

No. 20-362

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In The  
**Supreme Court of the United States**

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COCHLEAR CORPORATION, COCHLEAR LTD.,

*Petitioners,*

v.

ALFRED E. MANN FOUNDATION FOR  
SCIENTIFIC RESEARCH, ADVANCED BIONICS, LLC,

*Respondents.*

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**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Federal Circuit**

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**BRIEF IN OPPOSITION**

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## QUESTIONS PRESENTED

1. Whether the court of appeals' summary affirmation of a fact-bound damages award based on multiple theories presents any question concerning the "book of wisdom" referenced in *Sinclair Refining Co. v. Jenkins Petroleum Process Co.*, 289 U.S. 689 (1933).

2. Whether the court of appeals' summary affirmation of the damages award presents any question related to the general verdict rule where:

a. over respondents' objection, the district court used petitioners' proposed special verdict form that the jury used, which required the jury to enter a single award of damages for infringement of "either" one "or" the other of the asserted patents; and

b. the parties' expert witnesses on damages agreed that a single constant royalty rate would apply to the entire damage period including the five years after the expiration of the subsequently-invalidated asserted patent.

3. Whether, despite petitioners' waiver in the district court, the court of appeals' summary affirmation of the damages award presents any issue of law concerning the apportionment of damages between the patented technology and unpatented features where the royalty base was undisputed and ample evidence tied the royalty rate to the value of the infringed features.

## **RULE 29.6 STATEMENT**

The Alfred E. Mann Foundation for Scientific Research (“the Foundation”) is a nonprofit medical research foundation with neither a parent company nor any publicly held company holding a 10% or more ownership stake.

Advanced Bionics, LLC (“AB”) is a Delaware limited liability company. AB’s parent companies and all other publicly held companies owning a 10% or more ownership stake are Sonova Holding AG, Sonova AG, Advanced Bionics AG, and Advanced Bionics Corporation.

## **RELATED PROCEEDINGS**

Cochlear omits additional related proceedings before the United States Court of Appeals (Fed. Cir.):

*Alfred E. Mann Found. For Scientific Research v. Cochlear Corp.*, No. 2009-1447 (May 14, 2010).

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## INTRODUCTION

Petitioners ask this Court to review the one-sentence order of the court of appeals summarily affirming the judgment. The three issues raised are not presented even by the underlying order of the district court. Petitioners waived the ability to challenge on some points. On others, they do not seek to settle any broadly applicable rule of law, but instead seek fact-bound review of a distinctive record that has been carefully evaluated by two courts below. And as to all of these points, the judgment is amply supported by alternate, unchallenged legal theories and evidence, so the guidance Petitioners pursue would be advisory at best. This Court does not issue advisory opinions. Certiorari should be denied.



## STATEMENT OF THE CASE

### **A. The Foundation Invented An Essential Feature Of Cochlear Implants**

The Foundation conducts nonprofit medical research. Foundation scientists have developed many life-enhancing medical technologies, including implantable cochlear stimulator technologies, which restore hearing to the deaf. C.A. App. 1154-1156.

The Foundation's U.S. Patent No. 5,609,616 ("the '616 patent") introduced back-telemetry to monitor cochlear implant performance and communicate results in real time from the implant to an external receiver. Another Foundation patent, No. 5,938,691 ("the

'691 patent”), no longer in the case, is also directed to back-telemetry.

Back-telemetry is an indispensable feature of modern cochlear implants. C.A. App. 255-291, 1243-1245. Surgeons use back-telemetry to verify that electrodes are working and electricity is flowing correctly before concluding implantation. C.A. App. 1181-1183, 1303-1305. If an electrode is defective, the surgeon can replace the implant during the same surgery. After implantation, audiologists use back-telemetry to verify that electrodes are connected and functioning and to fine-tune performance. C.A. App. 1194-1195, 1304-1306, 1373-1377. Doctors uniformly testified they would never recommend or implant a device lacking back-telemetry. C.A. App. 1244, 1370.

### **B. The Foundation Formed AB To Offer Back-Telemetry To Patients**

The Foundation funds research by commercializing technologies it develops. C.A. App. 1524-1525, 1527. In licensing its technology, the Foundation has regularly sought equity participation in its licensees because it anticipated that the equity would appreciate in value as the technology was exploited.

After petitioner Cochlear Corporation (“Cochlear”) refused the Foundation’s license to incorporate back-telemetry into Cochlear’s implants, the Foundation formed AB to ensure back-telemetry became available to patients. AB, which originally was privately held, designed and sold the world’s first FDA-approved

cochlear implant with back-telemetry—the Clarion. Pet. App. 84a-85a; C.A. App. 1198-1199.

In 1999, the Foundation granted AB an exclusive license to the '616 patent and certain other intellectual property. In exchange, the Foundation received approximately 5% of AB's stock as well as cash royalties ranging from 2-3% of sales revenue.

In 2004, Boston Scientific acquired AB, producing the first market-based valuation of AB stock.

### **C. Cochlear Copied The Patented Technology After Failing To Develop Its Own Back-Telemetry**

Cochlear's first implant, the Nucleus 22, lacked back-telemetry. C.A. App. 1070, 1701. When Cochlear learned of the impending introduction of AB's Clarion, it faced—by Cochlear's own admission—"being challenged competitively for the first time." C.A. App. 5023. Cochlear feared losing market leadership and seeing its Nucleus 22 rendered "obsolete." *Ibid.* Cochlear's own back-telemetry device was only in "planning stages." C.A. App. 1711-1713. Internally, Cochlear described back-telemetry as a "future feature" in 1994. C.A. App. 1728-1731.

