which wedge a portion of a second body member *under* a cylindrical sleeve of a cylindrical body member. Corning calls the wedged component a "Gripper." In the second, in 2011, PPC asked U.S. Customs to enforce a General Exclusion Order ("GEO") concerning its '194 Patent against Corning's Gripper connectors. Customs did, requiring Corning to file protests and to sue Customs in the CIT, which granted summary judgment that Corning's "Gripper" connectors do not infringe. In the third, the instant case, PPC sued the same products it asked Customs to seize under its GEO. But unlike the CIT, a jury found that Corning infringed, willfully, and the District Court awarded PPC enhanced damages of $25 million.

A. In 2003, Corning Established a Reasonable Belief That "Gripper" Connectors Do Not Infringe.

On July 1, 2003, PPC sued Corning for patent infringement, alleging that two versions of Corning's Ultra*Seal* connectors infringe: (1) a first version that moved a compression member *over* the cylindrical sleeve of the connector's metal body and that deformed the cylindrical sleeve inwardly; and (2) a second version that wedged a plastic Gripper *under* the cylindrical sleeve of the connector's metal body but did not deform the cylindrical sleeve. During litigation, PPC did not accuse or dropped its accusations against the second version – Corning's "Gripper" connectors. After a jury found the first version infringed and denied Corning's validity challenge, the parties settled and Corning agreed to discontinue the first version of the Ultra*Seal*.

Corning then introduced its UltraRange connectors in 2004, which were designed with Grippers to avoid infringement based on a nonaccused Ultra*Seal* version. Corning engineer Don Burris testified that he "took the gripping connectors, the noninfringing versions, and just used that technology and moved it into a new connector platform." All subsequent Corning connectors used a "Gripper" wedged under the cylindrical sleeve, including all the connectors accused in this case.

B. In 2013, the CIT Vindicated Corning's Longstanding Belief that "Gripper" Connectors Do Not Infringe.

Without naming Corning as a respondent, PPC sought and obtained a GEO for the '194 Patent. In 2011, PPC used the GEO to disrupt a new Corning connector line—the UltraShield. PPC asked U.S. Customs ex parte to refuse importation of all Corning "Gripper" connectors, which Customs did, leading Corning to file suit in the CIT to have its products released. The CIT agreed with Corning's longstanding position—held since at least 2003—that Corning's "gripping ring is a separate component from the connector body, and has a separate function," such that Corning's connector did "not meet the claim limitations requiring that those components have a deformable cylindrical sleeve at one end." *Corning Gilbert Inc. v. United States*, 896 F. Supp. 2d 1281, 1296 (Ct. Int'l Trade 2013).

But the CIT's claim construction was not the only basis for its conclusion that Corning's products did not infringe. "[E]ven if the court concluded (contrary to the understanding of those skilled in the art…) that the [Gripper] is part of the [cylindrical body member]," the CIT held that Corning's connectors *still* "would not meet" the asserted limitations, because Corning's Gripper was not a "'cylindrical' sleeve" and did not "form a bore about the tubular post," as required by the claims. *Corning Gilbert Inc.*, 896 F. Supp. 2d at 1296–97.

C. Despite the CIT's Vindication of Corning's Longstanding Non-Infringement Belief, the District Court Awarded Enhanced Damages of $25 Million.

After PPC asked Customs to block import of Corning's products, PPC brought the present infringement action against Corning's "Gripper" connectors. The infringement issues presented here are substantially identical to those presented in the CIT litigation, involving the same patent, the same claims, and the same accused products. The case also involved one additional related patent, not materially different from the '194 Patent regarding the issues in this petition.

The cases diverged, however, on claim construction. Corning asked that "cylindrical body member" be construed, but the District Court declined to do so. The CIT, by contrast, construed "cylindrical body member" to mean the "generally cylindrical shaped outer portion of the connector that surrounds the tubular post to define a central bore," finding support for that construction in "the remaining language of the claims, the remainder of the specification, and the prosecution history of the '194 Patent." *Corning Gilbert Inc.,* 896 F. Supp. 2d at 1293.

On the eve of trial, the District Court reversed its ordinary meaning construction. Because Corning was barred under the doctrine of issue preclusion from litigating the validity of the '194 Patent, PPC asked for and obtained a broad construction from the District Court of "cylindrical body member":

> Structure of the connector that is secured to the post at one end and includes an open end for receiving a portion of the coaxial cable. **This structure can be comprised of more than one piece, and is therefore not limited to a single integral or unitary one-piece component.**

Without risk of a validity challenge to the '194 Patent, PPC argued that the "Gripper" in Corning's connectors forms a two-piece body with the cylindrical sleeve of Corning's metal cylindrical body member. Relying on the District Court's claim construction and the District Court's instruction that the CIT action did not "involve the same claim terms," the jury found infringement and that it was willful.

Following trial, the District Court analyzed PPC's claim for enhanced damages. The District Court disregarded Corning's non-infringement beliefs established in 2003 and 2004, because the earlier products were not accused, even though Corning's initial Gripper connectors were not materially different as understood by Corning. The District Court further refused to consider the CIT decision *solely* because it issued after the date of the first alleged infringement. App. G at 21-22. Having constrained what evidence it considered, the District Court found that Corning lacked a good-faith basis for its noninfringement position, that the case was "not close," and then doubled the infringement verdict, to more than $60 million, with interest. Ibid.

D. The Federal Circuit Summarily Affirmed the $25 Million Enhancement.

Corning timely appealed the District Court's judgment, challenging, among other things, the District Court's claim construction, the finding of infringement, the erroneous CIT jury instruction, and the enhancement of damages. A panel of the Federal Circuit summarily affirmed the decision below without opinion. (App. A). Corning moved for rehearing and rehearing en banc, both of which were denied in an order issued on May 14, 2018. (App. B). The mandate was scheduled to issue seven days later, on May 21, 2018.

E. The Federal Circuit Denied Corning's Motion to Stay and Instead Accelerated Issuance of the Mandate.

Following the Federal Circuit's denial of Corning's rehearing petition, Corning timely moved to stay issuance of the mandate pending disposition of its forthcoming petition for certiorari—or, in the alternative, to hold the mandate temporarily pending the disposition of this Application. Just three days later, on May 21, 2018, the Federal Circuit denied Corning's stay motion. (App. C). Instead of allowing the mandate to issue seven days after its denial of the stay motion, as it would in the ordinary course under Federal Rule of Appellate Procedure 41, the

Federal Circuit issued the mandate four *minutes* after denying the motion. (App. D). Barely an hour later, PPC contacted Corning to "demand payment by 5 pm today," with an accompanying threat to begin enforcement proceedings.

REASONS TO GRANT THE STAY

An individual Justice may stay enforcement of a judgment "for a reasonable time to enable the party aggrieved to obtain a writ of certiorari." 28 U.S.C. § 2101(f). The same standard applies to applications to stay and recall the mandate. *See, e.g.*, *Wise v. Lipscomb*, 434 U.S. 1329, 1333-34 (1977) (Powell, J., in chambers). Such a stay or recall is warranted if there is "(1) a reasonable probability that this Court will grant certiorari, (2) a fair prospect that the Court will then reverse the decision below, and (3) a likelihood that irreparable harm will result from the denial of a stay." *Maryland v. King*, 133 S. Ct. 1, 2 (2012) (Roberts, C.J., in chambers) (internal quotation marks and alterations omitted). The balance of the equities may also be considered. *See Philip Morris USA Inc. v. Scott*, 561 U.S. 1301, 1304 (2010) (Scalia, J., in chambers).

Here, the circumstances warrant recalling the mandate and staying enforcement. Corning's petition will demonstrate an irreconcilable conflict between the judgment below and a recent, unequivocal decision of this Court on an important federal question of patent law, making it reasonably probable the Court will grant certiorari and reverse. *See* Sup. Ct. R. 10(c). Moreover, in the absence of a recall Corning is likely to suffer irreparable harm, because PPC's corporate structure will make it very difficult to recoup the judgment amount if the Federal Circuit's decision is ultimately reversed. Finally, the balance of equities favors the recall. While Corning likely faces substantial obstacles and costs if forced to recover a paid-out judgment, PPC's interest is fully protected by a supersedeas bond in the amount of $68 million, which is sufficient to cover the current judgment amount and an extended period of post-judgment interest.