AB's Clarion implant came to market in 1996 and caused Cochlear's sales to plummet 30%. Pet. App. 84a-85a; C.A. App. 1603-1604. Facing catastrophic losses, Cochlear copied the Foundation's patented technology, launching its first back-telemetry implant

in 1998. C.A. App. 1070, 1603-1604. From then on Cochlear's infringement, which is now an unchallenged fact, continued unabated through the expiration of the '616 patent in 2014. C.A. App. 1085, 2148.

#### **D. Procedural History**

In December 2007, the Foundation sued Cochlear for infringement of the '616 patent. C.A. App. 3034-3040. The Foundation later asserted the '691 patent via counterclaims-in-reply. C.A. App. 5142-5149. AB later joined the case after an early appeal was remanded. 604 F.3d 1354 (Fed. Cir. 2010).

The district court conducted a six-day trial in 2014. The '616 patent was still in effect, but the '691 patent had expired in 2009.

The parties agreed that damages could be calculated based on the royalty that would have resulted from a hypothetical negotiation between the Foundation and Cochlear in 1998, when infringement began.

Each side's experts agreed that the accused devices had back-telemetry, the royalty period ended in 2014, and the royalty rate should be applied to a royalty base of infringing product sales totaling \$1,809,247,456. C.A. App. 1609-1610. Respondents' damages expert, Cate Elsten, described back-telemetry as "must-have" technology (C.A. App. 1655) that directly influenced the market shares of implant manufacturers. C.A. App. 1644, 1656.

Each expert—including Cochlear’s—proposed a royalty rate that remained the same irrespective of the number of claims or patents found infringed, and that did not change when the ’691 patent expired in 2009. C.A. App. 1610, 2121. Thus, for several years of the damages period, the entire royalty rate proposed by each expert was for the ’616 patent alone, unchanged from the rate when both patents were in force.<sup>1</sup>

The Foundation proposed a verdict form that would have required the jury to specify damages by individual claims-in-suit. C.A. App. 5233-5234. Cochlear insisted, instead, on a form that did not depend on which particular patents (let alone claims) were infringed. Pet. App. 59a-64a; compare *ibid.* with C.A. App. 5233-5234.

The district court instructed the jury, using Cochlear’s form: “If you find that the Cochlear Defendants have infringed a valid claim of *either* the ’616 patent or the ’691 patent, what are the total damages that the Cochlear Defendants should pay to the Foundation?” C.A. App. 253 (emphasis altered). This verdict form conforms to each expert’s testimony that, in hypothetical license negotiations, Cochlear would have paid the same amount for the right to use back-telemetry regardless of whether it was required to license one or both of the patents.

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<sup>1</sup> The Foundation also provided later notice of infringement of the ’691 patent. In 2003, the Foundation notified Cochlear of its infringement of the ’616 patent, but did not mention the ’691 patent. C.A. App. 3987. The first notice of infringement of the ’691 patent came five years later—in a pleading filed in August 2008 during the lawsuit. C.A. App. 5146-5147.

The jury found Cochlear willfully infringed both the '616 and '691 patents, fixed a 7.5% royalty rate, and awarded \$131,216,325 in damages. *Ibid.*

After trial, the district court granted judgment as a matter of law that claim 1 of the '616 patent and claims 6 and 7 of the '691 patent were invalid for indefiniteness. C.A. App. 420-429. The court granted a new trial on damages for infringement of claim 10 of the '616 patent. C.A. App. 445-446. To facilitate appellate review, the court entered a partial final judgment under Rule 54(b), specifying “vacatur of the jury’s damages award” among the issues for appeal. C.A. App. 451-453.

In the initial appeal on the merits, the Federal Circuit unanimously reversed the indefiniteness finding as to claim 1 of the '616 patent and affirmed the infringement findings on both asserted claims of that patent. Pet. App. 4a. The panel divided on other issues. The majority affirmed the indefiniteness findings for claims 6 and 7 of the '691 patent but held that it lacked jurisdiction to consider whether vacatur of the damages verdict was required. *Id.* at 4a-5a. Judge Newman dissented in part, saying she believed not only that the court had jurisdiction but that the record sustained the full amount of the damages verdict. She noted that Cochlear proposed the verdict form used and “[t]he evidence, instructions, and damages theories presented led the jury to a single, permissible conclusion: that a reasonable royalty for the invention—back telemetry—was required to compensate the

Foundation for infringement of even a single claim.”  
*Id.* at 36a.

In a 72-page order on remand, the district court reinstated the verdict, holding that the evidence of damages resulting from infringement of the ’616 patent supports the entire damages award and Cochlear waived its right to claim otherwise. Pet. App. 59a, 70a. In upholding the willfulness verdict, the court found “substantial evidence \* \* \* that Cochlear intentionally copied plaintiff’s back telemetry technology set forth in the ’616 patent,” *id.* at 96a, with “a degree of dismissiveness of [the Foundation’s] patent rights and disrespect of the value the law places on protection of intellectual property that was exceptional.” *Id.* at 129a. The court enhanced damages by doubling them because “Cochlear’s conduct was more flagrant than most and Cochlear is the type of egregious infringer Congress had in mind” when passing the America Invents Act of 2011. *Id.* at 128a.

Cochlear appealed, sending the case to the Federal Circuit for a third time. Following briefing and argument, at which Judge Newman presided, the court of appeals affirmed without opinion.



## REASONS FOR DENYING CERTIORARI

### I. No Issue Concerning *Sinclair’s* “Book Of Wisdom” Merits Review

The petition mistakenly assumes that the court of appeals relied on *Sinclair’s* book of wisdom to affirm

the damages award. That “book of wisdom” allows a fact-finder charged with valuing an asset on a particular date to consider evidence of a market-based, arm’s-length transaction valuing the asset on a subsequent date when there is no earlier arm’s-length transaction.

Those circumstances apply here. But in any event, the record does not reflect that the court of appeals’ summary affirmance relied on the “book of wisdom”, because the damages were supported by ample independent evidence that does not implicate *Sinclair*. The decision thus presents no issue for review.

**A. The Court Of Appeals’ Summary Affirmance Presents No Question Concerning *Sinclair***

Cochlear seeks review even though the Federal Circuit did not address *Sinclair’s* “book of wisdom”, and did not need to do so in order to affirm the patent damages award.

Cochlear misstates the law when it claims “the Federal Circuit’s summary affirmance confirms that it has spoken definitively on this question” of the “Book of Wisdom” because “[s]ummary affirmance in the Federal Circuit is limited to cases ‘when the position of one party is so clearly correct as a matter of law that no substantial question regarding the outcome of the appeal exists.’” Pet. 20 (citing *Joshua v. United States*, 17 F.3d 378, 380 (Fed. Cir. 1994)). But *Joshua* is inapposite, because there the Federal Circuit relied on Fed.

R. App. P. 2 (allowing expedited appellate decisions), not Fed. Cir. R. 36 (summary affirmance).

In contrast to an expedited appellate decision, summary affirmance “simply confirms that the trial court entered the correct judgment. It does not endorse or reject any specific part of the trial court’s reasoning.” *Rates Tech., Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012).

In any event, the district court’s refusal to disturb the jury’s damages award was clearly correct for reasons having nothing to do with *Sinclair*. By affirming without opinion, the Federal Circuit decided only that “the evidence supporting the jury’s verdict [was] sufficient.” Fed. Cir. R. 36(b). But nothing in the record shows that the Federal Circuit relied on *Sinclair* to find sufficient evidence to sustain the damages verdict.

The “book of wisdom” evidence played a role in only one of the alternative damage quantifications done by respondents’ expert, Elsten. Her “market approach” calculation focused on comparable license agreements, in which she valued the AB stock the Foundation received as part of the consideration for its 1999 license. But this stock valuation played no role in her “income approach,” which quantified the profit premium Cochlear earned from its infringement, or in her consideration of Cochlear’s urgent need for the patented technology at the time of the hypothetical negotiation that would have driven it to pay top dollar for a license.

Hence, the court of appeals did not need to consider the proper role of the book of wisdom. This Court does not ordinarily consider issues that were neither decided by the court of appeals nor necessary to that court's judgment. *Holly Farms Corp. v. NLRB*, 517 U.S. 392, 400 n.7 (1996). Thus, this case does not provide a suitable vehicle to revisit *Sinclair*.

**1. *Sinclair* Has Nothing To Do With Damages Measured By Petitioners' Income From Infringement**

Elsten's "income approach" "put[] a value on a patent depending on its ability to cont[ribute] to profit, to generate profits for the company that uses it." C.A. App. 1579. None of Elsten's three distinct "income" analyses relied on the value of AB's stock or the terms of AB's license with the Foundation. C.A. App. 1580-1585. First, Elsten found that Cochlear's infringing products with back-telemetry had an "average gross margin of 90 percent"—17.3% higher than its comparable noninfringing products without back-telemetry. C.A. App. 1584-1585. Second, Elsten determined that "[C]ochlear's infringing sales" had profit margins between 16% and 33% "over industry standard" in the electromechanical and electrotherapeutic-apparatus industries. C.A. App. 1581. Third, accounting for Cochlear's operating expenses, Elsten found "[C]ochlear's infringing product[s] earned about an 18 percent premium over industry standard." C.A. App. 1583. The district court relied on this income-approach evidence as a basis to reinstate the damages verdict. Pet. App. 78a-79a.

The petition does not contend that the income approach implicates *Sinclair* or failed to provide a basis for the jury's reasonable royalty rate of 7.5%. And in any event, any such argument would be both waived and wrong.<sup>2</sup>

## **2. *Sinclair* Has Nothing To Do With Damages Demonstrated By Shifting Market Shares**

*Sinclair's* book of wisdom also does not implicate the extensive evidence that Cochlear desperately needed back-telemetry at the time of the hypothetical negotiation to stem its eroding profits and market share. Pet. App. 85a.

As the district court correctly recognized, “the jury could have concluded that Cochlear, having lost 30% of its market in one year to the device that incorporated the patented technology, would have been more than willing to pay a royalty rate larger than the one to two percent defendant believes is appropriate.” Pet. App. 85a.

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<sup>2</sup> In the district court, petitioners did not object to the income-approach analysis on the basis that it implicated the book of wisdom, despite filing *Daubert* challenges (No. CV07-8108 FMO (SHx) (C.D.C.A.), Docs. 293, 313) and a new-trial motion (*ibid.*, Doc. 508). Petitioners did not even suggest the profit evidence Elsten relied upon was not reasonably foreseeable, until their reply brief in the court of appeals. Cochlear C.A. Reply Br. 18. In any event, the income-generating potential of back-telemetry was apparent and foreseeable at the time of the hypothetical negotiation in 1998, given that AB's Clarion had already taken 30% of Cochlear's market share.

### **3. Petitioners' Expert Provided Another Basis For Damages Independent Of *Sinclair***

Testimony by petitioners' expert also supports the verdict without implicating *Sinclair*. The expert studied "458 pharmaceutical and biotech licenses \* \* \* [and] found the average royalty rate to be 7%." Pet. App. 84a n.22. That shows the verdict royalty of 7.5% is commercially reasonable and justified, particularly given Cochlear's desperate need for a license.