II. The Court Is Likely to Grant Certiorari and Reverse the Decision Below as Contrary to Its Decision in *Halo*.

Corning's forthcoming certiorari petition will seek this Court's review of the Federal Circuit's decision affirming an award of enhanced damages for infringement despite a recent, on-point judgment from another Article III court that Corning's conduct was non-infringing. That issue presents a "a reasonable probability that four Justices will consider the issue sufficiently meritorious to grant certiorari or to note probable jurisdiction" and "a fair prospect that a majority of the Court will conclude that the decision below was erroneous." *Conkright v. Frommert*, 556 U.S. 1401, 1402 (2009) (Ginsburg, J., in chambers)

According to this Court's rules, certiorari review is appropriate where a Court of Appeals decision addresses "an important federal question" and resolves it "in a way that conflicts with relevant decisions of" the Court. Sup. Ct. R. 10(c). The Federal Circuit's ruling on the enhancement of patent damages pursuant to 35 U.S.C. § 284 squarely conflicts with this Court's most recent decision on that issue in *Halo*. In that case, the Court cautioned that enhanced damages under 35 U.S.C. § 284 are reserved for "egregious" cases of infringement, where the defendant's conduct was "willful, wanton, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate." *Halo*, 136 S. Ct. at 1932.

Here, Corning's purportedly infringing conduct cannot rationally be characterized as "egregious" in any sense, and certainly not in the sense of "wanton," "bad-faith," "consciously wrongful," or piratical. To the contrary, Corning presented the ultimate evidence that its conduct was eminently reasonable: the prior decision of another Article III court (the Court of International Trade ("CIT")) granting Corning summary judgment of noninfringement on the same claims and same accused products. In reaching that decision, the CIT vindicated Corning's longstanding belief regarding the proper scope of the asserted claims and its equally longstanding noninfringement position, which long predated both the CIT's decision and the alleged infringement in this case.

The CIT decision confirms that this case is the polar opposite of the paradigmatic case of "egregious" conduct under *Halo*, in which a defendant "intentionally infringes another's patent" without "any notion of a defense." *Halo*, 136 S. Ct. at 1932. In light of the CIT's decision, Corning's conduct cannot be considered "wanton and malicious" by any rational standard. The Federal Circuit's contrary conclusion squarely presents the danger recognized by Justice Breyer in his *Halo* concurrence: that if district court discretion to award enhanced damages is not carefully limited, "simple knowledge" of a patent will lead to a determination of "egregious behavior" warranting punitive damages. *Halo*, 136 S. Ct. at 1936 (Breyer, J., concurring).

For these reasons, there is—at a minimum—a "reasonable probability" that this Court will grant certiorari and a "fair prospect" that it will reverse. The

Federal Circuit's summary disposition of the appeal pursuant to Circuit Rule 36 does not undermine that probability. This Court has not hesitated to grant certiorari in cases resolved by the Federal Circuit under Rule 36. *See, e.g., Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, No. 16-712 (cert. granted June 12, 2017); *U.S. Surgical Corp. v. Ethicon Inc.*, 517 U.S. 1164 (1997).

III. Absent a Recall and Stay, Corning is Likely to Suffer Irreparable Harm Because Once Paid, the Judgment will be Difficult to Recover.

A petitioner seeking recall of the mandate must demonstrate that it "a likelihood that irreparable harm will result from the denial" of the recall. *Conkright,* 556 U.S. at 1402. Faced with an unjustified $61 million damages award, Corning is in danger of irreparable injury here. Although "[n]ormally the mere payment of money is not considered irreparable," *Phillip Morris USA, Inc. v. Scott*, 561 U.S. 1301, 1304 (2010) (Scalia, J., in chambers), such a payment may be sufficient to constitute irreparable harm where the money is likely to be "difficult to recover." *Mori v. Int'l Brotherhood of Boilermakers*, 451 U.S. 1301, 1303 (1981) (Rehnquist, J., in chambers); *see also, e.g. Phillip Morris USA*, 561 U.S. at 1304 (noting that financial loss "may be irreparable" where funds cannot readily recouped).

Here, PPC has already indicated its intention to move immediately in the District Court to enforce the $61 million judgment against Corning. Once Corning pays over that substantial sum, the money will become "difficult to recover." PPC is a wholly-owned subsidiary of Belden Inc., a conglomerate comprising at least 14 distinct operating brands spread across four broad industry segments. *See* https://www.belden.com/about/our-brands; *see also* Annual Report on Form 10-K of

Belden Inc. at 2, 27, 68 (Feb. 13, 2018). PPC's financial performance and assets are consolidated into Belden's enterprise-wide financial reporting, so it is impossible to know with certainty how PPC operates within Belden's larger structure, but it is highly unlikely that an operating subsidiary like PPC would retain the $61 million judgment in its own accounts during the pendency of certiorari proceedings. Rather, it would be typical for those funds to be held by the parent company, Belden, which is not a party to this litigation. It is also highly unlikely that PPC itself holds liquid assets sufficient to repay the $61 million to Corning if the decision is reversed.

Thus, as a practical matter, once Corning pays out the judgment amount it will likely have no direct recourse to PPC to recoup the payment—and PPC/Belden, a direct competitor of Corning with a history of litigiousness, will have little incentive to facilitate the recoupment. In these circumstances, a recall is necessary to prevent Corning from suffering irreparable harm. *See Mori*, 451 U.S. at 1303; *Phillip Morris USA,* 561 U.S. at 1304.

IV. The Balance of the Equities Favors Recall and Stay, Because PPC's Interests are Fully Protected by the Appeal Bond.

A Justice considering whether to stay the mandate pending disposition of a petition for certiorari may consider the balance of the equities. *See Philip Morris USA Inc.,* 131 S. Ct. at 4-5. On balance, the equities here overwhelmingly favor a stay. As explained above, absent a recall Corning faces a potentially long, difficult, and expensive process to recoup the $61 million it will be forced to pay—a process that may ultimately fail to achieve its goal, if PPC successfully passes the funds to affiliates in ways that make them difficult to trace. By contrast, PPC faces no prejudice or risk from a recall of the mandate. Its interest in the judgment is amply secured by a supersedeas bond issued in the amount of $68 million—enough to pay not only the current judgment amount but any additional post-judgment that accrues prior to any decision by this Court denying certiorari or affirming the Federal Circuit's decision on the merits. If the mandate is recalled, PPC will unquestionably be made whole. If it is not recalled, Corning's ability to be made whole is highly uncertain. The equities thus favor recalling the mandate.

CONCLUSION

For all these reasons, Corning respectfully requests an order recalling the mandate and staying enforcement of the judgment pending the filing and disposition of a timely petition for a writ of certiorari.

Dated: May 22, 2018

Respectfully submitted,

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APPENDIX A

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

PPC BROADBAND, INC., DBA PPC, FKA JOHN MEZZALINGUA ASSOCIATES, INC.,
Plaintiff-Appellee

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC,
Defendant-Appellant

2017-1347

Appeal from the United States District Court for the Northern District of New York in No. 5:11-cv-00761-GLS-DEP, Senior Judge Gary L. Sharpe.

JUDGMENT

J. MICHAEL JAKES, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Washington, DC, argued for plaintiff-appellee. Also represented by JOSE M. RECIO; ROBERT L. BURNS, II, Reston, VA; JUSTIN A. HENDRIX, Palo Alto, CA; JOHN D. COOK, DOUGLAS J. NASH, Barclay Damon, LLP, Syracuse, NY; JOHN T. GUTKOSKI, Boston, MA.

KIMBALL RICHARD ANDERSON, Winston & Strawn LLP, Chicago, IL, argued for defendant-appellant. Also represented by HOWARD I. SHIN, New York, NY; MARK S. DAVIES, KATHERINE M. KOPP, Orrick, Herrington & Sutcliffe LLP, Washington, DC; ELIZABETH MOULTON, Menlo Park, CA; DANIEL A. RUBENS, New York, NY; JOSEPH P. LAVELLE, DLA Piper US LLP, Washington, DC.

CLYDE MOODY SIEBMAN, Siebman, Burg, Phillips & Smith, LLP, Sherman, TX, for amicus curiae Samsung Electronics Co., Ltd.

THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (PROST, *Chief Judge,* MAYER and REYNA, *Circuit Judges*).

AFFIRMED. *See* Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

March 13, 2018
Date

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

APPENDIX B

NOTE: This order is nonprecedential.