#### **B. The Petition Seeks A Fact-Bound Review Of The District Court's Application Of The Book Of Wisdom To Patent Infringement Damages**

Certiorari is also unwarranted because Cochlear does not articulate a rule of law, but seeks only a fact-bound assessment of *Sinclair's* potential application to the unique record of this case. The Court does not generally address purported misapplications of a correctly stated rule of law to particular facts. Here, the court of appeals neither stated the rule of law nor relied on it, making the decision below an inappropriate vehicle to address the application of *Sinclair*.

Cochlear does not dispute that "book of wisdom" evidence may be considered when determining a reasonable royalty. Cochlear itself used the 1999 license between respondents to calculate the reasonable royalty for a hypothetical license in 1998, yet asks this Court to exclude 2004 market evidence. That requires

only a fact-bound review of the application of *Sinclair* to a particular record—something this Court does not sit to do.

**1. The Court Of Appeals’ Application Of *Sinclair* To Other Patent Infringement Cases Provides No Reason For This Court’s Intervention**

The petition does not show a need for review to arrest recurring misapplication of *Sinclair*. Cochlear’s own authorities confirm this.

Cochlear does not argue that *Sinclair* does not apply to patent infringement cases. Nor could it: two authorities it cites approve using *Sinclair* in patent cases. The FTC approved use of “[s]ubsequent events \* \* \* as evidence (a ‘book of wisdom’) shedding light on the expectations that would have guided the parties during negotiation.” FTC, *The Evolving IP Marketplace* 166-167 (Mar. 2011) (citing *Sinclair*). And the Cotter article recognized that “evidence of [ex post] developments sometimes may be helpful in reconstructing the terms of the hypothetical negotiation.” Thomas F. Cotter, *Four Principles for Calculating Reasonable Royalties in Patent Infringement Litigation*, 27 *Santa Clara Comput. & High Tech. L.J.* 725, 754-755 n.134 (2011).

The petition (at 12, 15) suggests that the Federal Circuit has misapplied *Sinclair*, but the principal cited case, *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988), simply follows *Sinclair* in recognizing that, on occasion, a court may properly

“look to events and facts that occurred” after a hypothetical negotiation. *Id.* at 1575-1576.

Nor has the Federal Circuit sanctioned unrestricted use of “book of wisdom” evidence. See *Aqua Shield v. Inter Pool Cover Team*, 774 F.3d 766, 772 (Fed. Cir. 2014) (book of wisdom evidence appropriately considered when “reliable, relevant, and not unduly prejudicial”). Indeed, the only article the petition cites that is hostile to use of *Sinclair* concludes that the “correct approach” to the use of “post-hypothetical negotiation facts” in “the reasonable royalty determination” appears “in the more recent Federal Circuit cases.” Mark A. Glick, *et al.*, *The “Book of Wisdom” Contains Little Wisdom And Creates Significant Risk of Bias*, 27 Fed. Cir. B.J. 1, 29 n.180 (2017). The petition shows only that, in applying *Sinclair*, the Federal Circuit has reached differing results when evaluating different evidence under the correct rule of law. That is no basis for this Court’s review.

## **2. *Sinclair* Was Applied Appropriately In This Case**

This case is a poor vehicle to examine use of *Sinclair*’s book of wisdom in infringement cases.

*Sinclair* considered the value of a patent license after “years have gone by before the evidence is offered,” and there were “no contemporaneous sales to express the market value of an invention that derives from its novelty its patentable quality.” 289 U.S. at

697-698. That describes Elsten’s “market approach” in this case.

The Foundation’s business model is to license its technology in exchange for future royalties and equity in the licensing companies. C.A. App. 1157-1158; see *id.* at 1528. The district court noted that the 1999 license depended in part on an “IP for Equity” arrangement. Pet. App. 81a-82a & n.20. The receipt of stock as consideration for the license necessarily raised questions about the parties’ expectations for its value. Thus, the court appropriately recognized the relevance of *Sinclair’s* book of wisdom as a legitimate way to corroborate the AB stock’s reasonably expected value at the time of the license. *Id.* at 80a-81a, 86a-87a.

Before 2004, there was no publicly traded market value for the privately held AB stock. But the record supports an expectation at the time of the hypothetical negotiation in 1998 that the stock had significant value. By contributing its innovative and critically-important technology to the recently formed AB in exchange for stock, the Foundation reasonably expected that the stock would prove to have substantial worth. This expectation was reinforced by AB’s position in 1998 as only the second of two competitors with FDA-approved cochlear implants, and by AB’s demonstrated success in the market. And the Foundation’s founder predicted a larger company would ultimately buy AB. C.A. App. 1568-1570. As the district court recognized, “the value of AB stock at the time of” AB’s acquisition in 2004, the first arm’s-length market valuation, “was an objective data point to consider in determining

what the reasonable royalty should be.” Pet. App. 85a-86a; see also *id.* at 81a, 87a.

Petitioners contend that only one data point was permissible: the static book “1999 valuation of \$2.80 per share for Advanced Bionics stock.” Pet. 5. But book value is not market value. In concluding that this book price did not reflect the Foundation’s reasonable expectations for the value of the patent, Elsten and the district court correctly recognized that “once you decide to accept equity as compensation \* \* \* you’re introducing an element of the future,” thus justifying consideration of “future expectations.” Pet. App. 84a; see C.A. App. 1570, 1621-1623. Like the market-based value in 2004, book value was simply another data point that Elsten, the jury, and the district court could take into account. Nothing in this distinctively fact-bound determination of the value of privately held stock warrants review.

## **II. The Summary Affirmance Does Not Implicate The General Verdict Rule**

Taking their cue from Don Quixote, petitioners seek review of an affirmance without opinion purportedly presenting for review an asserted conflict among court of appeals decisions involving general verdicts. This Court, however, has already denied petitions from at least eleven *published decisions* purportedly raising the same issue, including three from the Federal

Circuit and five that the petition cited without noting that certiorari had been denied.<sup>3</sup>

The decision in this case is an especially poor vehicle because the Federal Circuit’s affirmance without opinion “does not endorse or reject any specific part of the trial court’s reasoning.” *Phil-Insul Corp. v. Airlite Plastics Co.*, 854 F.3d 1344, 1355 (Fed. Cir. 2017). The trial court found waiver because petitioners insisted (over objection) upon a special verdict form that did not break out damages by patent. In addition, the undisputed evidence confirmed that the valid patent alone sufficed to sustain all awarded damages. Review

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<sup>3</sup> *Knapp v. Ernst & Whinney*, 90 F.3d 1431 (9th Cir. 1996), cert. denied, 519 U.S. 1112 (1997) (cited in Cochlear’s petition); *Hurley v. Atl. City Police Dep’t*, 174 F.3d 95 (3d Cir. 1999), cert. denied, 528 U.S. 1074 (2000) (same); *Chowdhury v. Worldtel Bangladesh Holding, Ltd.*, 746 F.3d 42 (2d Cir. 2014), cert. denied, 574 U.S. 958 (2014) (same); *Tire Eng’g & Distribution, LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012), cert. denied, 568 U.S. 1087 (2013) (same); *Loesel v. City of Frankenthuth*, 692 F.3d 452 (6th Cir. 2012), cert. denied, 568 U.S. 1089 (2013) (same); *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 757 F.3d 1366 (Fed. Cir. 2014), cert. denied, 575 U.S. 962 (2015); *Lancer Ins. Co. v. D.W. Ferguson & Assocs.*, 46 F.3d 1142 (9th Cir. 1995), cert. denied, 516 U.S. 823 (1995); *Regions Bank v. BMW N. Am., Inc.*, 406 F.3d 978 (8th Cir. 2005), cert. denied, 546 U.S. 1032 (2005); *Dominguez v. Hendley*, 545 F.3d 585 (7th Cir. 2008), cert. denied, 556 U.S. 1235 (2009); *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247 (Fed. Cir. 2004), cert. denied, 543 U.S. 1050 (2005); *Mitsubishi Elec. Corp. v. Ampex Corp.*, 190 F.3d 1300 (Fed. Cir. 1999), cert. denied, 529 U.S. 1054 (2000). See also *Morse v. Fusto*, 804 F.3d 538 (2d Cir. 2015) (general verdict challenge waived), cert. denied, 137 S. Ct. 126 (2016); *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 757 F.3d 1366 (Fed. Cir. 2014) (same), cert. denied, 575 U.S. 962 (2015).

of petitioners' second question presented is inappropriate given the factually distinct determination of damages here and petitioners' forfeiture of the questions it would have this Court address.

**A. Petitioners Repeatedly Forfeited Their Arguments Based On The Form Of The Jury's Verdict**

The district court concluded that petitioners “waive[d] or forfeit[ed]” the issue of the single damages award by insisting—over the suggestion of the district court and the objection of respondents—that the jury make a single award of damages for infringement of “either” asserted patent. Pet. App. 59a. The summary affirmance of the district court's rejection of a belated attack on the form of the verdict was justified based on that finding alone.

This Court does not review invited errors. On the contrary, certiorari granted to review such errors will be dismissed as improvidently granted. *City of Springfield, Mass. v. Kibbe*, 480 U.S. 257, 258-259 (1987) (per curiam) (dismissing as improvidently granted where “petitioner did not object to the jury instruction,” “proposed its own instruction to the same effect,” and did not “argue for a higher standard” on appeal).

**1. Over Respondents' Objection, Petitioners Persuaded The District Court To Use The Verdict Form Requiring The Same Royalty Whether One Or Both Patents Were Infringed**

Contrary to amici's claim (Brief for Intellectual Property Professors as *Amicus Curiae* ("Amicus Br.") at 6), Cochlear did not simply go along with the verdict form used here. Cochlear repeatedly proposed forms containing virtually the same damages interrogatory found in the verdict:

- (1) "If you find that the Cochlear Defendants have infringed a valid claim of *either the '616 patent or the '691 patent*, what is the reasonable royalty rate that the Cochlear Defendants should pay to the Foundation?" and (2) "If you find that the Cochlear Defendants have infringed a valid claim of *either the '616 patent or the '691 patent*, what are the total damages that the Cochlear Defendants should pay to the Foundation?"

Pet. App. 65a-66a (emphasis in original). Petitioners insisted on this form even after the district court admonished the parties to "break[] down each issue as much as possible where appropriate, such that if the court has to undo any finding by the jury, for example, the damages in post-trial motion, the Court can do so with a clean record." C.A. App. 5258. Respondents proposed a verdict form that would have assessed damages claim by claim. C.A. App. 5233-5234. Petitioners convinced the district court *not* to use that form, and

secured use of their own form over respondents' objections.

Consequently, the district court correctly found "waiver or forfeiture \* \* \* because the verdict form offered by [Cochlear] tracked the language in the form ultimately given." Pet. App. 59a (internal quotations and citations omitted).

As the district court recognized (*ibid.*), petitioners brought any uncertainty upon themselves. They cannot "play procedural brinkmanship with the jury system and take advantage of uncertainties they could well have avoided." Pet. App. 35a (Newman, J., dissenting in part) (quoting *McCord v. Maguire*, 873 F.2d 1271, 1274 (9th Cir. 1989)).