United States Court of Appeals for the Federal Circuit

PPC BROADBAND, INC., DBA PPC, FKA JOHN MEZZALINGUA ASSOCIATES, INC.,
Plaintiff-Appellee

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC,
Defendant-Appellant

2017-1347

Appeal from the United States District Court for the Northern District of New York in No. 5:11-cv-00761-GLS-DEP, Senior Judge Gary L. Sharpe.

ON PETITION FOR PANEL REHEARING AND REHEARING EN BANC

Before PROST, *Chief Judge*, NEWMAN, MAYER[1], LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, and HUGHES, *Circuit Judges*[*].

PER CURIAM.

O R D E R

Appellant Corning Optical Communications RF, LLC filed a combined petition for panel rehearing and rehearing en banc. The petition was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on May 21, 2018.

FOR THE COURT

May 14, 2018
Date

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

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* Circuit Judge Stoll did not participate.

[1] Circuit Judge Mayer participated only in the decision on the petition for panel rehearing.

APPENDIX C

NOTE: This order is nonprecedential.

United States Court of Appeals for the Federal Circuit

PPC BROADBAND, INC., DBA PPC, FKA JOHN MEZZALINGUA ASSOCIATES, INC.,
Plaintiff-Appellee

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC,
Defendant-Appellant

2017-1347

Appeal from the United States District Court for the Northern District of New York in No. 5:11-cv-00761-GLS-DEP, Senior Judge Gary L. Sharpe.

ON MOTION

Before PROST, *Chief Judge,* MAYER, and REYNA, *Circuit Judges.*

PER CURIAM.

O R D E R

Appellant Corning Optical Communications RF, LLC moves to stay issuance of this Court's mandate pending its filing of a petition for a writ of certiorari in the Supreme Court, or in the alternative, requests to hold the mandate pending the resolution of Corning's petition to the Supreme Court for a stay of the mandate.

Upon consideration thereof,

IT IS ORDERED THAT:

The motion is denied. The alternative request to hold the mandate pending the resolution of the petition is also denied.

FOR THE COURT

May 21, 2018
Date

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

APPENDIX D

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

17-1347

PPC BROADBAND, INC., dba PPC, fka John Mezzalingua Associates, Inc.,
Plaintiff - Appellee

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC,
Defendant - Appellant

Appeal from the United States District Court for the Northern District of New York in case no. 5:11-cv-00761-GLS-DEP
Senior Judge Gary L. Sharpe

MANDATE

In accordance with the judgment of this Court, entered March 13, 2018, and pursuant to Rule 41(a) of the Federal Rules of Appellate Procedure, the formal mandate is hereby issued.

FOR THE COURT

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

APPENDIX E

===

*** * * * * UNITED STATES DISTRICT COURT * * * * ***

NORTHERN **DISTRICT OF** NEW YORK

JUDGMENT IN A CIVIL CASE

DOCKET NO. 5:11-cv-761 (GLS/DEP)

PPC BROADBAND, INC.

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC.

X **JURY VERDICT. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.**

X **DECISION BY COURT. This action came to trial, motion or hearing before the Court. The issues have been tried or heard and a decision has been rendered.**

IT IS ORDERED AND ADJUDGED that judgment is entered in favor of the plaintiff in the total amount of $61,339,316. The judgment is calculated as follows: $25,457,844 in compensatory damages consisting of the jury award (Dkt. No. 358) and supplemental damages (Dkt. No. 528); compensatory damages are enhanced by double to $50,915,688 (Dkt. Nos. 526, 528); and $10,423,628 in prejudgment interest on the base compensatory damage award (Dkt. No. 528).

November 18, 2016

LAWRENCE K. BAERMAN
CLERK OF THE COURT

BY: S/
DEPUTY CLERK
John Law

Federal Rules of Appellate Procedure
Rule 4. Appeal as of Right

(a) Appeal in a Civil Case.

1. (1) *Time for Filing a Notice of Appeal.*

(A) In a civil case, except as provided in Rules 4(a)(1)(B), 4(a)(4), and 4(c), the notice of appeal required by Rule 3 must be filed with the district clerk within 30 days after entry of the judgment or order appealed from.

(B) The notice of appeal may be filed by any party within 60 days after entry of the judgment or order appealed from if one of the parties is:

(i) the United States;
(ii) a United States agency;
(iii) a United States officer or employee sued in an official capacity; or
(iv) a current or former United States officer or employee sued in an individual capacity for an act or omission occurring in connection with duties performed on the United States' behalf — including all instances in which the United States represents that person when the judgment or order is entered or files the appeal for that person.

(C) An appeal from an order granting or denying an application for a writ of error *coram nobis* is an appeal in a civil case for purposes of Rule 4(a).

(2) *Filing Before Entry of Judgment.* A notice of appeal filed after the court announces a decision or order—but before the entry of the judgment or order—is treated as filed on the date of and after the entry.

(3) *Multiple Appeals.* If one party timely files a notice of appeal, any other party may file a notice of appeal within 14 days after the date when the first notice was filed, or within the time otherwise prescribed by this Rule 4(a), whichever period ends later.

(4) *Effect of a Motion on a Notice of Appeal.*

(A) If a party timely files in the district court any of the following motions under the Federal Rules of Civil Procedure, the time to file an appeal runs for all parties from the entry of the order disposing of the last such remaining motion:

(i) for judgment under Rule 50(b);

(ii) to amend or make additional factual findings under Rule 52(b), whether or not granting the motion would alter the judgment;

(iii) for attorney's fees under Rule 54 if the district court extends the time to appeal under Rule 58;

(iv) to alter or amend the judgment under Rule 59;

(v) for a new trial under Rule 59; or

(vi) for relief under Rule 60 if the motion is filed no later than 28 days after the judgment is entered.

(B)(i) If a party files a notice of appeal after the court announces or enters a judgment—but before it disposes of any motion listed in Rule 4(a)(4)(A)—the notice becomes effective to appeal a judgment or order, in whole or in part, when the order disposing of the last such remaining motion is entered.

(ii) A party intending to challenge an order disposing of any motion listed in Rule 4(a)(4)(A), or a judgment's alteration or amendment upon such a motion, must file a notice of appeal, or an amended notice of appeal—in compliance with Rule 3(c)—within the time prescribed by this Rule measured from the entry of the order disposing of the last such remaining motion.

(5) *Motion for Extension of Time.*

(A) The district court may extend the time to file a notice of appeal if:

(i) a party so moves no later than 30 days after the time prescribed by this Rule 4(a) expires; and

(ii) regardless of whether its motion is filed before or during the 30 days after the time prescribed by this Rule 4(a) expires, that party shows excusable neglect or good cause.

(B) A motion filed before the expiration of the time prescribed in Rule 4(a)(1) or (3) may be ex parte unless the court requires otherwise. If the motion is filed after the expiration of the prescribed time, notice must be given to the other parties in accordance with local rules.

(C) No extension under this Rule 4(a)(5) may exceed 30 days after the prescribed time or 14 days after the date when the order granting the motion is entered, whichever is later.

(6) *Reopening the Time to File an Appeal.* The district court may reopen the time to file an appeal for a period of 14 days after the date when its order to reopen is entered, but only if all the following conditions are satisfied:

(A) the court finds that the moving party did not receive notice under Federal Rule of Civil Procedure 77 (d) of the entry of the judgment or order sought to be appealed within 21 days after entry;

(B) the motion is filed within 180 days after the judgment or order is entered or within 14 days after the moving party receives notice under Federal Rule of Civil Procedure 77 (d) of the entry, whichever is earlier; and

(C) the court finds that no party would be prejudiced.

(7) *Entry Defined.*

(A) A judgment or order is entered for purposes of this Rule 4(a):

(i) if Federal Rule of Civil Procedure 58 (a) does not require a separate document, when the judgment or order is entered in the civil docket under Federal Rule of Civil Procedure 79 (a); or

(ii) if Federal Rule of Civil Procedure 58 (a) requires a separate document, when the judgment or order is entered in the civil docket under Federal Rule of Civil Procedure 79(a) and when the earlier of these events occurs:

- the judgment or order is set forth on a separate document, or
- 150 days have run from entry of the judgment or order in the civil docket under Federal Rule of Civil Procedure 79 (a).