## **2. In The Court Of Appeals, Petitioners Did Not Contest The District Court's "Waiver Or Forfeiture" Finding**

Petitioners did not contest the district court's conclusion that they invited the form of the verdict, forfeiting any challenge arising from its use. Cochlear expressly did "not premise its damages arguments on the format of the verdict form," Cochlear C.A. Br. 48, arguing instead that respondents' damages expert did not apportion the value of the patented invention found infringed.

This Court "generally do[es] not address arguments that were not the basis for the decision below."

*Holly Farms*, 517 U.S. at 400 n.7 (quoting *Matsushita Elec. Indus. Co. v. Epstein*, 516 U.S. 367, 379 (1996)). Petitioners provide no reason to depart from the Court’s usual practice.

### **3. No Court Of Appeals Has Held That Challenges To General Damages Awards Are Categorically Immune From Waiver Or Forfeiture**

Petitioners assert a circuit split on whether an appellant may seek reversal of a general verdict even when it sought that verdict, claiming a “need for guidance from this Court.” Pet. 31. But none of the circuits that supposedly excuse waiver has excused a party that not only acceded to a general damages verdict, but also successfully resisted the use of a *special* verdict form that would have removed the claimed uncertainty.

The First, Second, Third, and Eighth Circuits are not “hopelessly split” from the four circuits that require a party seeking reversal of a judgment based on a general verdict to preserve the argument by requesting a special verdict or otherwise objecting. Pet. 31. The Second Circuit has held “the general-verdict rule is subject to waiver.” *Morse v. Fusto*, 804 F.3d 538, 553 (2d Cir. 2015). The Eighth Circuit held much the same in *General Industries Corp. v. Hartz Mountain Corp.*,

810 F.2d 795, 801 (8th Cir. 1987).<sup>4</sup> The Third Circuit avoided the waiver issue in *Brokerage Concepts, Inc. v. U.S. Healthcare, Inc.*, 140 F.3d 494, 534 (3d Cir. 1988) because under the facts of that case there was “no basis on which defendants could have objected to th[e] portion of the instruction” held erroneous on appeal.

And while the First Circuit declined to adopt “a uniform obligation to ask for a special verdict, or have relevant claims of error forfeited by appellant,” *Gillespie v. Sears, Roebuck & Co.*, 386 F.3d 21, 31 (1st Cir. 2004), it has not excused a party who successfully insisted on a general damages verdict over the opposition of its opponent (not to mention, here, the suggestion of the district court). On the contrary, the First Circuit recognized that, when the relevant special verdict is “feasible and desirable, one of the parties ordinarily has an incentive to ask for a special verdict; and, if no one does, the judge can insist.” *Ibid.*

Here, respondents asked for a verdict form that assigned damages for each patent. The district court suggested that approach, but yielded to petitioners’ insistence on a single, undifferentiated damages award. Nothing suggests that the verdict scenario in this case would have produced a different outcome in another circuit. Here, a different and more detailed special

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<sup>4</sup> *Friedman & Friedman, Ltd. v. Tim McCandless, Inc.*, 606 F.3d 494 (8th Cir. 2010), which Cochlear cites, merely states that the Eighth Circuit has “not necessarily required an objection at trial in order to address problems arising from the way in which the case was submitted.” *Id.* at 501 n.4 (emphasis added).

verdict on damages was not only “feasible,” but was proposed; it failed only because of petitioners’ resistance.

#### **4. Petitioners Waived Their Argument That They Are Categorically Entitled To A New Trial On Damages**

Cochlear also waived the argument that it is never proper for courts to consider in appropriate cases whether judgment on a general verdict may be affirmed because the record shows an error-free basis capable of supporting it. In entering judgment on the damages verdict, the district court used future Justice Kennedy’s four-factor analysis in *Traver v. Meshriy*, 627 F.2d 934 (9th Cir. 1980). Pet. App. 70a-75a. At that time “Cochlear d[id] not mention or discuss the *Traver* factors at all,” *id.* at 71a, and it told the Federal Circuit, without mentioning *Baldwin* or any similar case, that *Traver* was irrelevant to the issues that it chose to appeal.

Cochlear now attacks *Traver* as “controversial from the start,” “idiosyncratic,” and unsupported in light of *Baldwin*. Pet. 25-26. But this Court does not grant review of questions not pressed or passed upon below. See *Illinois v. Gates*, 462 U.S. 213, 223-224 (1983); *Kamen v. Kemper Fin. Servs., Inc.*, 500 U.S. 90, 97 n.4, 109 n.10 (1991).

**B. The Special Liability Verdict Here Presents No Issue Under The General Verdict Rule**

This case does not present any question under *Baldwin*, because no general verdict was rendered.

As Cochlear acknowledges, *Baldwin* concerns general verdicts on *liability* in cases where “it is impossible to know, in view of the general verdict returned whether the jury imposed liability on a permissible or an impermissible ground.” *Exxon Shipping Co. v. Baker*, 554 U.S. 471, 482 n.3 (2008) (quoting *Greenbelt Coop. Publ’g Ass’n v. Bresler*, 398 U.S. 6, 11 (1970)); see also *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 459-460 & n.10 (1993); *City of Columbia v. Omni Outdoor Advert., Inc.*, 499 U.S. 365, 384 (1991); *Sunkist Growers, Inc. v. Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19, 29-30 (1962); *United New York & New Jersey Sandy Hook Pilots Ass’n v. Halecki*, 358 U.S. 613, 619 (1959); *Wilmington Star Mining Co. v. Fulton*, 205 U.S. 60, 78-79 (1907).

But it is not impossible here. The jury submitted a special liability verdict, answering twenty-six detailed interrogatories, twelve of which asked on a claim-by-claim, product-by-product basis, whether Cochlear directly and indirectly infringed. C.A. App. 243-254. The jury also answered two damages interrogatories that “simply asked the jury to find the royalty rate and total damages if Cochlear infringed ‘a valid claim of *either* the ’616 patent *or* the ’691 patent.’” Pet. App. 65a (emphasis in original); C.A. App.

253. This is a special damages interrogatory seeking the damages attributable to infringement of “either” patent. A true general damages verdict would have asked the jury to award a single sum of damages for infringement of *all* valid claims of *both* the ’616 patent *and* the ’691 patent.

This case also does not present the general liability verdict question because the proof required to establish damages as opposed to liability is held to a less exacting standard. See *Eastman Kodak Co. of N.Y. v. S. Photo Materials Co.*, 273 U.S. 359, 379 (1927). Consequently, when a party cannot make a strong showing that one basis for damages prejudiced the outcome, “proper respect for the role of the jury and the discretion of the trial judge favors construing a general [damages] verdict in behalf of the prevailing party.” *Landes Constr. Co. v. Royal Bank of Can.*, 833 F.2d 1365, 1373 (9th Cir. 1987).

Thus, the damages quantification here does not present the question Cochlear tenders because it does not involve a general verdict used to impose a judgment that might rest on an invalid theory of liability.

**C. This Case Is Not An Appropriate Vehicle To Consider The Exception To The Harmless Error Rule That Petitioners Advocate**

Cochlear maintains that “[t]his Court has never suggested that a ‘harmless error’ exception applies to the general verdict rule.” Pet. 23. In fact, the Court

did exactly that in *Memphis Community School District v. Stachura*, 477 U.S. 299, 312-313 (1986), in which it remanded for a new trial on damages only after concluding that an erroneous damages instruction was not “harmless.” Invoking authorities that call for harmless error analysis, 28 U.S.C. § 2111 and *McDonough Power Equipment, Inc. v. Greenwood*, 464 U.S. 548 (1984), this Court concluded that general verdicts often make it hard to know what the jury did, but *not* always. *Memphis*, 477 U.S. at 312. The Court proceeded to conduct a fact-specific inquiry and to conclude that harm was established because the jury awarded more than the economic damages that could have been justified under proper instructions. *Id.* at 312-313.

Moreover, petitioners’ harmless error arguments put the cart before the horse. Even if the general verdict rule they advocate applied to damages awards on special liability verdicts, the rule of reversal would extend only “when it is impossible to know, in view of the general verdict returned whether the jury imposed [damages] on a permissible or an impermissible ground.” *Exxon Shipping*, 554 U.S. at 482 n.3. But it is not impossible here. Rather, there is certainty that the jury awarded a royalty rate of 7.5% for infringement of the ’616 patent alone.

As noted above, all of the accused products sold throughout the entire damages period infringed both asserted claims of the ’616 patent, encompassing the entire royalty base used by both experts. C.A. App. 1486-1487. While the ’616 patent generated royalties over the entire damages period, the ’691 patent only

did so for a fraction of this period. The Foundation provided notice of the infringement of the '616 patent in 2003, but only gave notice of infringement of the '691 patent by asserting it in the lawsuit. The '691 patent expired in September 2009, while the '616 patent expired in March 2014. C.A. App. 1085. The jury was instructed that, from the expiration of the '691 patent in late 2009 through early 2014, damages could be based solely on infringement of the '616 patent. See *ibid.* As the district court noted, each damages expert “used the same royalty base,” “put forth a single, although different, royalty rate for the entire period,” and their competing royalty rates were “constant” and “did not change after the '691 patent expired in 2009.” Pet. App. 69a, 73a.

By determining that a single royalty rate applied throughout the entire damages period, the jury *necessarily* concluded that 7.5% is the rate for infringement of the '616 patent alone. Thus, infringement of the '616 patent sufficed to sustain the entire damages award.

This interpretation does not, as amici contend, constitute an impermissible determination that infringement of the '691 patent caused no damages. Amicus Br. 4. The '616 and '691 patents are each blocking patents that would have precluded Cochlear from using its infringing back-telemetry feature. Whether Cochlear was barred from using the infringing feature by one patent or both does not affect the royalty Cochlear would have paid to access back-telemetry. That is why each expert provided a single, constant royalty rate that represented what Cochlear would

have paid for the right to use this infringing back-telemetry feature even after the '691 patent had expired and only the '616 patent remained to support the royalty.

As Judge Newman correctly recognized, “[t]he evidence, instructions, and damages theories presented led the jury to a single, permissible conclusion: that a reasonable royalty for the invention—back telemetry—was required to compensate the Foundation for infringement of *even a single claim*.” Pet. App. 36a (emphasis added). Petitioners never “pointed to anywhere in the record where its expert opined that a different royalty rate should be applied if fewer than all claims were infringed.” *Id.* at 69a. Thus, “infringement of any one claim or of any one patent is sufficient to support the jury’s damages verdict.” *Id.* at 65a.<sup>5</sup>

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<sup>5</sup> Notwithstanding the supposed “traditional approach” of vacating a damages judgment when one patent liability claim is set aside (Amicus Br. 3), the analysis here is consistent with the Federal Circuit’s fact-specific determinations in other cases upholding infringement damage awards when they are fully supported by a surviving subset of asserted claims. *E.g., TiVo, Inc. v. EchoStar Commc’ns Corp.*, 516 F.3d 1290, 1312 (Fed. Cir. 2008) (refusing to order a new damages trial even though infringement as to two of four claims was reversed “[b]ecause the damages calculation at trial was not predicated on the infringement of particular claims, and because \* \* \* all of the accused devices infringe the software claims”).