(B) A failure to set forth a judgment or order on a separate document when required by Federal Rule of Civil Procedure 58 (a) does not affect the validity of an appeal from that judgment or order.

APPENDIX F

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

PPC BROADBAND, INC.,

Plaintiff,

5:11-cv-761 (GLS/DEP)

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC,

Defendant.

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Gary L. Sharpe
Senior District Judge

MEMORANDUM-DECISION AND ORDER

I. Introduction

Plaintiff PPC Broadband, Inc. commenced this action against defendant Corning Optical Communications RF, LLC alleging that Corning's UltraRange and UltraShield series coaxial cable connectors willfully infringed its U.S. Patent No. 6,558,194 ("194 Patent") and U.S. Patent No. 6,848,940 ("940 Patent"). (*See generally* Compl., Dkt. No. 1.) After a three-day trial, the jury found in favor of PPC. (Dkt. No. 358.) Subsequently, the court held a two-day bench trial on Corning's laches and equitable estoppel affirmative defenses. (Dkt. Nos. 513-14.) In addition to Corning's defenses, pending before the court are PPC's motions for enhanced damages and attorneys' fees, and prejudgment interest. (Dkt. Nos. 409, 412.) For the reasons that follow, the court finds that Corning has not proven either affirmative defense and grants in part and denies in part both of PPC's motions.

II. Background

After conducting a non-jury trial on Corning's affirmative defenses, considering the parties' post-trial submissions, evaluating the credible evidence, and drawing reasonable inferences, the court makes the following findings of fact.[1] *See* Fed. R. Civ. P. 52(a); (Dkt. Nos. 517-18, 520-21.)

Corning was previously found to infringe on PPC's patents. Specifically, a 2003 Wisconsin litigation determined that certain Corning UltraSeal connectors infringed on PPC's 194 Patent. (Dkt. No. 513 at 46.)

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[1] The record includes the testimony from both the jury and non-jury trials, the deposition designations, all admitted exhibits, and the parties' stipulation. (Dkt. Nos. 307, 359-65, 511, 513-14.) The court admits all exhibits presented at the bench trial except for D-1257, an exhibit for which an objection was previously sustained at trial, and pages twenty-seven through twenty-nine of exhibit D-1259, pages of which the parties concur as to admissibility. (Dkt. No. 349; Dkt. No. 513 at 101-02; Dkt. No. 519.) Additionally, in general, the court concurs with the facts as recited by PPC. (Dkt. Nos. 517-18.)

Following that litigation, Corning and PPC entered into a settlement agreement related to other, noninfringing connectors. (Ex. D-1043.) The agreement provided that PPC would not sue Corning over its UltraSeal 7, 11, and certain connectors with “substantially similar structure” for infringement of the 194 Patent among others. (Ex. D-1043 ¶ 10, 23; Dkt. No. 511, Attach. 4 at 7.) As part of the settlement agreement, the parties drafted talking points that they could communicate to their customers and one point expressly stated that Corning could continue to sell its UltraSeal 7 and 11 products. (Ex. D-1043 at 15; Dkt. No. 511, Attach. 4 at 7.)

In 2004, following the settlement agreement, Corning developed a new product called the UltraRange. (Dkt. No. 362 at 53-55.) Donald Burris, Corning’s lead engineer, testified that he based the design of the UltraRange on noninfringing products from the UltraSeal line. (*Id.* at 54-55; Dkt. No. 513 at 14-16.) Specifically, Burris relied on the UltraSeal 7, 11, and 59-HEC products to develop the UltraRange. (Dkt. No. 362 at 54-55; Dkt. No. 513 at 14-16; Ex. D-1234 at 2-3.) In December 2004, PPC obtained Corning’s UltraRange product, analyzed it for infringement, and determined that it did not infringe the 194 Patent. (Dkt. No. 307 at 3.)

Thereafter, in 2005, Corning received customer complaints about the

UltraRange and added two features to the product: an extension of the front end of the gripper and a second taper to the rear of the compression ring. (Dkt. No. 362 at 62-63, 67-69; Dkt. No. 513 at 18.) Corning's design was patented in 2006, which showed the two tapers. (Dkt. No. 513 at 22-24.) The jury in this case found that this newly designed 2005 version of the UltraRange infringed PPC's 194 and 940 Patents. (Dkt. No. 358.)

Burris designed the 2005 version of the UltraRange and explained that its new features were "invisible" because they were "inside the connector and would [not] be noticeable." (Dkt. No. 362 at 103-04.) Notably, the 2005 version of the UltraRange worked differently than the 2004 version and the UltraSeal 7, 11, and 59-HEC products. (Dkt. No. 511, Attach. 4 at 20; Dkt. No. 513 at 34-43.) Nevertheless, Corning kept the same series and model number, same outward appearance, and same catalogue and marketing materials for the 2005 version of the UltraRange as the 2004 version of the UltraRange. (Dkt. No. 359 at 118-20; Dkt. No. 360 at 22-23, 84-86; Dkt. No. 362 at 16-17.) Corning never sent PPC samples or drawings of the 2005 version of the UltraRange. (Dkt. No. 362 at 21-22.) Corning presented the 2005 redesigned version of the UltraRange at trade shows, depicted it in a 2009 video, and presented it on a poster created in 2008. (Dkt. No. 363 at 82-85, 106; Dkt. No. 513 at 24-25.)

PPC officials were not aware that Corning had redesigned the UltraRange until 2011. (Dkt. No. 359 at 117-19; Dkt. No. 360 at 10-11, 22-24, 54-55, 85-86.) In 2010, Corning expanded its product line to add the UltraShield coaxial cable connectors and first shipped this product to a customer in January 2011. (Dkt. No. 307 at 2.) PPC officials first became aware that the UltraRange changed after it tested Corning's UltraShield product for infringement in 2011. (Dkt. No. 359 at 114-17; Dkt. No. 360 at 90.) Thereafter, it accused the 2005 version of the UltraRange and the UltraShield of patent infringement of the 194 and 940 Patents in July 2011. (Compl.; Dkt. No. 307 at 2.)

PPC was known to aggressively protect its intellectual property by, among other things, actively enforcing its patents. (Dkt. No. 511, Attach. 4 at 16, 18.) For example, Corning expected that PPC would, at a minimum, contact them about potential infringement if PPC knew that Corning had incorporated its infringing UltraSeal product into a new product. (*Id.* at 17-18.) Additionally, PPC monitored its competitors. It obtained samples of its competitors' products including Corning's UltraRange product. (Dkt.

No. 359 at 117-18.) PPC also tested Corning's UltraRange and UltraShield products for performance in 2005, 2009, and 2011 through red dye testing. (Dkt. No. 307 at 3; Dkt. No. 359 at 118; Dkt. No. 513 at 123-24.)

III. **Discussion**

A. **Laches and Equitable Estoppel**

At the September 2016 non-jury trial, Corning supplemented the record from the July 2015 jury trial advancing the affirmative defenses of laches and equitable estoppel. Based on the court's factual findings from the entire record, it makes the following conclusions of law. *See* Fed. R. Civ. P. 52(a)(1).

To prove laches, the infringer must demonstrate by a preponderance of the evidence that (1) "the patentee's delay in bringing suit [was] 'unreasonable and inexcusable,'" and (2) the infringer suffered "'material prejudice attributable to the delay.'" *Intirtool, Ltd. v. Texar Corp.*, 369 F.3d 1289, 1297 (Fed. Cir. 2004) (quoting *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992), *overruled on other grounds by SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311 (Fed Cir. 2015)); *see A.C. Aukerman Co.*, 960 F.2d at

1045. A court will presume laches if the patentee delays filing suit for more than six years after it knew or should have known of the potential infringement. *See A.C. Aukerman Co.*, 960 F.2d at 1028. A patentee has constructive knowledge if the infringer engaged in "pervasive, open, and notorious activities that a reasonable pantentee would suspect were infringing." *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998) (internal quotation marks and citation omitted).

To establish equitable estoppel, the infringer must demonstrate three elements:

> "(1) the patentee, through misleading conduct, leads the . . . infringer to reasonably infer that the patentee does not intend to enforce its patent against the . . . infringer, (2) the . . . infringer relies on that conduct, and (3) due to its reliance, the . . . infringer will be materially prejudiced if the patentee is allowed to proceed with its claim."