### **III. There Is No Basis For Reversal To Undertake Further Apportionment Of Damages**

Seeking summary reversal, petitioners contend that the damages awarded are excessive because they were not apportioned to cover the value of the infringing technology only. Pet. 32-33. The record belies that contention, which in any event was waived.

#### **A. Petitioners Waived Any Claim To Review**

First, petitioners waived the third question presented. Their apportionment argument is, in part, that the royalty rate was applied to “an unapportioned royalty base that included the entire value of Cochlear’s infringing product.” Pet. 33. But the district court found Cochlear “waived its contentions of error” because “both experts relied on the same royalty base and Cochlear did not put forth any evidence of an alternative royalty base.” Pet. App. 89a.

Cochlear did not challenge the waiver finding on appeal, and does not mention it here, let alone explain how it is not grounds to deny review.

#### **B. The Federal Circuit’s Summary Affirmance Does Not Present Any Apportionment Issue**

As noted above (at Topic I.A), the summary affirmance decides only that the case outcome was correct. Here, the extensive evidence apportioning damages to

the infringing features of Cochlear’s products leaves no basis to conclude that the Federal Circuit bypassed the requirement of proper apportionment. As the district court noted, “Cochlear generated significant profits and revenue from selling the infringing products—over \$1.8 billion in revenue with profit between 75% and 92%.” Pet. App. 117a. The jury’s reasonable royalty of 7.5% is a very small proportion of the enormous profits Cochlear realized by copying the Foundation’s patented technology. *Id.* at 116a-118a.

Respondents’ expert Elsten provided alternative bases to quantify damages, including an income approach that evaluated damages based on the enhanced profits Cochlear earned from use of the infringing back-telemetry feature. Topic I.A.1, *supra*. Those calculations isolated the impact of the infringing back-telemetry feature, finding a profit premium of at least 16% over the already-high profits petitioners earned from non-infringing products, and assigning less than half that amount as the reasonable royalty.

Elsten also conducted an extensive *Georgia-Pacific* analysis to determine her ultimate damages amount. C.A. App. 1592-1604. She separately analyzed the impact of each factor on her royalty rate. *Ibid.* This analysis is designed to focus the damages on only the contributions of patented technology and to exclude contributions from other sources. *Exmark Mfg. Co. v. Briggs & Stratton Power Grp., LLC*, 879 F.3d 1332, 1349 (Fed. Cir. 2018) (“[T]he standard *Georgia-Pacific* reasonable royalty analysis takes account of

the importance of the inventive contribution in determining the royalty rate that would have emerged from the hypothetical negotiation.”) (quoting *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1338 (Fed. Cir. 2015)); *Sprint Commc’ns Co., L.P. v. Time Warner Cable, Inc.*, 760 F. App’x 977, 983 (Fed. Cir. 2019), cert. denied, 140 S. Ct. 467 (2019) (“[T]he objective of apportionment can be achieved in different ways, one of which is through the jury’s determination of an appropriate royalty by applying the so-called *Georgia-Pacific* factors.”).

Petitioners ignore the inherent apportionment of these “income approach” and *Georgia-Pacific* analyses, demanding summary reversal based only on the alleged failure of Elsten’s “market approach” to properly apportion the royalties received for the AB license and her alleged use of the wrong royalty base.

Cochlear argues that crediting back-telemetry for much of the value of the AB license automatically violates damage apportionment because other patents and know-how were included in the license.<sup>6</sup> But apportionment does not mean all patents have equal, or even similar, value. As the district court recognized, there was ample evidence that the value of the AB license “was largely driven by the back telemetry technology.” Pet. App. 78a. That conclusion is buttressed by the undisputed evidence that Cochlear lost 30% of

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<sup>6</sup> Petitioners also suggest a failure to apportion the value of the ’691 patent, but neglect to mention that this patent did not even issue until after the AB license was executed. C.A. App. 1085-1086.

its market share *before* it copied the infringing back-telemetry technology to stem its losses. Topic I.A.2, *supra*. This shows the importance and value of the infringing, back-telemetry technology, as distinguished from the unpatented features of Cochlear’s product.

Other evidence confirms that damages were properly apportioned to the infringed technology. The Foundation received an effective 8.8% royalty for the AB license. C.A. App. 1570. But respondents’ expert conservatively lowered her reasonable royalty rate to 7.5%, thereby leaving “most of the premium gross profits to Cochlear” and ensuring that the royalty was appropriately tied to infringing product features. C.A. App. 1605-1607. Notably, Cochlear agreed that apportionment could be accomplished by adjusting the royalty rate rather than the royalty base. C.A. App. 5574-5577, 5584-5598, 5665-5666. The jury was entitled to credit this evidence and follow this instruction.

And petitioners complain about “an unapportioned royalty base that included the entire value of Cochlear’s infringing products,” Pet. 33, without acknowledging that their own expert used the same revenue base because “it was the only royalty base [he] could come up with.” C.A. App. 2126. The agreed revenue base encompassed only the smallest saleable patent-practicing unit, namely, the implant and external processor. There was no “‘smaller subassembly that you could point to and say, oh, that subassembly by itself practices the patents.’” Pet. App. 90a.

Petitioners also ignore the district court’s conclusion that “the evidence was sufficient to establish that the patented technology formed the basis for its market demand and contributed substantially to the value of the infringing cochlear implant systems.” Pet. App. 91a-92a.

There is no reason for this Court to revisit that fact-bound determination. Factual second-guessing of the kind petitioners seek is not the province of this Court. Where a district court’s decision on a motion for a new trial “was not without support in the record,” “its action should not [be] disturbed by the Court of Appeals.” *Neese v. S. Ry. Co.*, 350 U.S. 77, 77 (1955). With the verdict here amply supported, there is no basis for further review.

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## CONCLUSION

The petition should be denied.

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