Ecolab, Inc. v. Envirochem, Inc., 264 F.3d 1358, 1371 (Fed Cir. 2001); *see A.C. Aukerman Co.*, 960 F.2d at 1028. Indeed, the patentee may mislead the infringer through inaction or silence, however, such "inaction must be combined with other facts respecting the relationship or contacts between the parties to give rise to the necessary inference that the claim against the [infringer] is abandoned." *A.C. Aukerman Co.*, 960 F.2d at 1042.

Corning contends that it established its laches defense by presumption. First, it argues that PPC had actual knowledge of a potential infringement claim in late 2004 when it analyzed the UltraRange product for infringement. (Dkt. No. 524 at 11-12.) Corning argues that PPC's infringement contentions in this case were initially broad enough to include the 2004 version of the UltraRange and, thus, the laches period should run from when PPC was aware that it had a potential claim against that product. (*Id.* at 6-10.) PPC, however, determined that the 2004 version of the UltraRange did *not* infringe. (Dkt. No. 307 at 3; Dkt. No. 513 at 123.) Accordingly, the 2004 noninfringement finding cannot serve as the basis for PPC's actual knowledge of a potential infringement claim against Corning. *See Wanlass*, 148 F.3d at 1337 ("The period of delay begins at the time the patentee has actual or constructive knowledge of the defendant's potentially infringing activities.")

The court is also not persuaded by Corning's contention that PPC had constructive notice of a potential claim against it in 2005. Corning cites evidence that the connector market is concentrated, and it openly and prevalently sold the UltraRange. (Dkt. No. 360 at 28; Dkt. No. 363 at 93;

Dkt. No. 513 at 145.) Corning also cites a video it displayed of the 2005 version of the UltraRange at trade shows. (Dkt. No. 363 at 82-85.) Corning notes that PPC had bags of Corning's connectors during the relevant time and could easily test them for infringement. (Dkt. No. 513 at 120, 122-23.) Furthermore, Corning points out that PPC conducted red dye tests of the 2005 version of the UltraRange. (Dkt. No. 513 at 124-27.) Additionally, Corning presented evidence that PPC knew that a connector may undergo design improvements over the course of its product life cycle. (Dkt. No. 360 at 29-31.) Finally, Corning notes that PPC actively monitored its competitors' patents, and Corning patented its design of the 2005 version of the UltraRange. (Dkt No. 359 at 150-52; Exs. D-9, D-12.)

Corning generally cites to evidence that PPC should have known of the 2005 version of the UltraRange. However, awareness of a product is not enough; a patentee must have actual or constructive knowledge of a product's infringement to trigger the laches clock. *See PSN Illinois, Inc. v. Ivoclar Vivdent, Inc.*, 398 F. Supp. 2d 902, 907 (N.D. Ill. 2005) ("Knowledge of a product . . . does not automatically indicate actual or constructive knowledge of infringement. Courts . . . have repeatedly rejected the use of the laches defenses against patentees who were aware of an infringing product more than six years before filing suit, but were not aware of the infringement.”).

Corning also marshals evidence suggesting that PPC would have known of the infringement if it had tested the 2005 version of the UltraRange for infringement. This presupposes that PPC had a continuing duty to test its competitors’ products for infringement. Certainly, a patentee has a general duty to “police [its patent] rights.” *Wanlass*, 148 F.3d at 1338. But that duty does not require a patentee to investigate its competitors’ products absent circumstances that it should reasonably suspect infringement. *See id.*; *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1465 (Fed. Cir. 1998). The duty to investigate did not arise here because PPC previously tested the 2004 version of the UltraRange, determined it did not infringe, and had no reason to believe that Corning changed its product. (Dkt. No. 359 at 117-119; Dkt. No. 360 at 10-11, 22-24, 54-55, 85-86.) In addition, the red dye tests that PPC performed on the 2005 version of the UltraRange tested for performance, not infringement, and did not require technicians to review a cross section of the cable connector. (Dkt. No. 359 at 118; Dkt. No. 513 at 140-41.) For these reasons, the court is not convinced that PPC was on notice to reasonably suspect infringement.

Furthermore, Corning's concealment of the 2005 version of the UltraRange belies evidence suggesting that PPC had constructive knowledge of a potential infringement claim. *See Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1559 (Fed. Cir. 1997) (holding courts may "consider[] the effect of [an infringer's] secrecy policy on [a patentee's] efforts to protect its rights"), *abrogated on other grounds by Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed Cir. 1998). Despite adding new design features previously found to infringe, Corning kept the same series and model number, same outward appearance, and same catalogue and marketing materials as the 2004 version of the UltraRange. (Dkt. No. 359 at 118-20; Dkt. No. 360 at 22-23, 84-86; Dkt. No. 362 at 16-17.) Corning never sent samples or drawings of the new design to PPC. (Dkt. No. 362 at 21-22.) Burris, Corning's lead engineer, characterized the new design features as "invisible" because they were "inside the connector and would [not] be noticeable." (Dkt. No. 362 at 103-04.) Corning's conduct indicated to PPC that the UltraRange product did not change. (Dkt. No. 359 at 117-119; Dkt. No. 360 at 10-11, 22-24, 54-55, 85-86.) This evidence further bolsters the court's conclusion that PPC should not have reasonably suspected infringement of its patents in suit in 2005.

Because Corning has not shown that PPC had actual or constructive knowledge of a potential claim six years before filing suit, it is not entitled to a presumption of laches. *See A.C. Aukerman Co.*, 960 F.2d at 1028. Nor has Corning presented any additional evidence suggesting that PPC had actual or constructive knowledge of a potential infringement claim between 2005 and 2011. Corning, therefore, has not established the first element of laches, which is fatal to its defense. *See Intirtool, Ltd.*, 369 F.3d at 1297.

To the contrary, the evidence demonstrates that PPC first learned of the infringement in 2011 and had no reason to know of a potential claim earlier. In 2011, Corning released its UltraShield connector and PPC analyzed this new product for infringement. (Dkt. No. 359 at 114; Dkt. No. 360 at 90.) PPC determined that the UltraShield included a taper which deformed the body and was previously found to infringe in the 2003 Wisconsin litigation. (Dkt. No. 359 at 114-15; Dkt. No. 360 at 90.) This prompted PPC for the first time to retest the UltraRange to confirm whether its design had changed from when it first tested it for infringement in 2004. (Dkt. No. 359 at 114-16.) After analyzing the UltraRange, the testing revealed that it had changed and included the same taper that was found in the UltraShield product. (*Id.* at 116-17.) PPC then commenced this lawsuit that same year. (*See generally* Compl.)

Although doctrinally distinct from laches, knowledge is also a necessary component of an equitable estoppel defense. *See A.C. Aukerman Co.*, 960 F.2d at 1042. As noted above, an infringer must first show that the patentee's conduct "support[s] an inference that the patentee did not intend to press an infringement claim against the . . . infringer." *Id.* at 1042. To that end, an infringer must demonstrate that it "knows or can reasonably infer that the patentee has known of the allegedly infringing activities for some time." *High Point SARL v. Sprint Nextel Corp.*, 817 F.3d 1325, 1330 (Fed Cir. 2016) (citing *A.C. Aukerman Co.*, 960 F.2d at 1042). Without the requisite knowledge, a patentee cannot engage in misleading conduct. *See id.* at 1331 (determining the patentee was "on notice" of the allegedly infringing activity before finding that it engaged in misleading conduct); *Lee's Aquarium & Pet Prods., Inc. v. Python Prods., Inc.*, Nos. 97-1278, 97-1328, 1998 WL 129903, at *4-5 (Fed. Cir. 1998) (finding no misleading conduct when the patentee did not know or should not have reasonably known of the allegedly infringing activity); *Yeda Research &*

Dev. Co. Ltd. v. Imclone Sys., Inc., No. 03 Civ. 8484, 2005 WL 2923545, at *8 (S.D.N.Y. 2005) (noting that equitable estoppel requires a finding that "the party estopped had a clear basis for knowledge" of the allegedly infringing activity).

Corning contends that PPC mislead it by not pursuing infringement claims against the -59-HEC, -7, and -11 UltraSeal products, which Corning based its UltraRange design on. (Dkt. No. 524 at 15-16.) Additionally, Corning argues that PPC mislead it when it did not accuse the 2004 version of the UltraRange of infringement. (*Id.* at 16-17.) Finally, Corning maintains that the above actions followed by PPC's silence until this litigation is further evidence of misleading conduct. (*Id.*)

At trial, however, Corning conceded that the above referenced UltraSeal products and the 2004 version of the UltraRange are different than the accused 2005 version of the UltraRange. (Dkt. No. 513 at 34-43; Dkt. No. 511, Attach. 4 at 20.) Accordingly, any representation with respect to these products cannot form the basis of a misrepresentation against the 2005 version of the UltraRange or the UltraShield products. *See B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1425 (Fed. Cir. 1997) (holding a patentee's communications with an infringing company about a different product cannot support a misrepresentation about the infringing product).

As discussed with respect to laches, PPC did not have actual knowledge that the UltraRange or UltraShield products infringed either of its patents in suit before 2011. Furthermore, Corning could not reasonably infer that PPC had constructive knowledge of its infringement before then. PPC had no duty to investigate as it did not reasonably suspect infringement nor did its awareness of the UltraRange product line give rise to such duty. *See Wanlass*, 148 F.3d at 1338; *PSN Illinois, Inc.*, 398 F. Supp. 2d at 907. For these reasons, Corning cannot rely on PPC's silence to prove estoppel. *See A.C. Aukerman Co.*, 960 F.2d at 1043 ("[S]ilence alone will not create an estoppel unless there was a clear duty to speak."). As such, Corning has not proven that PPC engaged in misleading conduct that it had abandoned its patent claim and, accordingly, the evidence does not support an equitable estoppel defense.

B. Enhanced Damages

Courts have the discretion to award "damages up to three times the amount found or assessed" on findings of patent infringement. 35 U.S.C. § 284; *see Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933-34 (2016). Courts must consider the totality of the circumstances and are guided by a nine-factor test to assess whether and by what amount to award enhanced damages. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992), *abrogated in part on other grounds by Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995).[2] Accordingly, courts should assess: (1) whether the infringer deliberately copied the patentee's ideas or design; (2) whether the infringer, upon knowing of the patent, investigated the scope of the patent and formed a good faith belief that it was invalid or that it was not infringed; (3) the infringer's litigation behavior; (4) the infringer's size and financial condition; (5) the closeness of the case; (6) the duration of the infringer's misconduct; (7) remedial action taken by the infringer; (8) the infringer's motivation for harm; and (9) whether the infringer attempted to conceal its misconduct. *See id.* at 827. Ultimately, consideration of the *Read* factors measures the infringer's culpability, and enhanced damages are punitive and should be awarded for "egregious cases of misconduct beyond typical infringement" including "cases typified by willful misconduct" or "deliberate or wanton" infringement. *Halo Elecs., Inc.*, 136 S. Ct. at 1934, 1935-36 (internal

[2] Courts continue to apply the *Read* factors to determine whether to enhance damages after the Supreme Court's decision in *Halo*. *See, e.g.*, *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1325, 1339-42 (Fed. Cir. 2016).

quotation marks and citation omitted). A party must show that it is entitled to enhanced damages by a preponderance of the evidence. *See id.* at 1934.

PPC argues that damages should be trebled because of the jury's willfulness finding, evidence of Corning copying PPC's patents, Corning's continued sales of the infringing product after PPC filed this action, and Corning's vexatious litigation tactics. (Dkt. No. 517 at 31-35.) Corning counters that no enhancement is warranted because it did not return to its previous infringing design, it openly sold the accused products, it had a strong position that its accused products were noninfringing, and it stopped sales of the accused design after the jury's verdict. (Dkt. No. 420 at 7.)

1. Deliberate Copying

PPC argues that Corning deliberately copied its 194 Patent when it added the taper that deformed the connector's body member to the accused products. (Dkt. No. 412, Attach. 1 at 10-11.) PPC contends that Corning was aware that this taper was infringing because the same design was found to infringe in the 2003 Wisconsin litigation. (*Id.* at 10.) Corning maintains that it did not copy PPC's patent because it independently developed its products. (Dkt. No. 420 at 7-8.) Specifically, Corning asserts that it avoided the 194 Patent when designing the new UltraRange connector and instead relied on its noninfringing UltraSeal products. (*Id*.)

While Corning may have designed the 2004 version of the UltraRange around PPC's patents, the same cannot be said for the accused products. Rather, the evidence supports the conclusion that Corning deliberately copied PPC's patents. Corning knew that the taper which deformed the connector's body member infringed the 194 Patent. (Dkt. No. 360 at 17-18.) Nevertheless, Corning added this taper to the 2005 version of the UltraRange and the UltraShield. (Dkt. No. 359 at 109-20; Dkt. No. 360 at 88-91.) Indeed, the jury found that Corning willfully infringed PPC's patents in suit after being instructed that it could consider what would or should have been obvious to Corning when it sold its accused products. (Dkt. No. 365 at 157-58; Dkt. No. 358.) The court, therefore, finds that this factor supports enhancement. *See nCUBE Corp. v. SeaChange Int'l, Inc.*, 313 F. Supp. 2d 361, 387-88 (D. Del. 2004) (finding deliberate copying supported enhancing damages based in part on the jury's finding of willful infringement and the public availability of the design information underlying the patent), *aff'd* 436 F.3d 1317 (Fed Cir. 2006).

2. Good Faith Belief of Invalidity or Noninfringement

PPC contends that Corning did not have a good faith belief that either of PPC's patents in suit were invalid or that Corning's accused products did not infringe. (Dkt. No. 412, Attach. 1 at 15-18.) PPC notes that Corning was either precluded from arguing invalidity or waived its invalidity defense against the patents in suit. (*Id.* at 16; Dkt. No. 208; Dkt. No. 446 at 29-30.) Furthermore, PPC argues that Corning did not present evidence of a proper investigation into PPC's infringement allegations, did not provide an opinion of counsel, and improperly relied on the 2013 Court of International Trade decision as a basis for its good faith. (Dkt. No. 412, Attach. 1 at 15-18.)

Corning maintains that its legal department approved the UltraRange product line and also determined that the gripper connectors in its UltraSeal product line did not infringe after it investigated the scope of the 194 and 940 Patents during the 2003 Wisconsin litigation and subsequent settlement. (Dkt. No. 524 at 21.) Corning based its design of the UltraRange on the non-infringing UltraSeal gripper connectors. (Dkt. No. 513 at 14-17.) After PPC commenced this action, Corning asserts that its head of operations thoroughly investigated the claims by speaking with inhouse and outside counsel. (Dkt. No. 420 at 13.) Finally, Corning states that the 2013 Court of International Trade decision supported its belief that its accused connectors did not infringe. (*Id.*)

The court finds that this factor supports enhancement. While Corning did receive legal advice about the UltraRange before its launch, this advice was directed at the 2004 version of the UltraRange and not the accused products. (Dkt. No. 511, Attach. 4 at 11.) Similarly, Corning evaluated the scope of the patents in suit with regard to the UltraSeal product line and not the accused products. (Dkt. No. 513 at 73; Dkt. No. 514 at 53-54; Ex. D-1079 at 7 ¶ 20.) Corning spoke with counsel after PPC commenced this suit but failed to provide a formal opinion regarding noninfringement. (Dkt. No. 362 at 29); *see Hako-Med USA, Inc. v. Axiom Worldwide, Inc.*, No. 8:06-cv-1790-T-33, 2009 WL 3064800, at *9 (M.D. Fl. Sept. 22, 2009) (noting that whether the infringer obtained and presented a legal opinion is still relevant "[u]nder a *Read* factor analysis" based on the "'totality of the circumstances'"); *see also Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1313 (Fed. Cir. 2010). Finally, Corning's reliance on the 2013 Court of International Trade opinion is misplaced because it was decided years after Corning knew of both PPC's patents and infringement allegations. *See Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1276 (Fed. Cir. 1999) (finding the relevant time to assess infringement is when the infringer had notice of the patent). Because the evidence shows that Corning did not have a good faith belief in its noninfringement defense, this factor supports enhancement.

3. Corning's Litigation Behavior

PPC contends that Corning wasted the court's time with a bench trial on its baseless affirmative defenses, violated numerous court orders, dropped its invalidity defense after four years of litigation, and belatedly added an affirmative defense without support. (Dkt. No. 412, Attach. 1 at 18-25; Dkt. No. 517 at 34-35.) The Federal Circuit has held that litigation misconduct "[t]ypically . . . refers to bringing vexatious or unjustified suits, discovery abuses, failure to obey orders of the court, or acts that unnecessarily prolong litigation." *i4i Ltd P'Ship v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010). The conduct of Corning or its counsel cannot be characterized as more than zealous advocacy in high stakes litigation. Notably, several of Corning's affirmative defenses survived summary judgment requiring a bench trial, indicating that its positions were neither "vexatious or unjustified." *Id.*; (Dkt. No. 209.) Furthermore, both parties acted professionally throughout trial. (Dkt. No. 365 at 196-97); *see Arctic Cat Inc. v. Bombardier Recreational Prods., Inc.*, No. 14-cv-62369, 2016 WL 4249951, at *7 (S.D. Fla. July 27, 2016) (finding counsel's professional trial behavior weighed against enhancement). Accordingly, the court finds this factor weighs against enhancement.

4. Corning's Size and Financial Condition

The fourth *Read* factor supports an enhancement because Corning has substantial resources. *See Johns Hopkins Univ. v. CellPro*, 978 F. Supp. 184, 195 (D. Del. 1997) ("Punishing a larger company in a stronger financial condition may call for higher damages, where a lower number may be equally effective in punishing a smaller company.") At trial, Corning reported having annual revenues of approximately two billion dollars and, therefore, can afford to pay enhanced damages up to the maximum statutory amount. (Dkt. No. 362 at 16-17.)

5. Closeness of the Case

PPC argues that the case was not close because the jury only spent one hour in deliberations to find that Corning willfully infringed on its patents in suit. (Dkt. No. 412, Attach. 1 at 18.) Corning cites cases contesting PPC's proposition, (Dkt. No. 420 at 15-16), and maintains the case was close because the court denied PPC's motion for summary judgment on infringement and its defenses of laches and equitable estoppel, and the case was ultimately tried. (*Id.* at 15.)

The court agrees with Corning that it cannot draw an inference about the closeness of the case from the length of jury deliberations. *See, e.g.*, *Floe Int'l, Inc. v. Newmans' Mfg. Inc.*, No. 04-5120, 2006 WL 2472112, at *5 (D. Minn. Aug. 23, 2006) ("The length of jury deliberations generally does not indicate whether a case is close or not."). Nevertheless, based on the evidence, the case was not particularly close. PPC presented evidence demonstrating that Corning willfully infringed on both its 194 and 940 Patents, which the jury credited and rendered a verdict in its favor. (Dkt. No. 358.) The court determined that the jury's verdict was supported by legally sufficient evidence. (Dkt. No. 446.) Furthermore, all of Corning's defenses have been rejected on summary judgment or by bench decision. (*Id.*; Part III.A.) Corning's position as to infringement, laches, and equitable estoppel may have required resolution at trial, however, this fact does not dictate that the case was close. *See nCUBE Corp.*, 313 F. Supp. 2d at 390 (rejecting the survival of a defense on summary judgment as evidence of a close case). Accordingly, the court finds this factor weighs in favor of enhancement.

6 & 7. Duration of the Misconduct & Remedial Action

PPC maintains that Corning has infringed since 2005 and failed to take remedial action. (Dkt. No. 517 at 33-34.) PPC argues that Corning continued to sell its accused products until the jury verdict. (*Id.* at 33.) Corning contends that it took remedial action when it introduced its C3 connector in 2014, which, according to Corning, was a non-infringing alternative design. (Dkt. No. 420 at 13-14.) Furthermore, Corning asserts that it took "immediate steps to respect the jury verdict" and stopped selling the accused products after that date. (*Id.* at 14.)

Corning was aware of PPC's patents when it developed the accused products. (Dkt. No. 362 at 53-54.) The jury found that Corning's accused products, developed in 2005 and 2010, infringed on PPC's patents in suit in 2015, (Dkt. No. 358), and, thereafter, Corning took those infringing products off the market, (Dkt. No. 513 at 172, 175). Ten years of misconduct weighs in favor of an enhancement. *See, e.g.*, *I-Flow Corp. v. Apex Med. Tech., Inc.*, No. 07cv1200, 2010 WL 114005, at *3 (S.D. Cal. Jan. 6, 2010) (finding six years of misconduct was "substantial," favoring enhancement); *Broadcom Corp. v. Qualcomm Inc.*, No. SACV 05-467-JVS, 2007 WL 2326838, at *3 (C.D. Cal. Aug. 10, 2007) ("The length of [the infringer's] infringement (approximately two years), coupled with the fact that infringement continued after [the patentee] filed its suit, supports an increase in damages."), *vacated on other grounds*, 2007 WL 8030058 (C.D. Cal. Nov. 21, 2007). Likewise, continuing to sell the infringing products after notice of infringement and during the course of litigation supports enhancement. *See Novozymes A/S v. Genencor Int'l, Inc.*, 474 F. Supp. 2d 592, 611 (D. Del. 2007). The length of Corning's infringement supports a damages enhancement.

On the other hand, Corning remedied some of its infringement by selling the converted C3 connectors, which the parties stipulated would not be part of the case nor accused of infringement of the patents in suit. (Dkt. No. 349; Dkt. No. 420, Attach. 4 ¶ 8.) Because Corning engaged in some remedial action, this factor weighs against enhancement.

8. Corning's Motivation for Harm

PPC contends that Corning's infringement was motivated by greed and economic gain, (Dkt. No. 412, Attach. 1 at 13), while Corning argues it engaged in fair competition and had no desire to steal PPC's intellectual property, (Dkt. No. 420 at 12). The court finds that this factor weighs in favor of enhancement. Corning's customers complained about the 2004 version of the UltraRange, and Corning redesigned its product by adding the taper which was previously found to infringe PPC's patents. (Dkt. No. 359 at 116-20; Dkt. No. 360 at 17-22, 88-91; Dkt. No. 362 at 7-13, 15-16, 62-63, 67-69; Dkt. No. 513 at 18.) This evidence demonstrates that Corning would rather knowingly infringe than invest the time and resources to redesign its connector. In addition, the evidence supports the inference that Corning intended to harm PPC by diverting business away from PPC. (Dkt. No. 361 at 12-13); *see Power Intergrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 762 F. Supp. 2d 710, 724 (D. Del. 2011) ("[T]he evidence of motivation to harm becomes greater when the patentee and infringer are in direct competition, and the accused infringer's actions are specifically intended to take business away from the patent owner."), *vacated on other grounds*, 711 F.3d 1348 (Fed. Cir. 2013).

9. Concealment

Finally, as exhaustively discussed and argued with respect to the affirmative defenses, this factor strongly supports enhancement. (Part III.A at 12-13.) Corning concealed its infringement by identifying and advertising the redesigned UltraRange in the same way as the 2004 version. (*Id.*) Corning's lead engineer testified that the new features were "invisible," (Dkt. No. 362 at 103-04), leading PPC to conclude that the UltraRange had not been redesigned, (Dkt. No. 359 at 117-19; Dkt. No. 360 at 10-11, 22-24, 54-55, 85-86).

In sum, the *Read* factors decidedly support enhancement. Additionally, the jury found that Corning's infringement was willful, which was supported by substantial evidence. (Dkt. Nos. 358, 446.) Based on all the facts and circumstances, enhanced damages are warranted as PPC has shown that Corning copied its patents, did not have a good faith basis for its noninfringement defense, and concealed its infringement, demonstrating that it engaged in egregious infringement behavior. *See Halo Elecs., Inc.*, 136 S. Ct. at 1932. Without a doubt, "[t]here is a spectrum of improper conduct." *Cleancut, LLC v. Rug Doctor, Inc.*, No. 2:08-cv-836, 2013 WL 441209, at *4 (D. Utah Feb. 5, 2013). Although Corning's misconduct warrants an enhancement, it is "not a polar case" at "the most egregious end of the spectrum." *Id.* (awarding double not treble damages after finding that the totality of the circumstances and six *Read* factors supported an enhancement). The court exercises its discretion and finds that doubling the damages award is a sufficient "'punitive' or 'vindictive' sanction" for Corning's misconduct. *Halo Elecs., Inc.*, 136 S. Ct. at 1932; *see Dominion Res. Inc. v. Alstom Grid, Inc.*, No. 15-224, 2016 WL 5674713, at *20-24 (E.D. Pa. Oct. 3, 2016) (awarding double damages because of the jury's willfulness finding and two *Read* factors weighed in infringer's favor). Accordingly, the jury's damages verdict of $23.85 million is doubled to $47.7 million.

C. <u>Attorneys' Fees</u>

Courts may award a prevailing party attorneys' fees in "exceptional cases" and will exercise their discretion to determine whether a case meets this standard depending on the totality of the circumstances. 35 U.S.C. § 285; *see Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). Courts are instructed "that 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*, 134 S. Ct. at 1756. In making this determination, courts should consider the "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 1756 n.6. Fee awards may be appropriate in "case[s] presenting either subjective bad faith or exceptionally meritless claims." *Id.* at 1757. Entitlement to fees is measured by a preponderance of the evidence standard. *See id.* at 1758.

PPC contends that it is entitled to attorneys' fees for essentially the same reasons that it insists Corning engaged in litigation misconduct under the *Read* factors. (Dkt. No. 412, Attach. 1 at 20-25; Dkt. No. 517 at 34-35.) Corning counters that its positions were reasonable and its litigation behavior was proper. (Dkt. No. 420 at 19-24.)

This case is not exceptional. Although the jury ultimately found for PPC and the court rejected Corning's defenses, Corning's positions were not wholly without merit. *See SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1347-48 (Fed Cir. 2015) (finding what matters is the "substantive *strength*, not the *correctness* or eventual success of that position"). Indeed, both Corning's equitable estoppel and laches defenses survived summary judgment and the court did not find infringement on summary judgment. (Dkt. Nos. 207, 209.) In total, Corning's positions were not unreasonable warranting a fee award. *See EON Corp. IP Holdings LLC v. Cisco Sys. Inc.*, 12-CV-01011, 2014 WL 372617, at *5 (N.D. Cal. July 25,

2014) (denying fees where a party's argument was "quite stretched" and its conduct "difficult to explain," the court could not "quite conclude that *no* reasonable patentee could see an opening . . . through which the argument could be squeezed"); *Gameteck LLC v. Zynga, Inc.*, CV 13-2546, 2014 WL 4351414, at *3 (N.D. Cal. Sept. 2, 2014) (denying fees where party's briefing "consisted of granular parsing of the claimed steps rather than any substantive explanation of how [the invention] differed from the underlying abstract idea," it "did not, however, descend to the level of frivolous argument or objective unreasonableness"). For the same reasons discussed with respect to the third *Read* factor, Corning's litigation behavior does not warrant a fee award. *See Small v. Implant Direct Mfg. LLC*, No. 06 Civ. 683, 2014 WL 5463621, at *4 (S.D.N.Y. Oct. 23, 2014) (noting that post-*Octane* "most cases awarding fees continue to involve substantial litigation misconduct"); *cf. Homeland Housewares, LLC v. Hastie2Market, LLC*, 581 F. App'x 877, 878 (Fed. Cir. 2014) (upholding fee award where the party filed unsolicited briefs and multiple meritless reconsideration motions and failed to introduce admissible evidence to support its claim). Accordingly, PPC's motion for attorneys' fees is denied.

D. <u>Prejudgment Interest</u>

PPC seeks prejudgment interest on its damages award at the New York statutory rate of nine percent per annum running from the first date of eligible recovery,[3] or July 5, 2005, until the date of entry of judgment. (Dkt. No. 409, Attach. 1 at 8-9.) Corning argues that PPC's prejudgment interest calculation grants it an improper windfall. (Dkt. No. 424 at 2-7.) Corning instead advocates that the court calculate interest by applying the T-bill interest rate compounded annually to Corning's annual sales of its infringing products. (*Id.* at 2, 6-7.)

A successful patent owner is generally entitled to prejudgment interest on its damages award. *See* 35 U.S.C. § 284 ("[T]he court shall award . . . damages adequate to compensate for the infringement . . . together with interest and costs as fixed by the court."). To that end, "prejudgment interest should be awarded under [section] 284 absent some justification for withholding such award." *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 657 (1983). The purpose of prejudgment interest is not to punish the infringer but to compensate the patent owner for "the loss of any possible use of the money between the time of the infringement and

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[3] PPC asserts that Corning's infringement began on March 24, 2005 but acknowledges that by statute it is not entitled to damages for infringement committed more than six years before it filed the complaint. (Dkt. No. 409, Attach. 1 at 8-9, citing 35 U.S.C. § 286.)

the date of the judgment." *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed Cir. 1983), *overruled on other grounds*, *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

The federal statute does not fix an interest rate, and courts have the discretion to set it accordingly. *See Bio-Rad Labs., Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 969 (Fed Cir. 1986). Courts have used both the T-bill rate and state statutory rates. *See Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 955 (Fed. Cir. 1997) (T-bill rate); *Oiness v. Walgreen Co.*, 88 F.3d 1025, 1028 (Fed. Cir. 1996) (state statutory rate).

In exercising its discretion, the court awards PPC prejudgment interest at the New York state statutory rate of nine percent per annum. *See* N.Y. C.P.L.R. § 5004. However, the court agrees with Corning that prejudgment interest should be calculated on Corning's annual sales of its infringing products. This calculation more accurately restores PPC to the financial position it would have been in but for Corning's infringement. *See Dragan v. L.D. Caulk Co.*, CIV. A. No. 84-707, 1989 WL 133536, at *13 (D. Del. Apr. 21, 1989) (calculating prejudgment interest based on yearly sales rather than the date of first infringement).

IV. Conclusion

WHEREFORE, for the foregoing reasons, it is hereby

ORDERED that PPC's motion for enhanced damages and attorneys' fees (Dkt. No. 412) is **GRANTED IN PART** and **DENIED IN PART** as follows:

GRANTED with respect to enhanced damages and that the rate of enhancement is doubled to the amount of $47.7 million;

and

DENIED with respect to attorneys' fees; and it is further

ORDERED that PPC's motion for prejudgment interest (Dkt. No. 409) is **GRANTED IN PART** and **DENIED IN PART** as follows:

GRANTED to the extent that the prejudgment interest rate is the New York statutory rate of nine percent per annum; and

DENIED in all other respects; and it is further

ORDERED that interest shall be calculated on Corning's annual sales of the infringing products; and it is further

ORDERED that the parties shall jointly submit a calculation of prejudgment interest consistent with this Memorandum-Decision within fourteen (14) days of the date of this Memorandum-Decision and Order; and it is further

ORDERED that the Clerk provide a copy of this Memorandum-Decision and Order to the parties.

IT IS SO ORDERED.

November 3, 2016
Albany, New York

Gary L. Sharpe
U.S. District Judge

APPENDIX G

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

PPC BROADBAND, INC.,

Plaintiff, **5:11-cv-761 (GLS/DEP)**

v.

CORNING OPTICAL COMMUNICATIONS RF, LLC,

Defendant.

ORDER

In its November 3, 2016 Memorandum-Decision and Order, the court directed the parties to jointly calculate prejudgment interest consistent with its order. (Dkt. No. 526 at 34.) In response, the parties submitted a joint letter indicating that plaintiff PPC Broadband, Inc. is also entitled to supplemental damages for the additional sales of the infringing products sold from April 1, 2015 through December 18, 2015, in the amount of $1,607,844. (Dkt. No. 527 at 1.) The court agrees. Therefore, the total compensatory award is $25,457,844, reflecting the jury's award and the supplemental damages. The parties agree, and the court concurs, that prejudgment interest on the total compensatory award is $10,423,628. (Dkt. No. 527 at 1.)

The parties dispute whether PPC is entitled to double enhanced damages on its supplemental award. (*Id.* at 1-2.) Finding no reason to treat supplemental damages differently, the court, consistent with its prior decision, also doubles the supplemental damages. *See* 35 U.S.C. § 284.

ACCORDINGLY, it is hereby

ORDERED that PPC is entitled to $1,607,844 in supplemental damages; and it is further

ORDERED that the supplemental damages award is doubled; and it is further

ORDERED that PPC is entitled to $10,423,628 in prejudgment interest; and it is further

ORDERED that the Clerk enter judgment for PPC consistent with this order, the court's November 3, 2016 Memorandum-Decision and Order (Dkt. No. 526), and the jury's July 23, 2015 verdict (Dkt. No. 358); and it is further

ORDERED that the Clerk provide a copy of this Order to the parties.

IT IS SO ORDERED.

November 18, 2016
Albany, New York

Gary L. Sharpe
U.S. District Judge